



## INTERNATIONAL MARKETING

# SAMPLE MARKETING PLAN

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## 1. Executive Summary

Better Living Products International Inc., Better Living Products for short, is a world-leading designer, manufacturer and marketer of unique, high quality bath and shower organization products for homes worldwide. It is best recognized for its' Award-Winning product, The Dispenser™. During the past two decades, the company has been able to capitalize on the major growth worldwide in home storage and organizational solutions and, in fact, created and pioneered the shower dispenser category. Today, it dominates the category with an 84% market share. It's President, Mike Albo and Executive Vice President, Camillo Caperchione, are the company's leaders and innovators.

Due to the current economic downturn, global exports of The Dispenser™ (YTD 2009 vs. 2008) have dropped by 20.7% in the past year and total company revenue has decreased by 5% (YTD 2009 vs. 2008) (Caperchione, Sept 2009). Exploring new opportunities is always a priority, especially in light of the current global economic situation.

Better Living Products' mission statement is as follows: *“By maximizing the strengths of the worldwide strategic partners in all aspects of its business Better Living Products will continue to build its world-leading brands and market share”*. The corporation has taken a passive export approach in Latin America and reacted to a few sporadic export inquiries which have not lead to consistent sales in that market. If Better Living Products truly wants to explore new Latin American markets it needs to take a more active approach to entering into that market.

Chile has been identified as a targeted country for several reasons. Chile has the most stable political and economic climate in all of Latin America and can be used as a springboard into other countries in the region in the future. Better Living Products can take advantage of Chile's robust retail and home improvement sector and the explosion in the body wash/shower gel category and home storage and organizational solutions on a global scale.

The market entry strategy is to appoint a Chilean distributor located in Santiago with a national distribution network. The costs and risks to Better Living Products associated with this strategy are low and the potential increase in export sales is high. This international marketing plan will provide an overview of the Chilean market and provide a detailed explanation of why this market entry, pricing and promotional strategy fits with Better Living Products' current vision, expectations and overall business strategy.

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## 2. Company Overview

### 2.1 Corporate Overview

Better Living Products began operations in 1991 as the sole Canadian distributor of The Dispenser™. In 1994, a strategic decision was made to purchase the assets of the US parent company that originally developed The Dispenser™. Better Living Products is a private Canadian corporation with its head office and North American distribution centre based in the City of Vaughan, Ontario. A second distribution centre is located in Bönen, Germany and a third in Taoyuna, Taiwan. The Dispenser™ is manufactured in Dong-Guan, China for distribution through one of the 3 centres to more than 50 countries world-wide.

Better Living Products is an excellent example of a corporation that is able to zero in on its core competencies and have a strong vision of where it is headed. As mentioned in the Executive Summary, Better Living Products is a world-leading designer, and marketer of unique, high quality bath and shower organization products for both the home and hospitality industries. It has outsourced many of its operational functions such as the engineering, design and manufacturing of the product (under patent), and sales and distribution in export markets.

Better Living Products has signed a partnership agreement with key distributors in the UK, Spain, & Australia. It has hired a third party agent in Germany to distribute the product throughout the European Union. They have appointed distributors in other markets and the terms of agreement are tailored to each individual market. In the remaining markets it takes a more passive trading approach as well as a reactive approach to appointing distributors by responding to inquiries that land at their offices in Canada. They have seen a tremendous rate of growth in export sales in the past 15 years, from a 15% export representation in 1995 to 73% in 2008. See Figure 1.

Figure 1. Percentage of Export Sales in Relation to Total Sales



## 2.2 Organizational Structure

Better Living Products is a small privately held corporation employing 203 people at its Vaughan head quarters.

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**Figure 2. Better Living Products Organizational Chart, September 2009**

## **2.4 Management Expertise**

The key positions mentioned below would be involved with the appointment and monitoring of a new business venture with a Chilean partner. All four executives would be part of the team which would look at the new market opportunity with a Chilean partner.

Mike Albo, President, is the company leader responsible for all aspects of the business. He spends most of his time on marketing, new product development and financials.

Camillo Caperchione, Executive Vice President, is the sales leader responsible for the day-to-day sales activity and new business development world-wide, strategic partnerships and joint ventures. Mr. Caperchione would take the most active approach in identifying a Chilean distributor that would fit with the objectives of Better Living Products. In addition, he would ultimately be responsible for implementing the action plan and monitoring the results.

Tim Van Lane, Vice President Operations & Procurement, is responsible for purchasing our products, supplies and services; logistics, warehousing, EDI, freight, IT and order processing/customer service.

Noris Mascarin, Director Marketing and Innovation, is responsible for new product development, packaging and marketing communication.

It is felt by Mr. Caperchione that expanding into Chile would not involve an increase in human resources. Current support staff can handle the increase in sales to the Chilean distributor. Depending on the success of the venture, this may have to be re-evaluated at a future date, especially if success in the Chilean market is used as a springboard into neighbouring markets like Peru, Argentina, and Brazil. Perhaps they may want to consider a “champion” to oversee Latin American sales.

## **3. Description of the Product**

### **3.1 Core Product Benefits**

The Dispenser™ is a wall mounted dispenser that releases measured quantities of soaps and shampoos at the push of a button and eliminates the need for traditional plastic bottles that usually clutter bathrooms. It

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offers an esthetic solution to the messy problems of shower bottle clutter. The Dispenser™ products use a unique patented pump technology with a “Lifetime Pump Warranty” which differentiates it from all other competitors and imitators.

The product life cycle appears to be longer than the typical 5 to 10 years. By constantly changing design features within the Dispenser™ category, the product life cycle could be double or triple the typical life cycle. In addition, with the current trend toward more environmental products, the shower dispenser category as a whole should see tremendous growth as consumers and businesses make a move toward eliminating smaller plastic bottles in favor of bulk refill containers. The hotel, health club and cruise ship industries may be heading in that direction as it not only reduces waste for the industry but it also saves on costs.

