Marketing 445: Global Marketing

Marketing Plan

Group#5

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**Executive Summary**

For this analysis we have decided to bring Logistics plus to the United Arab Emirates. We have decided that this country would be a good market opportunity due to the high levels of exports and imports that go through the UAE on a year to year basis. Not only do we believe this is a good opportunity for expanding our business but it is also a way to tap into a growing economy. The change of the landscape in the UAE has allowed for a recent shift from business to consumer to a business to business focus. This is due to the recent exporting of oil and other minerals from the country.

We decided to focus on this country after we narrowed it down to the United Arab Emirates, Japan and The Netherlands. The reason we decided to go with the UAE is because Japan and the Netherlands did not have as strong of a business to business market which is the main focus of Logistics Plus.

Our strategy in this instance would be to do a joint venture between Logistics Plus and Aramex. For this alliance we would handle the warehousing part of the supply chain while they would handle inbound and outbound shipping. We decided to do a joint venture because bringing all our offerings into the United Arab Emirates could be expensive. Also at the current time there are several players in the business to business logistics market.
Country Analysis

The expected marketplaces for our company logistics plus was either Japan, the United Arab Emirates and Netherlands. We chose these countries because According to the World Bank these three countries are in the top thirty in the world in imports and exports.

First Japan, this country is no stranger to business and is the third largest economy in the world according to CNNmoney. One of the biggest businesses currently in Japan is Toyota motors. This is a company who ships cars all over the word and needs a lot of operations that logistics plus offers. However, it needs a huge capital investment, that we do not believe we should be involved in.

Another market we thought about is the Netherlands, the reason for this choice is based mostly off of their high import and export numbers. According to the CIA world fact book the Netherlands exported 552.8 billion U.S. dollars of goods and imported 488.8 billion U.S. dollars in 2014. These numbers make them 8th in the world in exports and 11th in the world in imports. The biggest imports and exports are in the machinery and equipment sector of business which would work with Logistics Plus main business model. However we had to eliminate this option due to high capital investment and also because of the country of origin issue.

Last country we thought about is the United Arab Emirates which is a new booming economy in the Middle East. This is an interesting country because it is a recently developed economy that is currently 13th in the world in GDP per capita. The main industries in the UAE are petroleum and petrochemicals which is a very expensive industry that we believe Logistics Plus could capitalize on. (cia.gov) although high capital investment is an issue for our company, we will be entering the market through joint venture, and also there is a high demand on petroleum and petrochemicals and therefore we are expecting higher revenues than costs.
Environmental Factors

For this marketing analysis we considered the following factors: demographics, cultural, economic, and political. These factors are very important because the product that we choose to market will be designed to fit the needs and wants of our customers based on our findings.

Demographics

Emirate is a small country in the Middle East in terms of geography and population, it is considered to be one of the Gulf countries bordering the gulf of Oman and the Persian Gulf. this means that they deal with a lot of imports and exports especially in the oil industry. Emirates was founded in December 2, 1971, which makes it 43 year old. Although one of the newest nations, it is also one of the richest in the world with a per capita GDP of $48,500. The wealth is distributed unevenly, Most of the wealth is distributed in Abu Dhabi (population is 613,368) and Dubai (population is 2,106,177) among Emirati citizens. As of 2003 it was estimated that 19.5% (population below poverty line) of the country's population live under the poverty line, that number is purely consist of foreign workers. UAE’s population as of mid of 2014 is 9,445,624, with only less than 20% as UAE citizens and more than 80% immigrants and foreigners.. Since the UAE is the second-richest country in the world leading in business.. With the UAE hosting many of the global and domestic companies the need for logistics has not but increased in the past few years. The logistics market was estimated to be about $23.4 Billion in 2013, which count to about 6% of the country’s GDP; and is expected to grow and reach $27 billion in 2015(Gulf News). UAE has a very low animosity toward American and Foreign companies. Also the population is mainly consisted of foreigners and since Logistics Plus provides an international service not a product, it will make is easier for us to enter the market.


