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I. Entry Mode; licensing or ~~joint venture~~ alliance
Target Market; Japan

1a) There are various forms of entry in any world market; these run the gamut from minimal (direct export & export agents) to intense operations (acquisitions & wholly owned subsidiaries). For the express purpose of spreading Alga-Aid Ltd's product abroad, there are 2 good starting options:

- ~ Licensing; process by which knowledge is given to another to produce product & receive fees
- ~ ~~joint venture~~ Alliance; working w/ another company to form a mutually beneficial operation

The reason for 2 options depends on assumptions about Alga's product and the target market (discussed in part 1b). Licensing, in general, is a good strategy for a company which may be strong at home, but lacks experience in the international arena. Allowing another company to produce your product within the target market for a set licensing fees, reduces foreign risk exposure. ~~which would be~~ Alliances can be useful for gaining international experience and thereby develop necessary skills for further expansion. Additionally alliances often grant member support which can be useful in dealing w/ the plethora of regulatory issues a pharma company faces when expanding into a new market.

1b) The case states "the algae are plentiful ... process is not expensive. ... alga has NOT been found elsewhere." This infers that the creation process can only occur in Iceland, where the alga can be found. This rules out

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creating in-country fabrication of the product, or more precisely negates the latter entry models (greenfield, acquisitions, etc). This leaves the former options of entry for going abroad. Assuming that the Alga-Aid Ltd products are local to Iceland, then licensing can also be ruled out. This leaves strategic alliances as a good expansion option, especially w/ regards to the target market of Japan.

Japan is a rapidly aging population, and one w/ high standards of living & a society whoms populace lives longer than anyone else. This can be taken at face value that 1) Japanese have disposable income & 2) the longer one lives, the greater the number of operations (or for Alga Ltd- the potential need for their product). While Japan represents a good potential market w/ a need & money, there are various entry barriers; language, culture, logistical, competition, regulatory, to name but a few. Luckily a well chosen alliance can help circumvent some of these issues. For the sake of argument, Iceland ought to choose a well known alliance or larger pharma company doing business in Japan; this could be a conglomerate like Procter & Gamble, an Unilever, or perhaps a more universal pharma giant like Astra-Zeneca, or Pfizer. A good alliance can help alleviate some of the entry problems:

~ language & culture; the alliance has already done business in Japan & can help explain customs (nemawashi, meishi exchange etc). this can help build the key relationships crucial for Japanese business

~ logistics & regulatory; unlike the US & EU systems (w/ the FDA etc), Japan's Ministry of ^{Labor} Health and Welfare has additional regulation, testing, and distribution strategies.

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using an alliance w/ a foothold in Japan can help ease this burden. The alliance can mentor, teach, support, and show the Icelandic company how to work the Japanese system - what ministers to talk to, how to approve patents & testing, how to meet the doctors association & thereby be able to deliver & distribute their products to hospitals, nursing homes, and patients.

Lastly, and most importantly, an alliance w/ a global player will help w/ the key issue of shipping & transport from Iceland to Japan because of the aforementioned requirement that the Alga is only in Iceland. On an aside, an alliance may also lead to a way to synthesize or grow the alga elsewhere, thereby expanding future entry mode options.

II. Assuming successful entry mode (alliance) into a target market (Japan), communication & product adaption will be needed by default.

2a) Kotabe discusses the need (or potential issue) of standardization & customization of both communications & product for marketing strategy. Firstly communication is the process by which a company's product becomes known (whether advertising, PR, sales rep, show rooms etc). A product is a collection of attributes that provide value to the buyer - in this case, helps heal them. Standardization is simply ~~for~~ making an item more uniform (discussed more in 2b), while customization involves innovation, adaption, and ~~not~~ consumer preference to come through. These are important issues for marketing internationally,

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because of cost, the size of markets, and the idea of universal/global needs or wants. Standardization, in general, represents mass-production, simplification, and uniformity for either communication (similar adverts across borders) or product (similar packaging, sizes, product contents). Such standardization can be seen in true global brands like Coca-Cola - this helps reduce costs & grow market share. Customization, on the other hand, is when the communication becomes tailored to the market (to children, or by language), while product tailoring occurs to taste, lifestyle preferences. Choosing the right model can be key for the success of a new product like Alga-Aid.

25) Alga-Aid is an Icelandic company, w/ language, culture, institutions, values, and preferences reflected in ~~that~~ the way they do business. Home-Aid is there healing product intended for use against minor cuts - basically everyday at-home/on-the-go use; similar to Band-Aids. Assuming said similarities to Band-Aids, Alga has a ~~pract~~ very standard product w/ potential for customized offerings (healing aids for shaving scratches, large & small bandages, knuckle or knees flexible bandages, etc). But let us begin w/ communication.

Communication is key to marketing; informing, educating your customers → developing an understanding and need for your product is essential. So standardize or customize? Here Alga-Aid could develop 2 trains of thought 1) pictures (magazines) or voice-less(over) tv adverts can be extremely standard or universal. Any mother, regardless of language, can understand the message ^{of} when a child falls down, scratches their knee

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and the parent puts a healing 'HomeAid' bandage on. But 2) is the recognition that different societies respond in different ways, for example the Japanese read more the almost any other nation, so using text as a medium to present the HomeAid product is a legitimate strategy - therefore customized Japanese translation is needed. In fact, like Iceland & Icelandic language, Japanese is also almost only used in Japan - so adapting to the Japanese society is a business requirement.