The product does not require any modifications for the Chilean market. The standard packaging and instructions already appear in English, French and Spanish. (**See Appendix A** for a sample of multilingual warranty and installation instructions). The labels to insert into the dispensers themselves are also in three languages and inserted into each package.

### **3.2 Product Attributes**

The Dispenser™ is a brand with numerous sub brands, from single to multi-chamber dispensers, which comes in several design styles. The simplest single chamber product can be used for shampoo, conditioner, liquid soap, or lotion and is made of chrome and plastic with clear coated labels for easy identification. Other styles feature more elegant designs or include multi-chambers as well as baskets, towel bars, storage hooks, and mirrors for an all-in-one shower solution. (**See Appendix B**).

Other design features include a wall bracket which allows the dispenser to be mounted neatly in the corner or flat on the wall. The product installs in minutes, without tools, and adheres to any wall surface with silicone adhesive and two-way tape which is included with the product.

Packaging is attractive and well designed. Traditionally all of the dispensers were packaged snugly in an attractive cardboard box. Better Living Products has introduced new environmentally friendly packaging for certain retailers which displays the same information but uses a single cardboard backing, 4 plastic screws and can be hung on store hooks.

### **3.3 Support Services**

The Dispenser™ includes a lifetime pump warranty and a two year warranty which guarantees the product to be free of manufacturing defects for the two years from the original date of purchase. Replacement of the

whole unit or any component deemed defective will either be handled by Better Living Products Customer Service Department in Vaughan, Ontario or handled by the representatives in each market. Due to the distance between the two countries, it is advisable for the Chilean distributor to replace the defective unit.

### **3.4 Competitive Advantage**

The Dispenser™ was the first in the market and the brand continues to dominate market share globally with 84% market saturation. (See Figure 3 below) The product is well known and recognized not only in North America but also gaining popularity in the UK, Australia and Germany and many other export markets. The Dispenser™ is the principal brand in Home Depot Canada and Wal-Mart USA, which carries a significant amount of clout in attracting new distributors in new markets.

Another competitive advantage is the quality of The Dispenser™. No other company offers a quality guarantee with a lifetime pump warranty. The smooth reliable pump uses patented technology to distribute a pre-measured amount of liquid every time.

According to Mr. Caperchione, the packaging is also a competitive advantage as it is distinctive and sophisticated, especially compared to other dispensers manufactured in China.

### **Figure 3. Global Brand Market Share – Shower Dispenser Category**

*Source: Bath/Laundry Census – Peachtree Consulting Group, Atlanta Georgia, 2001*

## **4. Target Market - Chile**

### **4.1 Why Chile?**

As part of Better Living Products' strategy to open new markets for its products, the company has identified Latin America as a region that it currently does not actively export to. The recommended market entry strategy for the corporation is to expand into Chile first, test the waters, then use this South American country as the springboard for the rest of the Latin American region in the future.

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Chile is one of the most open and stable economies in the region with an extensive network of free trade agreements thus many Canadian companies consider the Chilean market to be a gateway to regional markets. According to the World Economic Forum, Chile is the most competitive nation in Latin America. It ranks 8<sup>th</sup> in the Business Environment Ranking which signifies that it has the most attractive Business Environment in all of Latin America (World Economic Forum, 2007-2008). Chile has an Economic Freedom Score of 78.3%, which ranks it as the 11<sup>th</sup> freest economy in the world in the 2009 Index and the first in Latin America (The Heritage Foundation, 2009). In addition, Chile has one of the highest Credit Ratings of all of Latin America; Moody's A1, S&P A and Fitch A+ (EDC, Lares, June 2009) and ranks the highest of all the Latin American countries in terms of transparency (Transparency International, Corruption Perceptions Index, 2008). **Appendix C** lists some of Chile's International Ranking for 2009, which includes a comparative rank for Latin America.

The Canada Chile Free Trade Agreement, CCFTA, has been in effect for 12 years. It was Canada's first free trade agreement signed with a Latin American country. Canadian exports and Canadian investment in Chile are well received and there is very little xenophobia as the country openly welcomes trade and investment, which would facilitate the flow of The Dispenser™ to Chile.

In addition, Chile has the most stable political environment of the region and thus was chosen over neighbouring countries such as Argentina & Brazil. Since the end of the Pinochet era and Chile's subsequent return to democracy in 1990, there has been very little political violence.

## **4.2 Market Characteristics**

The Chilean market is attractive for Better Living Products for the following three main reasons:

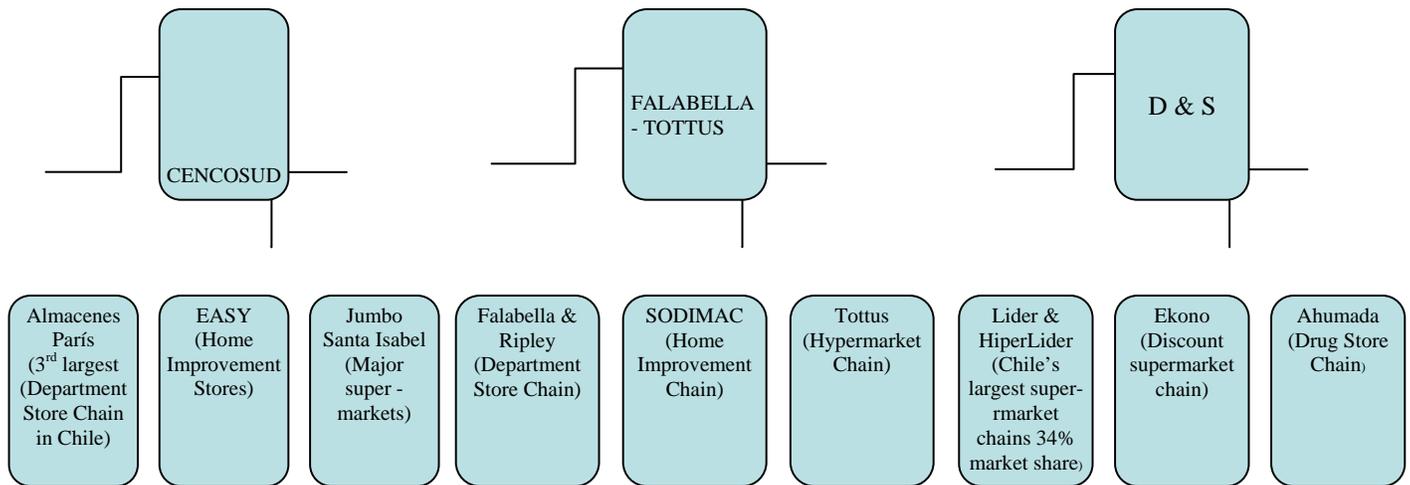
- Chilean retail industry is highly concentrated with 3 major players.
- There is tremendous growth in the home improvement industry
- Chile's home improvement industry is expanding into neighbouring countries
- Low market saturation for the product; competitive products inferior