**Cultural**

The culture of the United Arab Emirates is similar to surrounding Arab nation, and most of the culture is majorly influenced by the Islamic religion, the Sunni sect in particular. It is important to note that the country still has very low gender equality, even though it is constantly improving. The etiquette of the nationals is very similar to other Islamic nations as well, although the large amount of immigrants have made them tolerant of other cultures as well. The etiquette consists of, men touching noses briefly while shaking hands, while women give several cheek kisses to one another. The standard greeting is “al-salem alaykom.” Although it is strange to Americans, Emirates usually refer to adults as “father/mother of (oldest son's name),” rather than using their first names. It is important when starting conversations to ask about one's family and health before the rest of the talk. Only about 6% of women are active in the workforce, typically in school and healthcare. Many marriages are still arranged, although this tradition is diminishing with many immigrants moving to the country. The country is very family oriented, like most of the Islamic culture. Most families live in the same neighborhood as their kin. Another important note is that most households have an average of two live-in domestic servants, typically Asian. Higher education is very important to this country, as most students go on to colleges or universities. One very important factor of the culture is that the language of commerce is English, which is very beneficial for American companies to enter the market.

In conclusion, the culture in the UAE is predominantly based on the Muslim religion, the Sunni sect in particular. Unlike other Arab nations, UAE is very tolerant of foreign cultures due to the huge amount of immigrants who have moved here in the past several decades. This,
combined with the fact that English is the language of commerce makes it very easy for an American company, such as Logistics Plus, to penetrate the market. Also this will affect our business because sometimes cultural aspects will overpower business aspects of a culture. The hardest part about moving into this market will be overcoming cultural aspects but it can also be a great opportunity once we establish a market.

Economic

When considering the economic status of a country it is important to evaluate, the per capita GDP, the purchasing power parity, the major imports/exports, major industries and the intended industry. Logistics Plus has the perfect opportunity to enter the UAE because all of the major economic factors align.

In the last 30 years the United Arab Emirates has developed from an impoverished country into a country with a well established economy. The current per capita GDP is at $44,204.40 and is on a steady increase. The current purchasing power parity conversion, which can also be considered as the exchange rate for 2014 was estimated at about $2.47 dollars by the World Bank. This means that economist estimated that a consumer could buy the same products or service in the US in the UAE for about $2.47 more dirhams. In comparison to other countries, the UAE is a good market to enter because both the GDP and the purchasing power parity are indications that the market is stable but still growing. The discovery of oil and gas sparked the change in the UAE’s economic status. Currently the country exports are estimated at about $404.7 billion. The country is mostly exporting commodities such as crude oil, natural gas, re-exports, dried fish and dates. Amongst the list of countries that the UAE exports to is Japan, India, Iran, South Korea, Thailand, Singapore and China. The imports are estimated to reach
about $271.7 billion and the import partners include China, India, US and Germany. The major imports of the UAE are machinery and transportation equipment, chemicals and food (Central Intelligence Agency).

The major industries that exist in the UAE include oil, real estate and property, tourism and retail (Economic Watch). Two out of the four major industries can possibly be affected by the logistics industry. Both the oil and retail industries potentially have a need for a logistics because both industries have logistical components. Therefore there is opportunity for more growth within the market of logistics because it is not a major industry but it is in demand. The demand for logistics in the both the oil industry and the retail industry should ultimately affect the industry of logistics in a positive way, which is why this industry has so much potential.

In align with the overall growth of the economy, the industry of logistics is also expected to grow. The estimated growth within the industry and the current state of the overall economy are both indications that Logistics Plus is a good match for this specific market.

