Australia Essay, Research Paper

Australia

Executive Summary

There are many components to a successful organization, among them is a steady

flow of innovative products that are consistently produced to high standards,

available to customers when and where they are needed, and backed with diligent

service and support. We will demonstrate the viability of capturing a

significant market share of sunscreen products Down Under. We will inform you

of our unique market entrance plans, our unique product and its marketable

attributes. We will layout our target markets and their demographic information,

and we will conclude with the profitability remarks necessary to gain your

confidence and investment.

Sun Cosmetics, Inc., the parent company, was founded in 1955 and has been a

publicly held company since 1973. It was incorporated in the State of

Massachusetts. Any U.S. legal conflicts fall under the jurisdiction of the

Massachusetts state court system. It’s annual North American sales of sunscreen

products are in excess of $20 billion. Sun Cosmetics created Oceana’s

development team for the express purpose of penetrating Australia’s regional

markets. Its members were selected based on their cultural appreciation and

adaptability, their research expertise, and their discerning abilities with both

primary and secondary data.

Cheri Brown, Vice President of International Operations

Robert Roy, Director of International Sales & Marketing

Helen Quinn, Director of Cultural Adaptation

Becky Barth, Director of Research & Development

Sun Cosmetics, Inc. will send two expatriate executives to F.H. Faulding &

Company Limited to work in commensurate positions and pay grades. The training

and marketing guidance is invaluable from both perspectives.

Product introduction and formulation

Due to the high incident of skin cancer Down Under, primarily originating in

young children, we have developed an additive that enables parents and children

to see that this sunscreen has in fact been applied to all areas of exposed skin.

This additive is a coloring agent that fades approximately three minutes after

application. Taking advantage of the Sydney 2000 Olympic Summer Games approach,

we have incorporated the additive with an olympic theme: Oceana

Gold, Silver & Bronze. The coloring agents will actually be gold,

silver or bronze according to the label of the particular sunscreen purchased.

In addition to these choices, each color would be available in several degrees

of sun protection factor (SPF): SPF4, SPF8, SPF15 & SPF30 (SPF4 being the least

and SPF30 being almost total sunblock). Oceana is a non-greasy water resistant

sunscreen with aloe vera gel, vitamin E and is paba free.

Incidence of skin cancer

The high incidence of skin cancer in Australia is the reason for our choice of

this product. Skin cancer has been on the rise due to environmental issues

caused by humankind. Australia is known for its sunshine and carefree good life

attitude; but Australians are facing a severe problem with exposure to the sun.

Australia is the perfect market for sunscreen because two out of every three

Australians will develop skin cancer at some point in their life. One half of

Australians under the age of fourteen already have some damage to their skin.

Australians have the highest rate of skin cancer in the world, with are

approximately 140 thousand new cases per year. See Appendix A for additional

information.

Cultural aspects surrounding market entrance to the Oceanic region

Australia

The seven states of the Australian country/continent are very similar to those

of the United States. That is to say, all of these states are English speaking,

with a high literacy rate, a well-developed infrastructure, a significant volume

of tourism and laws that promote interstate commerce. These elements are what

make this market an easy entrance for our product.

Tahiti

This territory is part of the French Polynesian Overseas territory. This

territory falls under the French Republic guidelines of government. Some

aspects of this territory have autonomy. Tahiti’s principle trade imports come

from Australia, France, Germany, Japan and New Zealand. They export mainly to

France, New Caledonia and (limited) United States. The facts that Tahiti is

known for tourism and has principle importing and exporting, make this market

accessible for our product. It’s location geographically, climate and

infrastructure, make for easy distribution and market entry. Its principle

language is French, but with a cultural adaptation to English products, we may

utilize standardized production.

New Caledonia

This territory is also part of the French Overseas Territory, which means that

it also falls under the French rule of government court and political systems.

This territory is in the European Parliament. It’s primary imports come from

Australia, France, Germany, Japan and the United States. Its exports are mainly

to France, Germany, Japan and the United States. The same basic infrastructure,

climate and tourism as Tahiti makes this market accessible and allows for

standardized product introduction.

Fiji

Fiji is an established country. It’s form of government is much like the

English Parliament. It’s imports also come from Australia, Germany, Japan and

New Zealand. It exports mainly to Australia, Germany, Japan and New Zealand.

Once again established infrastructure and trade routes within the region,

tourism and the climate, make this country’s accessibility applicable for our

product. Primarily an English speaking island, Fiji also allows Oceana to be a

standardized product.

All of these islands and countries, including Australia and New Zealand, have

the same principle religions. These are Catholic, Protestant, Muslim, and few

native island beliefs.

Intellectual property laws in Australia

A joint venture has been established so our license is already in place. A

patent is pending for the three gold, silver, and bronze coloring agents. This

patent will be exclusive for a period of five years before renewal. Our

trademark name that for our product is Oceana Gold, Oceana Silver and Oceana

Bronze.