The retail sector in Chile is highly concentrated. The market continues to consolidate through mergers and acquisitions. The trend over the last three years is leaning towards offering as many products and services as possible in the same location. The controlling chains of supermarkets and hypermarkets have also expanded into drugstore chains, hardware stores and shopping malls, forming three huge retail

conglomerates: Cencosud (Jumbo, Santa Isabel, Paris Department Stores and Easy Homecenter); Falabella-Tottus; D&S (Lider chain, Ekono, Ahumada Drugstores). See figure 4.

A competitive product profile will be discussed in section 7.2.

**Figure 4. Flow Chart of Chilean Retailing Structure**



In addition, there are two major buying groups specifically for the home hardware industry in Chile. The largest is MTS which has its buying office in Santiago and services 40 Hardware retailers with 110 sales outlets throughout Chile. Chilemat has a centralized buying office located in Santiago and services 43 hardware stores with 108 sales outlets throughout Chile.

The growth in home décor and home organization industries in Chile is significant. This is reflected in the quantity and size of the home centre retailers in Chile. The retailing groups Cencosud and Falabella both have their specialized home improvement centres, Easy and Sodimac, as well as home décor departments within their large department stores.

In addition, in January 2009, Wal-Mart acquired 58.2% of the outstanding shares of Distribución y Servicio, D & S, which owns Chile's largest supermarket chains; Lider, Hiper Lider and Ekono. Hiper Lider is a chain of approx. 10000 metre square hypermarkets throughout the country. According to an article published in *El Diario Financiero Chile (March 2009)*, Wal-Mart's strategy is to slowly increase the size of the non-food portion of Lider's offerings, with one area of focus being home organizational products.

The expansion of the Chilean retailing industry into neighbouring countries is evident. Cocosud has opened up Easy Home Improvement stores in Argentina and Columbia, purchased large supermarket chains in Peru and Brazil and is looking for greater expansion in 2010. Falabella-Tottus has expanded its Sodimac Home Improvement chain into Columbia, Peru and Argentina. Falabella is currently the third largest department store in Latin America.

## **5. Market Entry Rationale**

### **5.1 Market Entry Objective**

The objective for Better Living Products is to take advantage of the major growth in sales of home storage and organizational products and become the number one brand of soap/shampoo dispensers in Chile. The Dispenser™ provides a home storage and organizational solution as it eliminates a universal problem of everyday bottle clutter and provides push-button convenience.

The Dispenser™ is an environmentally sound solution for the hospitality industry in Chile. Better Living Products should tap into a distributor with not only a retail network but also a focus on the growing hospitality industry.

### **5.2 Market Entry Rationale**

Historically, the market entry strategy that Better Living Products has typically adopted is to appoint distributors in each of the markets that they actively pursue. The distributor is then responsible for positioning and promoting the product, setting the final price and after-sales service. The rationale is that Better Living Products sees the international distributor as another customer and is willing to relinquish control over the title to and marketing and pricing of The Dispenser™ in overseas markets. This allows the company to concentrate on what it does best which is to design, manufacture and market its unique products.

Better Living Products will provide guidance to the distributor regarding a marketing strategy but ultimately the foreign distributor is responsible for the risks and complexities associated with international marketing, sales and delivery. Outsourcing to a Chilean distributor allows Better Living Products to access the market without having the in-depth knowledge of the channels of distribution in Chile for the product. Since Chileans are loyal to local companies, working through a local distributor is a viable choice. In the study conducted by Austrade in 2009, they cited that D & S and Cencosud, two of the principal retailers in Chile,

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are more inclined to buy international products through a proven importer established in the Chilean market and approved by their buying office.

This market entry strategy is a viable one based not only on commercial objectives in the market but also on the company's financial objectives. Other than the initial outlay of funds required to identify, meet with and appoint the Chilean distributor, there are no substantial incremental costs involved in this market entry strategy. The initial costs of business development would be offset by future sales to Chile.

### **5.3 Target customers**

The principal target customer is the Chilean distributor who would then sell the products to the buying departments of Easy, Sodimac, and Hiper Lider and ultimately their retail customers. These end customers would be predominantly middle class Chilean home owners living in the Greater Santiago Area.

Distribution to secondary customers would include hotels, spas, and health & fitness clubs. The distributor could focus on this simultaneously or establish retail placement first then venture into the hospitality industry.

### **5.4 How to Locate a Distributor**

Seeing as this is Better Living Products' first foray into actively exporting to South America, I would recommend that they contact the Canadian Embassy in Santiago as a first step to determine what type of guidance could be afforded to them. A recommendation from the Canadian Embassy on a well-connected distributor could save a lot of time sifting through the many distributors currently in the market. According to the Canadian Embassy in Santiago, there are approximately 3000 importers currently operating in Chile and some of them also act as export agents. Most are small to medium sized enterprises however there are some larger corporations.