Political

The politics in the United Arab Emirates is a little more complicated than governments of other countries. The reason it is called the United Arab Emirates is because it is a constitutional federation composed of seven emirates, which are Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaiwain, Ra’s al-Khaimah, and Fujairah. The United Arab Emirates political structure consists of a president, a supreme council (made up of the rulers of the seven emirates, a cabinet (council of Ministers), the federal national council, and the Federal Judiciary. These are the government structures that exist on the federal level but there are governments for each
municipality which is similar to the United States systems. The UAE is generally more accepting of other culture and is considered “one of the most liberal countries in the Gulf” (BBC News).

The United Arab Emirates and The United States do not have a similar relationship to the U.S. and other Middle Eastern countries. In fact there is an organization called the U.S.-U.A.E. Business council, whose main goal is committed to advancing trade and business relationships between these two countries. This group was created in 2007 and approved by Crown Prince Sheikh Mohammed bin Zayed Al Nahyan and Foreign minister Sheikh Abdullah bin Zayed Al Nahyan. The council is made up of 100 members who come from the United States and the U.A.E. commercial sector. This council advocates for policies and priorities in specific sectors including, Commercial trade, foreign direct investment, energy development, aerospace, defense, security, infrastructure development, media, tourism, culture, medicine and education.

**Internal Analysis**

Logistics Plus has the resources to expand its warehousing services to the UAE because we currently have over 100 million dollars in sales (Logistics Plus). We will be able to use our capital as an available resource. Another available resource we will offer is our warehouse services because we are able to provide a better solution to the warehousing process. Our approach to the warehouse industry is a resource because we offer full warehouse management, inbound and outbound with back office support, storing and packaging areas, clean and warehouse environments, LIFO and FIFO inventory management systems, daily deliveries, daily communication, buffer zone strategies, multi-plant shipment strategies and cost reduction strategies (Logistics Plus).

In a more indepth analysis of our available resources, the core competencies that Logistics Plus brings to the market that will be difficult to be duplicated by competitors are the “Buffer Zone” Strategy, the delivery process, and the multi-plant shipment strategy. The Buffer Zone strategy allows for time and
error reduction. Our approach to the delivery process will allow our shipments to meet “just in time”
requirements. Also our multi-plant shipment strategy will allow for us to create a consolidation point for
our suppliers. Given our strengths and weaknesses in comparison to those of Amarex, we believe that
Logistics plus has an opportunity to benefit from this joint venture.

Strengths

● Provide full warehouse management
● Provide inbound and outbound with back office support
● Provide storing and packaging areas
● Provide accessing facilities around the UAE. Secure and clean warehouse environments
● Expert care in handling and storing of products
● LIFO and/or FIFO inventory management systems
● Daily deliveries that complement ‘just-in-time’ requirements
● Daily communication of warehousing activities
● A “buffer zone” between suppliers and customers; saving you time and reducing errors
● Ability to reduce on-hand inventory allowing for better utilization of factory floor space
● Low cost warehousing located near your customers
● Consolidation point for suppliers making multi-plant shipments
● Significant reduction or elimination of costly rush shipments to customers

Weaknesses

● Partnership with aramex to provide complete ordering management picking, packing and
  shipping services
• We don’t have a presence in the UAE.

Competitive Analysis

Currently there are four big competitors in the market, Aramex PJSC, Deutsche Post, FedEx and Gulftainer with Aramex taking the lead. Most of these companies focus on the exporting and importing of oil. To successfully enter the UAE market we will have conduct a study and research about the market. The research will focus on factors such as capital investment costs, demand, and evaluate the competitors.