The reality is that for Abja-Aid, their strategic alliance, and market of Japan → they will need to customize their communications. Adverts for the local populace will have to be in Japanese, regulatory documents, testing, doctor recommendations will all have to be in Japanese. In fact, by & large, unless the market is former British Empire (USA, UK, India, Australia), communication of a medical product will have to be in the target market's language, otherwise it will likely be ignored at best and at worst will be seen as culturally insensitive resulting in backlash.

Just as communication for Abja-Aid ought to be customized, so to will product... specifically the packaging. Like their European counterparts, the Japanese prefer local grocery shopping vs the American Superstore. This means not buying bulk & frequent stops. In turn, this means shelf ~~space~~ space is small & limited, so there must be a demand (hence the need for customized Japanese communication). And w/ the demand the packaging & product will have to compliment consumer needs; a variety (customized product) of offerings for HomeAid (generic bandages, shaving, knee, knuckle, water resistant, etc). Additionally societal preference must be adhered to for

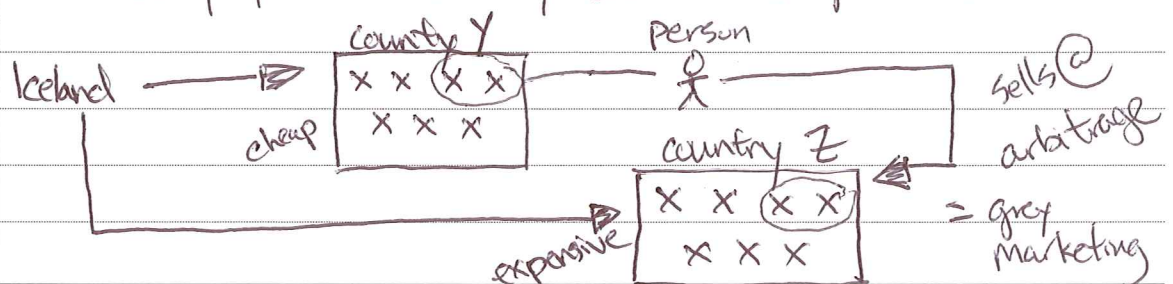
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products. Case in point, in Japan nice- neat & shiny packaging is a requirement → also small allotments are needed. Compare ~~the~~ USA Saltine Crackers; they come in long wrapped rows (4 to a box), while in Japan these same crackers are wrapped in individual packs of 3 crackers!! So special attention will be needed by Alga-Aid's HomeAid product for Japan's market.

Overall Alga-Aid Ltd^z should follow; customized communication strategy → adapt adverts, documents, package writing to the target markets populace. This will help avoid confusion & hopefully earn the trust of locals. And semi-standard product (general sizes for bandages), but customized product packaging to fit local needs.

III. Grey marketing is potential problem for a variety of industries and developing successful strategies against parallel imports is important for new (and old) products to stay fiscally solvent.

3a) The theory of 'grey marketing' is as follows; home country (Iceland) creates product X; ships product X to country Y (poor country) & country Z (rich country) and charges different prices because of income ~~or~~ PPP differences. Someone notices the difference between countries Y & Z and decides to use that arbitrage to their advantage; buys product X in country Y & sells for a profit in country Z. See diagram below:



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Basically the grey marketing theory is that arbitrage can occur and that undermines potential profits. On an aside, for medical/pharma companies this is an additional problem because of generic drugs, pricing discrepancies, government subsidies, etc. that can all harm drug companies → comes as no surprise then, that pharma companies are some of the largest & most influential with governments to protect their products, rights, and interests.

3b) Avoiding all grey marketing is probably impossible for Alga-Aid for a few reasons; 1) as an Icelandic company it lacks the political clout of large government (like Pfizer & the USA), 2) a small company & therefore easily overlooked because of the larger players who have bigger voices & deeper pockets & 3) new & innovative ideas are always copied. Luckily Alga-Aid has a few chips in their favor 1) strategic alliance gains them protection & intl recognition 2) they can choose their markets (Japan & high regulation can be seen as in their favor) & 3) their product can ONLY be made & come from Iceland → AlgaAid controls the flow of their product.

Since Alga-Aid & their strategic alliance controls the goods they also control some pricing, packaging, and delivery operations. This means that both SurgeAid & HomeAid can be more easily tracked; using RFID or ~~RFID~~ UPC bar codes they can track orders, supplies, even sales → giving their company a leg up to recognize legitimate vs parallel imports.

Typically, though not always, grey marketing works from low to high → low cost product sold for more in high cost market. There are a variety of ways to try stem the

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side of parallel imports. First & foremost is pricing structure, basically taking exchange rates into account & having the Surge & Home Aid cost the same in Japan & Nigeria. This greatly negates arbitrage opportunities, ~~but~~ Second would be legitimate sellers, having safe & secure institutions be your customers. For example in Africa or less developed nations, AlgaAid could work directly with UNICEF, the Red Cross, national government, or hospitals: work w/ more stable players in unstable environments. Such action would help minimize risk and exposure to lost, captured, or even ransomed goods that could then become part of the grey market. Lastly AlgaAid could pursue a phased expansion strategy; slowly enter markets through their alliance. To maintain price stability, AlgaAid could focus on the 'rich' markets first; going to the USA, the EU, and Japan. After successful penetration and market awareness, they could branch out to less developed nations & secure that market w/ a 'bottom of the pyramid' pricing structure. Such a strategy, while longer term would possibly provide a safer more regulated expansion while keeping in check the perils of grey marketing.