Since Better Living Products is export ready and has researched the Chilean market, they may wish to use the Virtual Trade Commissioner service of the Department of Foreign Affairs and International Trade (DFAIT) at [www.tradecommissioner.ca](http://www.tradecommissioner.ca) to obtain contacts in the market. Contact with the commercial officer at the Canadian Embassy in Chile is vital as they may be able to arrange for one on one business meetings (for a fee). Better Living Products may have more success in allowing the Canadian Embassy to set up business meetings since a referral from the Embassy carries weight in Chile.

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Unfortunately at this time there do not appear to be any relevant trade shows in Chile that Better Living Products could attend as a visitor in the next 12 months. Trade One Chile recently took place (November 2009) and the next show is not scheduled until November 2011. Trade One is a bi-annual multi-industry trade show which encompasses six trade shows all under one roof, including shows focusing on the retail and hospitality industries, which would be relevant for Better Living Products. Waiting for the next show in 2011 may not fit into the company's time lines therefore the direct route to potential business partners via the Canadian Embassy may be a better solution. If a partnership is established with a Chilean distributor in the next 12-18 months, they may wish to exhibit in Trade One in 2011 as a way of showcasing their product in the market. This will be determined at a later date.

Ideally the selected Chilean distributor must have a solid network of contacts in both the retail sector as well as the hospitality sectors in Chile.

## **6. Legal, Political and Cultural Impact**

### **6.1 Political Outlook**

Chile's now-solid economic and political foundations point toward policy stability for the foreseeable future, according to the Export Development Corporation (EDC Economics Chile, June 2009). Chilean President Michelle Bachelet has shown remarkable management of Chile's economy during the current global economic crisis. A run off election in Chile's Presidential race will take place in January 2011, and early polls suggest that the Concertación, the ruling centre-left coalition may win its fifth consecutive term. A change in government is not anticipated to have a major change neither in the political nor economic policies of the country. Furthermore, it is not anticipated that any political factors will influence the marketing plan for the Dispenser™ in Chile.

### **6.2 Economic Outlook**

Chile has felt the effects of the global economic slowdown and it saw its GDP Growth drop to **3.2%** for 2008, and a YTD for January – June 2009 hit -3.4% (Banco Central de Chile). However, according to EDC Economics (Lares, June 2009) the medium – long term outlook for the Chilean economy is positive. A rebound of 2% in GDP growth is expected in 2010.

As mentioned previously, Chile has one of the most stable and open economies in the world and it prides itself for being a role model for the rest of Latin America. For the past two decades, Chile has experienced consistent growth well above its Latin American neighbors during the same period. According to the Canadian Embassy in Santiago, "Chile is a model of free enterprise and has an economy that is very open

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to international trade with a permanent policy of opening new markets. Given the country's high dependence on international commerce, recent domestic reforms, sound monetary and fiscal policies have helped successfully avoid acute financial crisis and global economic instabilities." (Doing Business in Chile, 2006).

### **6.3 Legal/Regulatory Issues**

Chile has a General Tariff of 6% and 95% of imports are tariff free. Under the CCFTA, all goods certified as "Product of Canada" would have a zero tariff. The Dispenser™ (HS 8424.89.70.90) is not, however, a qualifying good under the CCFTA Rules of Origin but rather it is classified as "Product of China". Nevertheless, Chile and China signed a Free Trade Agreement which entered into force in October 2006. Under the Chile China Free Trade Agreement, The Dispenser™ would enter into Chile with a zero tariff. Summary information and a text version of the Agreement are available, in Spanish, at [http://www.direcon.cl/index.php?accion=china\\_esp](http://www.direcon.cl/index.php?accion=china_esp).

Chilean imports are subject to a 19% Value Added Tax (VAT) but this can be recovered via a credit once the product is sold to local retailers. There are no regulatory or legal issues regarding the appointment of a distributor or agent in Chile for The Dispenser™.

Chile's industrial property law (patents, trademarks), passed in 2005, is in line with international standards. However, according to the Canadian Embassy in Santiago, important differences remain compared with Canadian rights (Doing Business in Chile, June 2006). Better Living Products may wish to contact a local Chilean law firm if it wishes to register its industrial property in Chile.

There are no foreign exchange or tax regulations that would significantly impact Better Living Products' marketing plan.

### **6.4 Labelling and Packaging Requirements**

Imported products customarily consumed by the public must display the country of origin before being sold in Chile. They must also bear labels in Spanish with the name of the producer or importer. All sizes and weights of the net contents must be stated in metric units. Better Living Products' current packaging and labeling conform to Chilean labeling and packaging standards.

### **6.5 Business Customs and Practices**

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According to the Canadian Embassy in Chile, “Chilean regulatory systems tend to be very clear and non-interventionist, which ensures that companies and individuals, whether Chilean or foreign, can freely determine the nature of their economic activities. Businesses in Chile are predominantly owned and controlled by private interests. Prices, except those of regulated utilities, are freely set.” (Doing Business in Chile, June 2006) As previously mentioned, Chile ranks very high on the Corruptions Perceptions Index with scores well above their Latin American neighbours and European countries such as Spain, France & Italy. Bribery is not a standard business practice and would be punishable by law.

## **6.6 Cultural Issues**

The official language in Chile is Spanish. Most business people speak English therefore negotiations with a potential business partner most likely would be in English. The predominant religion in Chile is Roman Catholic. Chile’s religious values would not impact the marketing of The Dispenser™ in the country.

A quick look at Geert Hofstede™ 5 Cultural Dimensions reveals a lot about Chilean society. Chile has an Uncertainty Avoidance (UAI) index of 86 which indicates the society’s low level of risk tolerance. Compare this to Canada, with a UAI of 48. Chileans like to control everything and leave very little to the unexpected. They do not readily accept change. This implies that negotiations to find the right distributor could be a long process as time will be needed to convince the Chilean partner that the benefits of a venture outweigh the risks.