Market Entry Strategy

For our market entry strategy, we will be doing joint venture with Aramex which is a company based in the UAE. Essentially Aramex is a shipping company, much like FedEx in the U.S. Logistics Plus does partner with FedEx, UPS and other freight companies, so a new partnership with Aramex wouldn’t stray from the company's existing strategy. Logistics Plus will provide warehousing and other supply-chain management services while Aramex will be our primary freight company. Essentially we will store items for Aramex and their existing clients, while they will provide shipping within the UAE. Another main advantage to engaging in a joint venture with an emiratis company is the lowered pressure from governmental regulations. Governments often make it harder for a foreign based company to have some operations in the country by enlisting restrictions, taxes and policies. Teaming with Aramex, will help Logistics Plus evade some of these unwanted policies as opposed to a direct foreign investment. The reason we didn’t decide to do a strategic alliance is because our long term goals. A strategic
alliance offers many of the same advantages as a traditional joint venture, however it isn’t as set in stone. If we chose to do a strategic alliance, we wouldn’t so heavily depend on Aramex for business and stability. Full ownership has also been considered, however it would mean a lot more money and time would need to be invested. Joint venture allows us to not so heavily rely on our own capital because Aramex will also be a part owner. Teaming with Aramex also gives us a familiar brand to represent us towards the public. Because we will mainly focus on warehousing, we will not need to generate a brand awareness for Logistic Plus. Instead, we will be able to use the already popular brand of Aramex to reach the target market. This would also negate any country of origin issues the citizens may have. We will be providing warehousing services to companies, but because they will shipping and interacting directly with Aramex.

When companies contemplate entering a new market, they have to think about adaptation as opposed to standardization. Although we will adapt some small issues to appease Aramex, we will be going with a more standardized approach. Logistics is a service category that doesn’t change that much from country to country. This is because most logistics companies operate in multiple countries, and services like warehousing do not need to be altered no matter what country. We also will not often deal directly with the customer, therefore a lot of cultural and environmental differences won’t be as large of factors in our current process.

**Marketing Mix**

For our pricing strategy, we have narrowed in on market pricing. We can’t do cost leadership, as the higher cost will make it extremely difficult to enter in, and stay afloat in a new emerging market that has a lot of competition. Competitive pricing will be hard to accomplish because there are many large logistics companies in the UAE who are able to have lower costs
due to the large volume of sales that they already have established. Partnering with a semi-competitor in Aramex will help us have lower prices than we would as a full ownership entry, however we will predominately try to stay as close to the market as possible. To make our whole plan work to perfection, we will need to develop superior warehousing services. To accomplish this, we will provide a safe warehouse where it will be very secure. We will also be sure to have very careful employees, as a big issue with warehousing is the lack of care employees show towards other companies products. Using the best available technology, such as temperature and humidity control, we will ensure that every stored item is under conditions where problems can occur. This is very important for moisture sensitive products like electronics. Having a large, recognizable company to joint venture with like Aramex can also be considered a competitive advantage. We will have more access to infrastructure, shipping and existing clients with the help of Aramex. Companies will also see that we are partnering with Aramex, which will surely create more of a positive attitude when entering in contract discussions with Logistic Plus.

When it comes to deciding a location for our warehouses, Dubai makes the most sense. For starters, it lies on the Persian Gulf which is one of the most popular bodys of water for importing and exporting in the Middle East. Another main factor in choosing Dubai, is that it is the host city for our partner Aramex. Since they do the majority of their operations out of Dubai, it would make the most sense to place our warehouses nearby their facilities. Abu Dhabi is also another option as it also lies on the gulf and Aramex has offices their. This may be more of a long term option as focusing on one city will likely make the transition to a new country an easier process.
Conclusion

After conducting an in depth study, we believe that this will be a good opportunity for both Logistics Plus, and Amarex. Many different factors have aligned to conclude that this joint-venture can be successful. The our analysis of various environmental factors, and competitors brought us to what we believe is the best way to penetrate the logistics market in the UAE. We believe we have chosen the best entry mode, and market mix.

As stated earlier, Logistics Plus will benefit by entering this market through a joint venture because we can avoid some government restrictions. Finally we believe we have proposed a good marketing mix. Warehousing is a good service for this venture because we are able enhance Amarex while entering a new market. Dubai is a very accessible cut which makes it the perfect place for logistics plus services. Therefore, this joint venture will be good for Logistics Plus.
Works Cited


"Research and Markets: Logistics Market in the UAE 2014-2018: Key Vendors Are Aramex"
