

export marketing groups. One of the major tasks of the export group is to balance the interests of the different stakeholders in the group.

10.5 Summary

The advantages and disadvantages of the three main types of export mode are summarised in Table 10.2.

Table 10.2 Advantages and disadvantages of the different export modes for the manufacturer

Export mode	Advantages	Disadvantages
<i>Indirect exporting</i> (e.g. export buying agent, broker or export management company)	Limited commitment and investment required. High degree of market diversification is possible as the firm utilizes the internationalization of an experienced exporter. Minimal risk (market and political). No export experience required.	No control over marketing mix elements other than the product. An additional domestic member in the distribution chain may add costs, leaving smaller profit to the producer. Lack of contact with the market (no market knowledge acquired). Limited product experience (based on commercial selling).
<i>Direct exporting</i> (e.g. distributor or agent)	Access to local market experience and contacts with potential customers. Shorter distribution chain (compared to indirect exporting). Market knowledge acquired. More control over marketing mix (especially with agents). Local selling support and services available.	Little control over market price because of tariffs and lack of distribution control (especially with distributors). Some investment in sales organization required (contact from home base with distributors or agents). Cultural differences, providing communication problems and information filtering (transaction costs occur). Possible trade restrictions.
<i>Export marketing groups</i>	Shared costs and risks of internationalization. Provide a complete product line or system sales to the customer.	Risk of unbalanced relationships (different objectives). Participating firms are reluctant to give up their complete independence.

CASE STUDY 10.1

Lysholm Linie Aquavit: International marketing of the Norwegian Aquavit brand

Aquavit, which translates as 'water of life', a slightly yellow or colourless alcoholic liquor, is produced in the Scandinavian countries by redistilling neutral spirits such as grain or potatoes and flavouring them with caraway seeds. It is often consumed as an aperitif.

The alcohol content in the various aquavits varies somewhat, starting at 37.5 per cent. Most brands contain about 40 per cent alcohol but Lysholm Linie Aquavit has an alcohol content of 41.5 per cent. ('Lysholm' is the name of the distillery in Trondheim

where the aquavit is made, and from this point on the name 'Linie Aquavit' is used.)

The history of Aquavit

Originally, aquavit was used for medicinal purposes, but from the 1700s stills became commonplace in Scandinavian homes.

The definition of aquavit gets slightly complicated when you try to draw the line between it and other spirits popular in the northern climate. The term 'schnapps', for instance, is widely used in Germany, Switzerland and Scandinavia (the Danish say 'snaps') to mean any sort of neutral spirits, flavoured or otherwise. Then there's 'brannvin' a term used similarly in Sweden. (Like the Dutch word 'brandewijn' from which we derive the word 'brandy' it means 'burnt wine'.) The famous Swedish vodka Absolut began life in 1879 as a product called 'Absolut Renat Brannvin' which might be translated as 'absolutely pure schnapps', said to have been distilled ten times. However, when the Swedish government's alcohol monopoly launched Absolut's descendant as an international brand in 1979, it labelled it vodka.

Making Linie Aquavit

Caraway is the most important herb in aquavit, but the mixture of herbs varies from brand to brand. Linie Aquavit is derived from Norwegian potato alcohol blended with spices and herbal infusions, and caraway and aniseed predominate. After the alcohol and the herbs have been mixed the aquavit is poured into 500-litre oak barrels, the choice of which has not been left to chance. Norwegian specialists travel to Spain for the express purpose of selecting the best barrels, from those used in the production of Oloroso sherry for several years. Sherry casks are used because they remove the rawer, more volatile aspects of the liquor; the aquavit takes on a golden hue, and the residual sherry imparts a gentle sweetness.

Many theories have been put forward to explain how the man behind Linie Aquavit, Jørgen B. Lysholm, came up with the idea of sending aquavit around the world on sailboats in order to produce a special flavour. History tells us that, in the early 1800s, his family tried to export aquavit to the West Indies, but the ship 'Trondheim's Prøve' returned with its unsold cargo. That is when they discovered the beneficial effects that the long ocean voyage and the special storage had had on the aquavit: the length of the journey, the constant gentle rocking of the

boat and the variation in temperature on deck, all helped give Linie Aquavit its characteristic taste. Jørgen B. Lysholm subsequently commercialized his maturation method and this is still how things are done today.