Chile’s Individualism Rank (IDV) of 23 is typical of most Latin American countries. Chilean society as a whole is collectivist, not individualist. Loyalty for Chileans is paramount. This is especially important when choosing a distributor. Chileans are nationalistic and as mentioned previously, loyal to local enterprises. One major reason Home Depot failed in Chile and was forced to close its five stores in 2001 is because Chileans were loyal to local companies, like Sodimac, and chose not to shop at Home Depot. Choosing a local partner that is well connected in Chile is the preferred option for The Dispenser™. In addition, once the ideal distributor is chosen, the Chilean partner will be loyal to the goals and objectives of the business venture.

Chile’s Masculinity Index (MAS) of 28, is significantly lower than Canada’s at 52. This would indicate that Chileans experience a lower degree of gender differentiation of roles than Canadians. Mexico, on the other hand, has a MAS of 69, 2<sup>nd</sup> highest in Latin America. This is especially important when choosing a potential distributor. Better Living Products must not underestimate the role females play in Chile, especially in the home improvement and décor industry. Another reason Home Depot failed in Chile was due to its

unwillingness to adapt its format to cater to women. Women are a key consumer group that represents a significant percentage of home channel sales in Chile.

Chilean society is very much a class-based society and membership in clubs (golf, tennis, fitness, and spa) is a big aspect of their culture. Factors such as which golf club someone belongs to, which university they attended, family ties and previous job titles are influential in business circles. It will be important to choose a distributor that is well connected in business circles and has a network of contacts in the hotel, spa & fitness club industries.

## **6.7 Geographical Issues & Infrastructure**

Chile is as long as Canada is wide and with such a diverse geography which includes the driest desert in the world to the north, lush fertile valleys in the central region, volcanoes and glaciers to the south, an extremely high mountain chain to the east (Los Andes) and the Pacific Ocean to the west. As 80% of Chile's economy is controlled from Santiago, most agents and distributors operate from there with offices in other regions.

Technology and connectivity have enabled Chile to overcome some of the natural geographic barriers that exist in the country. Chile is well-connected, with 330 airports and airfields throughout the country, modern highways and high quality ports. Getting to Chile and travel within the country is easy. Additionally, Chile has an excellent telecommunications system, with 3.5 million fixed telephone lines. Internet connectivity has tripled in eight years. Cellular phone usage is extremely high with a penetration rate of almost 88% of the population (Chileinfo.com).

Chile has a well developed retail market. Large and significant supermarkets, pharmacies and department stores are present in the major cities throughout the country.

## 7. Rationale for Pricing and Promotional Mechanisms

### 7.1 Customer Profile

#### ➤ Direct customers for The Dispenser™

Better Living Products' direct customer is a national distributor who currently distributes other products to the major retailers and home improvement centres in Chile. This distributor must have a buyer network in the 3 major retail groups mentioned in Figure 5.1 (Cencosud, Falabella and D &S).

#### ➤ End Users – Retail customers

Approximately 80% of Chile's population lives in the Central Region. The capital, Santiago, has a population of 4.9 million inhabitants, followed by Concepción and the Greater Valparaíso Area with 912,000 and 803,000 inhabitants respectively.

The Chilean market has a strong middle-class which is concentrated in the Greater Santiago Area. According to a study conducted by the Austrade in May 2009, Chile has "GDP per capita of US\$8,500+ per annum, and strong middle-class of 40 per cent of the population, there is also a growing upper class that represents about 1.5 to 2 million consumers. With an estimated family yearly income of US\$50,000+, 60 per cent of them are concentrated in Santiago, and they represent the most valuable consumer target for imported or high value food products." The same can be said of imported consumer home products. Predominantly, the retailers target the Dueña de Casa (female home owner) and professionals in their home improvement stores.

### 7.2 Competitor Profile

After researching via the internet, I was able to find similar products listed in the two main home improvement retailers in Chile, Easy and Sodimac. Department store retailers such as Almacenes París, Ripley and Falabella did not have any soap and shower organizing type dispensers listed in their home décor & bathroom departments and neither did Hiper Lider. Table 7.1 provides a comparative analysis of both design features and price of the Dispenser™ versus competitive models.

**Table 7.1 Competitive Analysis**

	<b>The Competition</b>	<b>The Dispenser™</b>
	<b>EASY</b> <a href="http://www.easy.cl">www.easy.cl</a>	
<b>Single White Basic Clear - Cotidiana Basica</b>	<ul style="list-style-type: none"> <li>▪ Assembly required (screws)</li> <li>▪ Double sided tape not included</li> <li>▪ Inferior pump</li> </ul>	<ul style="list-style-type: none"> <li>▪ Minimal assembly, no screws</li> <li>▪ Double sided tape included</li> <li>▪ Superior pump (patented pump technology)</li> </ul>
Price (converted to US \$/ in US\$)	\$11.98 in store \$10.78 Internet Price	MSRP \$11.99
<b>Single White Chrome Clear- Cotidiana Basica</b>	<ul style="list-style-type: none"> <li>▪ Assembly required (screws)</li> <li>▪ Double sided tape not included</li> <li>▪ Inferior pump</li> </ul>	<ul style="list-style-type: none"> <li>▪ Minimal assembly, no screws</li> <li>▪ Double sided tape included</li> <li>▪ Superior pump (patented pump technology)</li> </ul>
Price (converted to US \$/ in US\$)	\$19.98 in store \$17.98 Internet	MSRP \$15.99
<b>Single White Basic Clear – No Name/ Brand listed</b>	<ul style="list-style-type: none"> <li>▪ basic design, unattractive</li> </ul>	<ul style="list-style-type: none"> <li>▪ Superior design and pump technology</li> </ul>
Price (converted to US \$/ in US\$)	\$13.98 in store \$12.58 Internet Price	MSRP \$11.99
<b>Single White Basic solid white, ABS plastic – San Pietro</b>	<ul style="list-style-type: none"> <li>▪ No label</li> <li>▪ Unattractive Design</li> </ul>	<ul style="list-style-type: none"> <li>▪ Labels</li> <li>▪ Sleek attractive design</li> </ul>
Price (converted to US \$/ in US\$)	\$13.98 In store \$12.58 Internet	MSRP \$14.99
<b>Double white, ABS plastic San Pietro</b>	<ul style="list-style-type: none"> <li>▪ Inferior quality &amp; construction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Superior quality and design</li> </ul>
Price (converted to US \$/ in US\$)	\$21.98 In Store \$19.78 Internet Price	MSRP \$19.99
<b>Double white clear – No Brand</b>	<ul style="list-style-type: none"> <li>▪ Inferior quality and construction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Superior quality and design</li> </ul>
Price (converted to US \$/ in US\$)	13.98 In store 12.58 Internet	MSRP \$19.99
	<b>SODIMAC</b> <a href="http://www.sodimac.cl">www.sodimac.cl</a>	
<b>Triple, clear, white – Ecole</b>	<ul style="list-style-type: none"> <li>▪ Basic design, labels included</li> </ul>	<ul style="list-style-type: none"> <li>▪ Superior quality and design, labels included</li> </ul>
Price (converted to US \$/ in US\$)	\$12.98 In Store	MSRP \$22.99

