

Europe, Latin America hold most marketing promise

By PAULA LYON ANDRUSS and LISA BERTAGNOLI
Contributing Editors

Marketers doing business globally will cheer and jeer at their prospects for 2001, depending on the continent on which their business is concentrated.

On one hand, for example, American marketers have some good reasons to do business in Russia next year. To begin with, the economy is stronger than it's been in years.

Relatively speaking, "Russia has had a

International

marvelous recovery from the debacle of two years ago," says Robert Aliber, professor of international economics and finance at University of Chicago. Real income is up sharply, he adds.

And Russians are savvy consumers: "Russia always had intellectuals, and now their incomes are increasing," Aliber says. In addition, the country is more entrepreneurial than in the past, with lots of thriving small businesses.

On the other hand, American companies have boatloads of reasons to stay away.

"Everything is overregulated, and regulations are constantly changing," says Animesh Ghoshal, professor of economics at DePaul University in Chicago. He tells the story of a hapless executive who wanted a Coke machine installed in his office: One law prohibited him "giving" the office space to Coke; another prevented him from leasing it to the company. A tax law prohibited the machine from taking money, and a health law meant the machine had to pass a sanitation inspection. The executive dropped the idea, Ghoshal says.

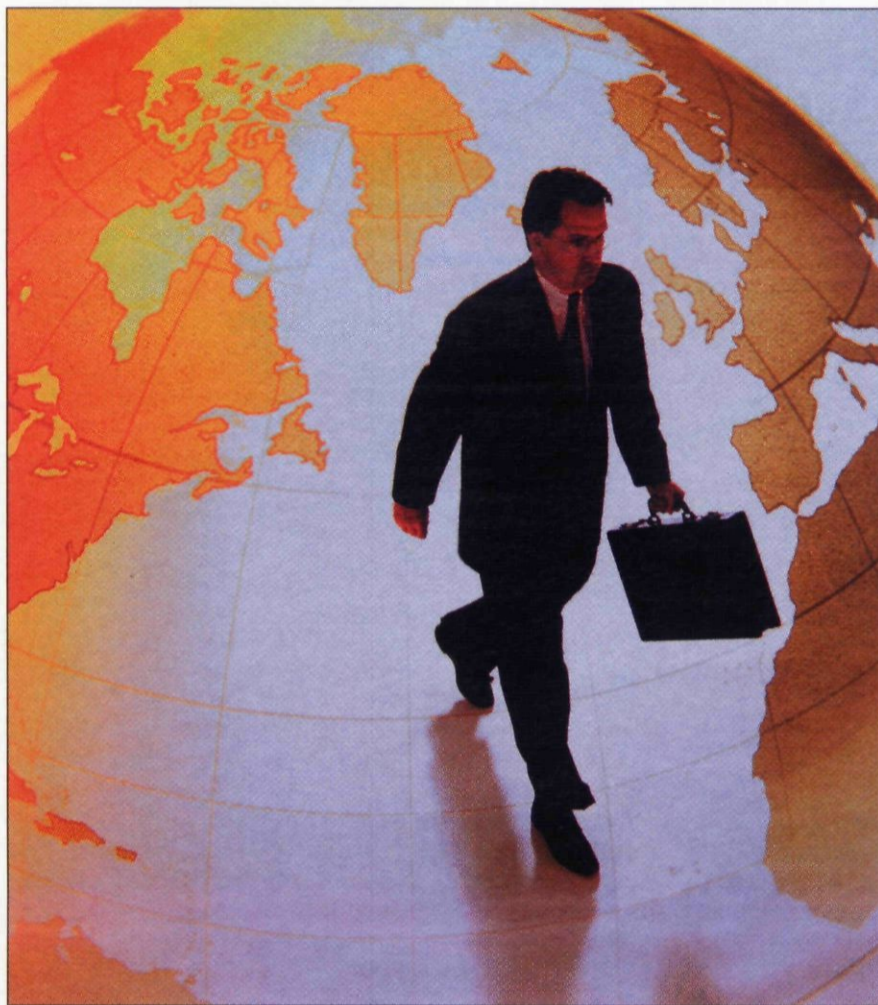
Corruption is also rampant, he adds. To do business safely, companies must have a so-called roof, or a person who protects the business in exchange for a salary. "If you don't pay him, he'll break your windows," Ghoshal says. The practice is so widely accepted that banks ask for the name of the roof when a business applies for a loan.

