

After-sales Service



Quality, price, and service are three factors are critical to the success of any export sales effort. Quality and price are addressed in earlier chapters. Service, which is addressed here, should be an integral part of any company's export strategy from the start. Properly handled, service can be a foundation for growth. Ignored or left to chance, it can cause an export effort to fail.

Service is the prompt delivery of the product. It is courteous sales personnel. It is a user or service manual manual modified to meet your customer's needs. It is ready access to a service facility. It is knowledgeable, cost-effective maintenance, repair, or replacement. Service is location. Service is dealer support.

Service varies by the product type, the quality of the product, the price of the product, and the distribution channel employed. For export products that require no service - such as food products, some consumer goods, and commercial disposables - the issue is resolved once distribution channels, quality criteria, and return policies have been identified.

On the other hand, the characteristics of consumer durables and some consumables demand that service be available. For such products, service is a feature expected by the consumer. In fact, foreign buyers of industrial goods typically place service at the forefront of the criteria they evaluate when making a purchase decision.

All foreign markets are sophisticated, and each has its own expectations of suppliers and vendors. U.S. manufacturers or distributors must therefore ensure that their service performance is comparable to that of the predominant competitors in the market. This level of performance is an important determinant in ensuring a reasonable competitive position, given the other factors of product quality, price, promotion, and delivery.

An exporting firm's strategy and market entry decision may dictate that it does not provide after-sale service. It may determine that its export objective is the single or multiple opportunistic entry into export markets. Although this approach may work in the short term, subsequent product offerings will be less successful as buyers recall the failure to provide expected levels of service. As a result, market development and sales expenditures may result in one-time sales.

Service Delivery Options

Service is an important factor in the initial export sale and ongoing success of products in

foreign markets. U.S. firms have many options for the delivery of service to foreign buyers.

A high-cost option - and the most inconvenient for the foreign retail, wholesale, commercial, or industrial buyer - is for the product to be returned to the manufacturing or distribution facility in the United States for service or repair. The buyer incurs a high cost and loses the use of the product for an extended period, while the seller must incur the export cost of the same product a second time to return it. Fortunately, there are practical, cost-effective alternatives to this approach.

If the selected export distribution channel is a joint venture or other partnership arrangement, the overseas partner may have a service or repair capability in the markets to be penetrated. An exporting firm's negotiations and agreements with its partner should include explicit provisions for repairs, maintenance, and warranty service. The cost of providing this service should be negotiated into the agreement.

For goods sold at retail outlets, a preferred service option is to identify and use local service facilities. Though this requires up-front expenses to identify and train local service outlets, the costs are more than repaid in the long run.

For example, a leading Canadian manufacturer of consumer personal care items uses U.S. distributors and sales representatives to generate purchases by large and small retailers across the United States. The products are purchased at retail by individual consumers. The Canadian firm contracted with local consumer electronic repair facilities in leading U.S. cities to provide service or replacement for its product line. Consequently, the manufacturer can include a certificate with each product listing "authorized" local warranty and service centers.

There are administrative, training, and supervisory overhead costs associated with such a warranty and service program. The benefit, however, is that the company is now perceived to be a local company that competes on equal footing with domestic U.S. manufacturers. U.S. exporters should keep this example in mind when entering foreign markets.

Exporting a product into commercial or industrial markets may dictate a different approach. For the many U.S. companies that sell through distributors, selection of a representative to serve a region, a nation, or a market should be based not only on the distributing company's ability to sell effectively but also on its ability and willingness to service the product.

Assessing that ability to service requires that the exporter ask questions about existing service facilities; about the types, models, and age of existing service equipment; about training practices for service personnel; and about the firm's experience in servicing similar products.

If the product being exported is to be sold directly to end users, service and timely performance are critical to success. The nature of the product may require delivery of on-site service to the buyer within very specific time parameters. These are negotiable

issues for which the U.S. exporter must be prepared. Such on-site service may be available from service organizations in the buyer's country; or the exporting company may have to send personnel to the site to provide service. The sales contract should anticipate a reasonable level of on-site service and should include the associated costs. Existing performance and service history can serve as a guide for estimating service and warranty requirements on export sales, and sales can be costed accordingly. This practice is accepted by small and large exporters alike.