In general, all of the competitive products available in Chile were more basic, in terms of both design and quality, than the majority of Better Living Products' Dispenser™ product lines. There was very limited selection of products that combined soap, shampoo, and conditioner dispensing with shower organizational products such as those with towel bars, mirrors, hooks, baskets, etc. The category, in general, is under-developed.

### 7.3 Product

The Dispenser™, the pioneer in its category, is a wall mounted dispenser that releases measured quantities of soaps and shampoos at the push of a button and eliminates the need for traditional plastic bottles that usually clutter bathrooms. The Dispenser™ products use a unique patented pump technology with a “Lifetime Pump Warranty” which differentiates it from all other competitors and imitators. The Dispenser™ is a brand with numerous sub brands, from single to multi chamber dispensers, which comes in several design styles.

“The Dispenser™ For Shampoos, Conditioners, Soaps and Lotion” is trademarked along with the product lines Classic™, Clear Choice™, Ulti-Mate™, Aviva™, Wave™, Signature™ as well as the general trade name under which all of these brands fall, “Better Living Products The Organized Bath™”. As well, the company owns other intellectual property such as patents and industrial designs. (see **Appendix B**).

Please refer to section 3 of this International Marketing Plan for a full description of the product characteristics, core product benefits, special attributes, and support services.

### 7.4 Price

The domestic business carries the overhead therefore the export pricing strategy is designed to bring in pure profit from additional sales of the product without incurring substantial incremental costs. Both the Chinese factory and the Vaughan warehouse have the capacity to accommodate for an increase in export sales without significant increases in incremental overhead costs. Staff at the Vaughan headquarters is equipped to handle additional export orders without incurring additional costs.

Export pricing for all markets is quoted as US\$ FOB Vaughan (Toronto, Canada) or US\$ FOB China. Pricing is further broken down by quantities ordered. Export price list is included in **Appendix D**.

The Chilean distributor is free to set the retail price in the Chilean market. A suggested retail price for all markets is listed on Better Living Products’ Export Price list but the Chilean distributor must establish his wholesale price with the Chilean retailers. Typically, in Chile, gross margins are 20-30% each for the importer/distributor and for the retailer. Gross margins are lower for higher priced items and niche markets, typically earning a 5-10% gross margin on their sales. (Doing Business in Chile, 2006).

Better Living Products’ export pricing and suggested retail pricing are in line with present market pricing in Chile, as seen in Table 7.1. The merger between D & S and Wal-Mart may put a squeeze on prices as Wal-

Mart generally aims to offer the lowest prices in any market. Chileans are typically very price sensitive therefore the distributor must monitor this closely and perhaps adjust margins accordingly.

## **7.5 Placement**

The Chilean distributor will be responsible for placing the product in the market as per schedules set out by the major retailers. They will have to effectively manage their supply chain as will Better Living Products, to ensure that there is a steady inventory of product available both in Chile and at the warehouse in Toronto or China. The distributor must be able to meet warehousing and storage requirements as per market demand.

Shipping is always arranged by the distributor. Inco Terms (2000) are EXW Toronto Warehouse or EXW China Factory, or as stated on the Export Price list FOB Toronto or FOB China. The Chilean distributor may choose FOB China because the unit price is substantially less and shipping routes may only be marginally more expensive to Chile from China than from Canada. In addition, the distributor must look at consolidation with other product lines from China and other variables that effect shipping costs. There is a minimum order of US\$ 25,000 for shipments from China and a minimum of 2000 pieces per SKU.

The Chilean distributor will be responsible for freight and insurance, shipping and financing costs. The Toronto office will be responsible for order taking and necessary Canadian documentation.

## **7.6 Promotion**

First and foremost the Chilean distributor must create a strong web presence; a website with a catalogue of the products offered with a link to Better Living Products International Inc. and potentially an e commerce option if it has the capacity to do so. The master distributor in Australia maintains an excellent website complete with testimonials, product listings, wholesaler login, an e-commerce option, a newsletter, and help centre. For your perusal the site can be accessed at [www.thedispenser.com.au](http://www.thedispenser.com.au).

Product promotion will be left to the discretion of the Chilean distributor and the promotional strategies used by the Chilean retailers. Chileans have strong brand recognition with local retailers therefore a distributor must understand local consumers and trends and work closely with the retailers in order to promote the product effectively. Chilean retailers, Easy and Sodimac, have a very strong web presence and simple e commerce options whereby shoppers can use all major credit cards and/or gift cards to make payments online.

Better Living Products International Inc. does not offer any global promotional campaigns. Every campaign is on an individual market basis and expenses incurred are the responsibility of the distributor. Promotional

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tools to consider include trade show participation (Trade One), promotional pack (buy a multi-chamber unit and get a single dispenser unit for free), joint advertising in magazines and store flyers.