Even if a company does manage to set up business, getting money out of the country is tricky, Ghoshal says. Rubles have no value outside of Russia; the best bet is to convert them to dollars first, which can be difficult because Russian banks want to keep rubles in the country.

Companies with the travel bug might be better off expanding to Europe.

"The overall prospects for Europe are good," Aliber says. He expects 3% overall economic growth in Europe in 2001, a figure that he predicts will beat the United States' growth.

One downside to business in Europe might be the euro's weakness. In January 1999, the new currency was worth about US\$1.18; late last year, it was down to 85 cents (U.S.), which makes exporting to Europe rather unattractive to U.S. firms. The upside of the unified currency, though, is that ultimately it will stabilize inflation in countries with histories of wild inflationary swings, such as Italy.



Another downside, especially in Great Britain, is the continuing high cost of oil. There, it's compounded by high taxes, the relatively large size of the country and the fact that more people drive more often there than elsewhere in Europe, Aliber says.

The hottest economy in Europe right now is in Ireland. There's a well-educated, inexpensive, English-speaking labor force there and a concentration of high-tech companies, Ghoshal says.

Ireland has the hottest European economy right now, with plenty of high-tech companies and English-speaking workers.

"It's attractive for a company like Hewlett Packard; they can get the same skills for half the price," he says. In fact, the Irish economy is so brisk that it's facing a labor shortage, and the Irish government is trying to persuade expatriates living in the United States to return to their homeland to work.

The German economy, which has held great economic promise in the past few years, is slowing. A big problem, though, is the strength of the unions, which makes it difficult to fire or even lay off employees, Ghoshal says. Most unions demand that laid-off

employees be paid 80% of their salary for a year, he adds.

Meanwhile, the economies of Asia and Latin America are expected to hold their own in the year coming up, but experts say it will take some additional resources to compete in both places.

Due to strong economic forecasts for many of its sometimes-troubled nations, most of Latin America should be an excellent market for U.S. products and services in 2001, says Susan Kirchner, president of Kirchner International Marketing Group Inc. in Palatine, Ill.

"Although Argentina is still in a major

recession, a lot of the rest of Latin America has a pretty good forecast for purchasing power next year," she says.

With the steadily brightening horizon in mind, U.S. marketers are expected to focus their efforts and dollars on training their Latin American distributors, retailers and partners in U.S.-style marketing basics and customer service—something they haven't invested much in before, she says.

"There's a good market for consultants in offering training services to (companies doing business in Latin America)," Kirchner says. In addition, she says, "A lot of dollars will be put into setting up toll-free numbers, customer service access points, and authorized warranty and service depots to try and provide the same level of service that U.S. consumers can expect."

In addition to increasing traditional marketing skills, next year, Internet growth will continue to be a major factor for marketers in Latin America as with the rest of the world.

Kirchner says the growth rate of new users in the region tends to be above the curve for the rest of the world: Estimates are that the number of users in the region will double by 2003, although that is off of a base of users totaling about 15 million currently—a fraction of the 148 million logged on in the United States, according to Dublin, Ireland-based Nua Ltd., a Web publishing consulting firm. Several portals from both the United States and Latin America will continue to battle to become the gateway to these consumers.

The Internet will continue to be of great importance in Asia as well, but experts say in this part of the world, U.S. marketers will have to stay on technology's cutting edge.

"People in the United States are looking

CUSTOMER SERVICE / From preceding page

instead of expensive human beings.

◆ Help-desk personnel will also have to learn more sophisticated techniques. With automation growing more and more detailed, customers who dial "0" for human help usually have a tough question, Bailey notes. Service reps will increasingly have to handle more difficult questions more sensitively.