Linie Aquavit has one of Norway's long-established shipping companies as its steady travel partner. The first Wilhelmsen liner vessel carrying Lysholm Linie Aquavit set sail in 1927. Since that time, Wilhelmsen has been the sole carrier of this distinguished product. The barrels are tightly secured in specially designed cribs before being loaded onto containers, which remain on deck during the entire journey. The journey from Norway to Australia and back again takes four and a half months and crosses the equator (or the line, as sailors prefer to call it) twice. In fact, this is where Linie Aquavit gets its name. On the back of each label is the name of the ship and the date that it first crossed the equator.

International sales of Linie Aquavit

Arcus AS is Norway's sole manufacturer of hard liquor and it is this company which produces Linie Aquavit. The company also taps wine from wine producers all over the world and imports a select range of bottled wines. With a market share of about 30 per cent, Arcus AS is the leading player in the Norwegian wine and spirits market.

The international aquavit markets (primarily Sweden, Norway, Denmark, Germany and the United States) are dominated (except the last) by local Aquavit brands. At present Linie Aquavit is the market leader in Norway with a 20 per cent market share. In Denmark and Sweden the market share is 3–5 per cent. Germany is the most important export market, where Linie Aquavit holds 12 per cent of the aquavit market in competition with brands like Malteserkreutz and Bommerlunde.

Arcus is using export modes (foreign-based intermediaries) in all export markets. In 2000 the main



distributors in Germany (Berentzen-Gruppe) and Denmark (Hans Just) became part-owners of Arcus AS, because they wanted to be sole distributors of Linie Aquavit in their countries. In the German market Berentzen offers a whole range of different types of alcoholic drinks. The company ranked number three in spirits in 2001, with a volume share of 7 per cent. Berentzen aims to expand its international spirits business during the next few years, in order to achieve long-term growth.

Sources: www.arcus.no/english/; Christian Brink, Head of Marketing, Sales and R&D at Arcus AS.

Questions

- 1 What are the main advantages and disadvantages for Arcus of using export modes, compared to other entry modes, for its Linie Aquavit?
- 2 What are the advantages for Arcus of having distributors as part-owners?
- 3 What should be Arcus' main criteria for selecting new distributors, or cooperation partners, for Linie Aquavit in new markets?
- 4 Would it be possible to pursue an international branding strategy for Linie Aquavit?

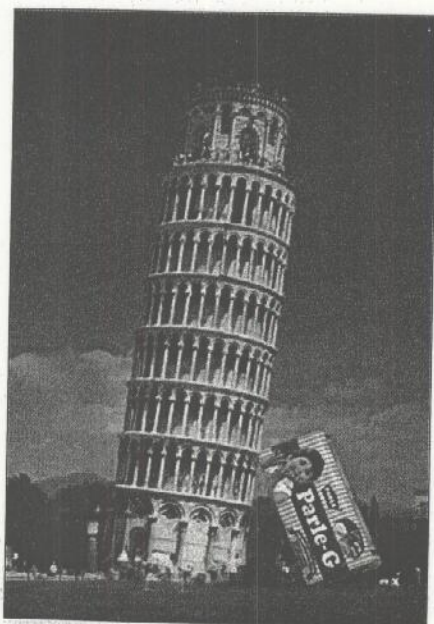
CASE STUDY 10.2

Parle Products: An Indian biscuit is seeking agents and cooperation partners in new export markets

A long time ago, when the British ruled India, a small factory was set up in the suburbs of Mumbai city to manufacture sweets and toffees. The year was 1929 and the market was dominated by famous international brands that were freely imported. Despite the odds and unequal competition the company, called Parle Products (www.parleproducts.com), survived and succeeded, by adhering to high quality and improvising from time to time.

Today, Parle enjoys a 40 per cent share of the total Indian biscuit market and a 15 per cent share of the total confectionary market in India. The Parle Biscuit brands, such as Parle-G, Monaco and Krackjack, and confectionery brands, such as Melody, Poppins, Mangobite and Kismi, enjoy a strong image and appeal among consumers.

If you thought that a typical family-run Indian company could not top the worldwide charts, think again. The homegrown biscuit brand, Parle G, has proved the belief wrong by becoming the largest selling biscuit brand in the world. However in most European markets Parle Products has to fight against a particular competitor, United Biscuits (producer of McVitie's). In all European markets the market share of Parle Products is very small.



United Biscuits (UB)

United Biscuits was founded in 1948 following the merger of two Scottish family businesses – McVitie & Price and McFarlane Lang. In 1960 UB added to its portfolio with the acquisition of Crawford's Biscuits and MacDonald's Biscuits.

In 2000 UB was bought by Finalrealm, a consortium of investors, and reverted to private limited company status.

Brand muscle

UB's brands rank number one or two in seven countries, they have five of the top ten biscuit brands in the United Kingdom, France and Spain, and four out