### **7.7 After Sales Service**

Better Living Products International Inc. will be responsible for any defects on the manufacture of The Dispenser™ and will honor the 2 year warranty offered on all of its dispenser products, either a replacement of the entire unit or any component deemed to be defective. All aspects of after sales service will be addressed by the Chilean distributor first. The distributor will offer customer service and replace the defective unit or part if necessary then submit records to head quarters for a credit.

### **7.8 Key Personnel Involved**

The Executive Vice President, Mr. Caperchione, would be responsible for developing this market opportunity and executing the market entry strategy. Marketing guidance is available from Mr. Caperchione but the distributor's own team will be responsible for marketing the product in Chile.

## **8. Rationale for Logistics Mechanisms**

### **8.1 Production Processes**

Better Living Products International Inc. has a formal agreement with a manufacturer in China to manufacture The Dispenser™ under exact specifications. Better Living Products in Vaughan, Ontario, places the order and arranges for the shipment of the product to the warehouse in Canada, which is located at their corporate headquarters. The factory in China manufactures on a JIT basis and only a small amount of inventory can be stored at the factory in China. A third party warehouse in China has been used occasionally to store inventory.

The Chilean distributor will order product from the order desk at Better Living Products International Inc., regardless of where they wish the product to be shipped from. If the Chilean distributor wishes to have the product shipped directly from China, the paper work is initiated in Vaughan and the production order will be given to the factory in China by headquarters.

### **8.2 Outsourcing Requirements**

The following table (Table 8.1) outlines the outsourcing requirements for Better Living Products.

**Table 8.1 Outsourcing Requirements**

Outsourcing Requirements	Where Obtained
Engineering & Design	Engineering – Factory located in China Design – local design firms based in Toronto & Montreal
International Market Research	Local consultants commissioned for a specific study
Manufacturing	Manufacturing facility in Dong-Guan, China, which manufactures under the protected patent
Distribution	Distributors appointed in markets outside of North America Distribution Centre in Bönen, Germany Distribution Centre in Taiwan
Warehousing	3 <sup>rd</sup> party warehouse in Bönen, Germany
Freight, transportation & customs brokerage	Freight forwarders Transportation – shipping company Customers brokers

### 8.3 Global Supply Chain and Warehousing

Chinese factory responsible for receiving orders from HQ, sourcing production materials, scheduling production, inspecting goods, and bringing them to port. The warehouse in Vaughan stores inventory for North and South America while the warehouse in Germany is used to store product destined for the European Union.

### 8.4 Ordering/Payment

Payment Terms are typically via Direct Wire Transfer in advance of shipping. Letters of credit may occasionally be used and Visa / MasterCard may also be used for smaller orders. Extended payment terms are offered to the master distributors in Germany and Australia for example.

## **8.5 Shipping & Documentation**

Shipping method discussed previously discussed in section 7.5. A Chile China Certificate of Origin would be required. Additional export documentation would be prepared by the office staff in Vaughan.

## **8.6 Distribution systems**

The Chilean distributor will determine the channels of distribution based on his/her experience in the market and the contacts already established within the different channels.

# **9. Conclusions and Action Plan**

## **9.1 Conclusions**

Although Better Living Products has been enjoying a tremendous amount of success in both its domestic and export markets, it is always looking for ways to expand its business either through the addition of complimentary product lines or expansion into different export markets. The company has typically taken a reactive approach to exporting to Latin America with some occasional orders strictly on a casual basis. The South American continent has been left virtually unexplored.

Chile was chosen as the target market for Latin America due to its economic and political stability. Compared to its South American neighbours, Chile is typically ranked number one on most business indices. Chile has been experiencing robust growth in its retail and hospitality sector and the “green” movement is catching on. Consumer trends in home décor are very similar to those in North America. A strategy was devised to test the waters first in Chile, before venturing into other markets in the region.

The market entry strategy recommended is to appoint a distributor for Chile, preferably someone located in the Greater Santiago Metropolitan area with distribution centres throughout the country. This strategy involves the least amount of risk for Better Living Products since the distributor assumes all of the costs, risks and responsibilities for distributing that product in Chile (title passes to the distributor as soon as the product leaves the Toronto warehouse or Chinese factory) and the Chilean distributor is then free to market the product as they see fit.

If a distribution agreement is reached in the future, export sales to Chile would affect operations by creating additional sales. As mentioned, the manufacturing facility and warehouses and staff at HQ in Vaughan have the capacity to execute additional export sales. The order desk would receive the orders from the Chilean distributor. Export documentation would need to be prepared specifically for Chile. The logistics

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department would be responsible for coordinating shipments to Chile. Accounting would be receiving payments. Warehouse staff would be required to store and/or retrieve the product for the order and the Vice President of Operations would be responsible for overseeing the flow of operations.

Conclusions based on the following SWOT analysis (Table 9.1) would suggest that Better Living Products should enter into the Chilean market via a local distributor.

**Table 9.1 SWOT Analysis**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>- global dominance in the category, the pioneer in North America</li> <li>- wide variety of product lines and price points</li> <li>- after-sales service and life time warranty</li> <li>- established as the only brand of shower dispensers in Wal-Mart USA (recently squeezed out the competition)</li> <li>- superior quality product compared with any product currently offered in Chile</li> <li>- healthy capital and operating budget as well as solid sales and cash flow forecasts</li> </ul>	<ul style="list-style-type: none"> <li>- little knowledge of the market</li> <li>- inexperience in the Chilean &amp; Latin American market</li> <li>- no established contacts nor channels of distribution</li> <li>- total reliance on Chilean distributor to price, place and promote the product &amp; provide after sales service</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>- use success with Wal-Mart USA to open doors with Wal-Mart in Chile (D &amp; S)</li> <li>- Use amount of shelf space allocated to The Dispenser™ in Home Depot Canada as a selling feature to get product in home improvement stores in Chile (Easy, Sodimac)</li> <li>- with the retailing industry expanding into South America, use established contacts to expand the category in other markets</li> <li>- Form partnerships with local companies with complimentary product lines thus fulfilling company objectives</li> <li>- under-developed shower organizational category, room for growth in the market</li> </ul>	<ul style="list-style-type: none"> <li>- other dispensers from China which have a strongly positioned importer/distributor established in Chile</li> <li>- reliance on one distributor in the market, potential threat of their financial instability</li> </ul>