At some level of export activity, it may become cost-effective for a U.S. company to establish its own branch or subsidiary operation in the foreign market. The branch or subsidiary may be a one-person operation or a more extensive facility staffed with sales, administration, service, and other personnel, most of whom are local nationals in the market. This high-cost option enables the exporter to ensure sales and service quality, provided that personnel are trained in sales, products, and service on an ongoing basis. The benefits of this option include the control it gives to the exporter and the ability to serve multiple markets in a single region.

Manufacturers of similar or related products may find it cost-effective to consolidate service, training, and support in each export market. Service can be delivered by U.S.-based personnel, a foreign facility under contract, or a jointly owned foreign-based service facility. Despite its cost benefits, this option raises a number of issues. Such joint activity may be interpreted as being in restraint of trade or otherwise market controlling or monopolistic. Exporters that are considering it should therefore obtain competent legal counsel when developing this joint operating arrangement. Exporters may wish to consider obtaining an export trade certificate of review, which provides limited immunity from U.S. antitrust laws.

Legal Considerations

Service is a very important part of many types of representation agreements. For better or worse, the quality of service in a country or region affects the U.S. manufacturer's reputation there.

Quality of service also affects the intellectual property rights of the manufacturer. A trademark is a mark of source, with associated quality and performance. If quality control is not maintained, the manufacturer can lose its rights to the product, because one can argue that, within that foreign market, the manufacturer has abandoned the trademark to the distributor.

It is, therefore, imperative that agreements with a representative be specific about the form of the repair or service facility, the number of people on the staff, inspection provisions, training programs, and payment of costs associated with maintaining a suitable facility. The depth or breadth of a warranty in a given country or region should be tied to the service facility to which the manufacturer has access in that market. It is

important to promise only what can be delivered.

Another part of the representative agreement may detail the training the exporter will provide to its foreign representative. This detail can include frequency of training, who must be trained, where the training is provided, and which party absorbs travel and per diem costs.

New Sales Opportunities and Improved Customer Relations

Foreign buyers of U.S.-manufactured products typically have limited contact with the manufacturer or its personnel. The foreign service facility is, in fact, one of the major contact points between the exporter and the buyer. To a great extent, the U.S. manufacturer's reputation is made by the overseas service facility.

The service experience can be a positive and reinforcing sales and service encounter. It can also be an excellent sales opportunity if the service personnel are trained to take advantage of the situation. Service personnel can help the customer make life cycle decisions regarding the efficient operation of the product, how to update it for more and longer cost-effective operation, and when to replace it as the task expands or changes. Each service contact is an opportunity to educate the customer and expand the exporter's sales opportunities.

Service is also an important aspect of selling solutions and benefits rather than product features. More than one leading U.S. industrial products exporter sells its products as a "tool to do the job" rather than as a "truck" or a "cutting machine" or "software." Service capability enables customers to complete their jobs more efficiently with the exporter's "tool." Training service managers and personnel in this type of thinking vitalizes service facilities and generates new sales opportunities.

Each foreign market offers a unique opportunity for the U.S. exporter. Care and attention to the development of in-country sales and distribution capabilities is paramount. Delivery of after-sales service is critical to the near- and long-term success of the U.S. company's efforts in any market.

Senior personnel should commit to a program of regular travel to each foreign market to meet with the company's representatives, clients, and others who are important to the success of the firm in that market. Among those persons would be the commercial officer at the Commercial Service's post and representatives of the American Chamber of Commerce and the local chamber of commerce or business association.

The benefits of such a program are twofold. First, executive management learns more about the foreign marketplace and the firm's capabilities. Second, the in-country representative appreciates the attention and understands the importance of the foreign market in the exporter's long-term plans. As a result, such visits help build a strong,

productive relationship.

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