

Questions & Answers
SERVICE DESIGN FOR EXPORT MARKETS

Dorothy I. Riddle, Ph.D., CMC
Service-Growth Consultants Inc.
riddle@servicegrowth.com

This set of ten questions and answers provides tips on designing and pricing your service for foreign markets.

1. How will I resource service delivery?

Before you try to convince potential clients to use your services, you need to make sure you have the capacity to deliver those services effectively. Once you step into an export market, you open the door to new customer demands. Here are some issues you need to consider:

- a) Initial contacts
 - Service standards for response time
 - Hours that the phone will be answered, and in which languages
 - Access by fax and e-mail
- b) Staff training on cultural issues
- c) Multi-site management
 - Making sure that service in your domestic market doesn't suffer as resources are allocated to export activities
 - Coordination with key staff abroad
- d) Consortia management
 - Coordination with partners abroad
 - Coordination with suppliers
- e) Back up capacity
 - Identifying other firms that can provide support in emergencies

2. What quality factors will matter to foreign customers?

Just as in your domestic market, foreign customers will want to be sure that their expectations are met. This means that you need to actively shape customer expectations so that they are appropriate by educating potential customers about what you can deliver. Then you need to meet those expectations consistently. Typical service quality factors worldwide are:

- Consistent service provision
- On-time delivery
- Respectful and courteous treatment
- Culturally appropriate expectations of customers

3. **What are the common problems with service quality?**

To ensure quality service, you will need to resolve the following apparent contradictions:

- You need the most skilled staff in direct contact with customers, BUT promotion usually means moving away from direct customer contact.
- You need staff to be highly motivated, BUT if you have a small firm the career paths may be “flat.”
- You need staff to use the latest information technology, BUT there is little time available for training.
- You need customers to cooperate, BUT customers may not know or accept their role in “co-production.”
- You need staff to take initiative in solving customers’ problems, BUT staff also need to conform to standard service procedures.
- You need staff to “recover” well with customers, BUT you may not have given them sufficient authority to act.

4. **What are the common problems in working with local partners?**

There are a number of problems that can arise if you have not selected your partner carefully and have neglected to establish basic groundrules for working together:

- a) *Different market positioning*
Market image and operational priorities are linked to market positioning. If your partner is positioned very differently than you, you will not be able to create and sustain the type of market image that fits with the type of service you are offering.
- b) *Different work styles and standards*
You will have difficulty in meeting customers’ needs satisfactorily if you and your partner disagree on matters like timeliness, service quality, etc.
- c) *Creating local competitors*
If you choose a partner with the same core skill sets instead of complementary core skills, you will find that you are creating a local competitor through your partnership.
- d) *Lack of investment in the partnership*
Any successful partnership requires an investment of time and resources; otherwise, it will fail.
- e) *No “exit” agreement*
Market conditions and company priorities change over time. If you have not made provisions ahead of time for how you can end your arrangement, you may find

yourself caught in an unprofitable situation.

5. How can I make sure a partnership is effective?

The most critical thing you can do is to “test out” the working relationship before you become publicly identified with your local partner. It is worth the investment to contract with various candidates to provide services to you so that you can see how they really do business. Other strategies that help include the following:

- Create a formal “obligations statement,” defining roles and responsibilities.
- Create specific milestones and deliverables, and track progress against them.
- Build in partnership evaluation at regular intervals.
- Make regular communication a priority.

6. How do I set a price for my service in a foreign market?

In pricing your service, you need to take into account both what people expect to pay for the service and what your break-even point is. You can calculate your break-even point by determining how much you need to make per service (or per unit of time) in order to cover both your fixed (overhead) costs and your variable costs linked to providing that service. For professionals, you would calculate your daily break-even fee by totalling all of your costs and dividing by the number of days you have available to provide the service. In calculating the number of days available, be sure to deduct the days you will need for holidays, business development, professional development, and administrative work (which is likely to leave you with between 160-185 days available).

Your price needs to include hidden communication/transportation costs and other non-domestic expenses such as possible currency fluctuations prior to the end of the contract. You need to price your service in the currency most acceptable to your customer.

If the country requires that a certain percentage (often between 15 to 30 percent) of any professional fee be withheld at source for tax purposes, you will need to build into your price your cost of financing or else find a local presence option to avoid the withhold. As a result of tax treaties, you will probably be able to recover the withheld amount...but that could take up to 18 months.

7. What are the most common pricing mistakes?

Some common mistakes include using the wrong currency for calculations and neglecting to take into account:

- Hidden travel and communication costs
- Potential currency fluctuations
- Fee holdbacks at source
- The cost of financing receivables that take longer to collect

- Subcontractor expenses
- Translation/interpreter expenses

The biggest mistake is in underestimating how long it will take to prepare and deliver a service in an unfamiliar market (different holidays, work ethic, etc.)

8. What about pricing in online bidding?

Because of the international online environment, it is particularly important that you be careful about the currency in which you are to quote. Most of the online bidding sites allow you to pose questions about the request for proposal before you submit your quotation, and it is a good idea both to use it yourself and to monitor the questions asked by your competitors.

You also need to be careful about the terms of the bidding site. Some allow the potential customer to select a “winner” at any time, while others expect that no selection will be made until a deadline is past.

Generally speaking, when you are bidding on “sales” (e.g., airline tickets), a bid up to 20 percent below market rate may be successful. The best strategy is to monitor a site for several weeks before you bid seriously.

9. How big a variable is price in the customer’s purchase decision?

The role that price plays depends on the type of service you are offering. If you are offering a standard service that is already available in the target market, customers are likely to be extremely price sensitive. If, on the other hand, you are addressing an unmet need and offering either a unique service or a highly customized service, then customers are likely to be relatively indifferent to price as long as they feel they are receiving good value for money.

In fact, they may be willing to pay up to a 10 percent premium in order to get exactly what they need from you.

Since, as an exporter, you have additional communication and travel costs, it is difficult to be profitable if you compete solely on price.

For back office support services, usually clients are looking for a 40 percent savings over having the work done in-house. However, excellent quality control and timely delivery are also important factors.

10. How can I find out how my competitors are pricing their services?

Colleagues familiar with the target market should be able to tell you how competitors are pricing their services. You can also “shop” for their services to find out for yourself or ask:

- Current customers
- Government trade officers
- Embassy staff
- Competitor’s subcontractors/suppliers
- Ex-employees

You may also be able to get standard pricing information from:

- Competitor's websites and promotional material
- Trade associations
- Trade journals

You can also review successful online bids.