"By the time a person gets to the rep, they've done everything they can," Bailey says. "The latitude for messing around is disappearing."

◆ More help-desk work will be outsourced. Companies such as LivePerson.com and HumanClick Ltd. provide service reps who talk to customers in real time via a pop-up dialogue box. The service works best for firms with lots of easily answered FAQs.

◆ Voiceover Interactive Response will gain more of a foothold in the market. This technology, which turns a computer into a telephone, is rare, but as it becomes more popular, service reps will be able to talk to customers via the Web, adding a personal touch to the Internet. ■

—L.B.

Direct mail/ Database

Especially for direct mail marketers, the Web is the harbinger of change for 2001. For one thing, more direct mail lists will originate from consumer data collected on the Web. Also, upper management will demand that databases be integrated into more marketing operations than just traditional direct mail campaigns.

"In the past, data processors would analyze information and create lists for mailings. But now, prospect lists have to be moved into call centers and Web sites as quickly as possible," says Mark Ramsey, worldwide industry executive of sell and support solutions for Armonk, N.Y.-based IBM Global Services.

Also in 2001:

◆ Almost all direct mail campaigns will try to direct recipients to a Web site. Even if coupons or brochures are sent out, marketers will, as a rule, feature their Web address prominently on the direct mailer.

◆ Many direct mail pieces will not include coupons in 2001. Instead, the sender will ask recipients to visit the company's Web site to print out coupons.

◆ Direct mail marketers will increasingly consider e-mail follow-up a viable option to the telephone. E-mail is cheaper and less intrusive for following up than a postal mailing, even for those consumers who dislike unsolicited e-mails.

◆ Generic, blanket mailings will become less common as direct marketers come under pressure to use all the detailed information they have about customers. For direct mail database managers, this means more work on data segmentation techniques and greater customization of letters, offers, coupons and such.

◆ The total volume of marketing data collected in 2001 will eclipse any previous year, mainly due to the sheer volume of data collected each month from the Web. This is expected to be the case whether or not there is new U.S. Internet privacy legislation.

◆ More data means bigger IT staffs and bigger IT budgets in 2001.

◆ Speed will be more crucial for database managers. Data-crunching expectations are increasing by leaps and bounds, and senior management will request that data analysis projects be completed in a fraction of the

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U.S. firms in Asia must be ready for wireless

at Internet penetration, but in Asia, (some countries) are skipping the Internet and going straight to wireless Web," says George T. Haley, associate professor and director of the marketing and international business programs at University of New Haven in New

Haven, Conn. "In that respect," Haley adds, "U.S. marketers are going to have to catch up, because while we lead the Japanese tremendously in the traditional Internet or wired e-commerce, the Japanese are ahead of us in terms of wireless e-commerce. U.S. marketers must consider that there's going to be a different way of doing Web business and e-commerce in Asia, one that has different programs and different capabilities."

China is another country that has embraced the wireless Web, but marketers will be watching that nation for another reason: Many companies are looking forward to China's entrance into the World Trade Organization (WTO), which is expected to happen in the second quarter. The move should eliminate some of the obstacles and trade restrictions that have frustrated U.S. businesses trying to do business in China over the years.

But "many companies will wait for the first round of tariff cuts and liberalization of trading rights to see how the implementation of those things go before initiating any major efforts there," says John Ford, vice-president of Washington-based U.S.-China Business Council, an association of companies doing business in China. "We're kind of in a wait-and-see, deep-breath mode," Ford says. ■

—S.J.

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ROI key in 2001

ties, caterers and other suppliers without hiring an event specialist as a middleman.

◆ Marketers will plan more events that include the families of prospective customers, so that time-starved people will not always have to weigh event attendance vs. family time.

◆ Companies will integrate their commitment to a cause (and the organization's events) into their overall business strategy as a PR tactic. ■

We had a lot of help

As is often the case in publishing, many more marketing experts gave of their time and knowledge than we had space to quote in each story. And so, we acknowledge their contributions here, in alphabetical order, with our thanks:

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