**8.2 Action Plan**

Extensive research into potential partners is required. This may involve some financial and time management costs for the International Sales Department. A budget will be determined after preliminary

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research is conducted. The first step should be to register, at no cost, with the Canadian Embassy in Santiago and access the wealth of information that is available through the Virtual Trade Commissioner. Due diligence should be taken in finding the right distributor. The “right” distributor must have established channels of distribution with the major retailers in Chile and a network of contacts in the hospitality industry which would be beneficial in order to explore that secondary distribution avenue. A sample questionnaire for the determination of potential distributors has been included in **Appendix E**.

A business trip to Chile to meet with potential distributors should be executed within the next 3-6 months and negotiations may take another 3-6 months before a partnership agreement is finalized. After an initial trial period of 3 months, the distributor should establish a strong web presence with a link to Better Living Products International Inc. It may be agreed to allow the Chilean distributor to register the domain [www.thedispenser.cl](http://www.thedispenser.cl). Better Living Products' expectation is to reach a minimum of US\$100,000 in sales within the first 12 months after signing a distribution agreement in Chile.

As mentioned, no product modifications are necessary as packaging and labelling already appear in Spanish.

Testing the waters in Chile may take 1-2 years before the distributor can establish contacts through Chilean retailers in order to supply their retail stores in neighbouring countries. If this happens, the appointment of a “champion” to oversee business in Latin America will be necessary. In the meantime, Mr. Caperchione will oversee the development and monitor the results of this International Marketing Plan to export the Dispenser™ to Chile. There must be a commitment of senior management to make this marketing strategy a success.

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## **Appendix C**

### **International Rankings 2009**

Source [www.chileinfo.com](http://www.chileinfo.com)

*The official website of ProChile – the Export Promotion Bureau of the Chilean Ministry of International Economic Relations)*

#### **Index of Economic Freedom**

Source: Heritage Foundation and Wall Street Journal  
Number of participants: 183  
Chile's ranking: 11  
Chile's ranking in Latin America: 1

#### **Corruption Perceptions Index**

Source: Transparency International  
Number of participants: 180  
Chile's ranking: 23  
Chile's ranking in Latin America: 1 (with Uruguay)

#### **The Global Peace Index**

Source: Vision of Humanity  
Number of participants: 144  
Chile's ranking: 20  
Chile's ranking in Latin America: 1

#### **Doing Business, Ease of Doing Business**

Source: World Bank  
Number of participants: 181  
Chile's ranking: 40  
Chile's ranking in Latin America: 2

#### **The Global Information Technology Report 2008-2009's Networked Readiness Index**

Source: World Economic Forum  
Number of participants: 134  
Chile's ranking: 39  
Chile's ranking in Latin America: 1

#### **Worldwide Press Freedom Index**

Source: Reporters Without Borders  
Number of participants: 173  
Chile's ranking: 56  
Chile's ranking in Latin America: 3

#### **IT Industry Competitiveness Index**

Source: Economist Intelligence Unit  
Number of participants: 66  
Chile's ranking: 30

Chile's ranking in Latin America: 1

#### **Quality of Life Index**

Source: International Living  
Number of participants: 194  
Chile's ranking: 46  
Chile's ranking in Latin America: 6 (with Ecuador)

#### **Global Services Location Index**

Source: A.T. Kearney  
Number of participants: 50  
Chile's ranking: 8  
Chile's ranking in Latin America: 1

#### **Environmental Performance Index**

Source: Yale University/Columbia University  
Number of participants: 149  
Chile's ranking: 29  
Chile's ranking in Latin America: 4

#### **Human Development Index**

Source: United Nations Development Programme  
Number of participants: 179  
Chile's ranking: 40  
Chile's ranking in Latin America: 1

#### **The Enabling Trade Index**

Source: World Economic Forum  
Number of participants: 121  
Chile's ranking: 19  
Chile's ranking in Latin America: 1

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**Appendix D – Export Price List**

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## **Appendix E - Sample Questionnaire for Evaluation of Prospective Distributors**

Source: *International Market Entry and Distribution, 2002*

Question	Details of answer	
What territory does the prospect cover? Does it match the territory targeted by the exporter? How does the prospect cover the territory?		
Does the prospect specialize in any product lines? How does this compare to Better Living Products?		
How many different product lines does the prospect represent? Do any of them compete against The Dispenser™? Is there a potential for a conflict of interest? Does the prospect have any complimentary product lines that may be of interest to Better Living Products in the future?		
How many companies does the prospect represent? What percentage of the prospect's total business would the exporter represent? How does this compare to other suppliers?		
What is the prospect's current customer base? Easy? Sodimac? D & S? Does the prospect have key accounts and what portion of total sales do the key accounts represent?		
How large is the prospect's sales force? Is this sales force adequate to meet Better Living Products' objectives?		
What is the minimum sales volume the prospect needs to justify handling The Dispenser™? How realistic are these volumes?		
How successful has the prospect been in selling current product lines? What are the prospect's sales targets for the coming year?		
Is the prospect qualified to provide after-sales service? Would the prospect be willing to inventory replacement parts?		
Does the prospect operate storage or warehouse facilities? Would these be adequate to handle Better Living Products' requirements? What stock control methods are used?		
Can the prospect provide market intelligence? What advertising media does the prospect use to promote sales? Description of advertising campaigns currently used. Media used?		
Does the prospect have suitable references from other clients? What is the prospect's reputation in the business community (trustworthiness, reliability, effectiveness)?		

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