Trade Relations APEC and ANZCERTA

ANZCERTA is trade agreement between Australia and New Zealand.

(Australia New Zealand Closer Economic Relations Trade Agreement)

ANZCERTA has been around since 1983, when it replaced their NAFTA, and has

undergone significant changes in industrial and agricultural trade. Free trade

between these countries has enabled rapid development in world exporting. At

this time the process of improving air transportation and expanding trade laws

is underway. The goal of ANZCERTA is to become a single trade entity

representing a unified economic front. In the next ten years they hope to

remain committed to the same economic goals and effectively compete with the

Asian Pacific region through their alliances to the commonly known APEC (Asian

Pacific Economic Cooperation).

APEC is the formation of trade alliances among 18 countries in the south pacific

region of the world. The leaders of these countries meet regularly to discuss

ways of improving liberal trade and creating a more open environment. Australia

has been active with this alliance since 1989. One of the benefits of

Australia’s involvement is that the economies of the different countries range

from underdeveloped to industrialized countries. Our product will be marketed

in a diversified economic range, enabling us to reach more than one specific

market. Skin cancer and environmental issues are discussed at these meetings

and concern all leaders of the different governments. APEC hopes to reach free

trade as already established by GATT.

Political risk

There are no governmental policies or parties who could politically overrun the

government, therefore, expropriation is not a major consideration. The concern

for nationalism is also unwarranted because Australians have hopes of attaining

the “American good life.” Our image as a nation demonstrates a positive public

relation between two countries.

Joint Venture (unincorporated)

A foreign company deciding to do business in Australia has a selection of

business structures available. The most common forms of organizations are

representative offices, branches of parent companies’ subsidiaries, sole trades,

partnerships and joint ventures. Joint ventures in Australia are a very common

business practice, with some differences in structure from that of the United

States but they are similar enough for American investors to comprehend.. An

unincorporated joint venture may be described as “contractual”, meaning that a

separate entity is not formed. Shares are not allocated for payment of any

kind; and they end up resembling a partnership. Incorporated joint ventures are

companies that have shareholders with no rights to the company’s assets; which

are not exposed to sharing losses, but which do participate in distributed

dividends. Legal restrictions are limited and private companies operate

basically uninterrupted as long as established ethical business codes are

followed. Any company that registers in Australia falls under their corporation

law jurisdiction. Hybrid forms of joint ventures can be created to meet the

demands of each participant involved. After having carefully reviewed our

options, we chose the unincorporated joint venture with a company whose name and

reputations are established.

Our Partner

Australians are very demanding regarding timely delivery, product warranties

along with consistent advertising and promotions. They are proven to be very

quality conscious and discerning. The decision to pursue a joint venture was to

limit initial investment and operating expenses, limit liability/lower risk and

ease into the market via a company well aware of the culture and infrastructure.

Our partner company is F.H. Faulding & Company Limited, positioned in Parkside,

South Australia, Australia. They possess the capacity to meet our company

objectives (production and distribution) and are aligned with our corporate

ideals and values. F.H. Faulding has an 11 year financial history of

established success in all facets of production management, distribution and

customer trust. Combined with their current assets, desire for growth and

development, they are very attractive to Sun Cosmetics, Inc. as an

unincorporated joint venture partner for Oceana. Their location is significant,

and of strategic importance to the actual distribution of our product.

Distribution

Our joint venture partner will enable us to use their established sources of

distribution. A distributor acts as an independent agent who purchases products

from an agent and delivers them to wholesalers and/or retailers. It is common

practice for Australian distributors to ask for exclusive geographic rights due

to the size of the market. Australian distribution and sales channels are

comparable to other industrialized countries. Channels of distribution are

direct sales, use of agents, and direct investment. Their duties include good

faith representation and the maintenance of proper accounts, We will be

utilizing all methods of distribution as available and established through our

joint venture partner. Through our direct and distributor sales we expect to

attain the mix that will achieve Oceana the market share it deserves and meets

the customer needs Down Under. See Appendix B for additional information.

There are many major ports located throughout the continent. Transporting to

these active ports is very accessible through several shipping means (including

air transportation, where applicable). The size and population locations are

very unevenly distributed. Key population areas tend to center around the outer

perimeter of the country where these major cities’ airports and seaports are

located.

The following is an overview of the transportation and communications systems:

Established railway systems 40,478 km

The highways of the country total 873,872 km

The telephone communication systems are very extensive both internationally and

domestically. Radio broadcast frequencies include 258 am and 67 fm. There are

134 broadcast stations. (National Trade Databank).

Raw materials

All raw materials will be purchased and supplied locally through ICI Australia

Pty Limited’s botany plant. ICI Australia is a large manufacturing facility

that produces 50 organic and non-organic chemicals located in Castle Hill, South

Australia. Our suncreen’s ingredients are, or can be, produced by this facility

for easy “just-in-time” inventory delivery. Our sunscreen will be safe for the

environment and everyone that uses it. The main ingredients in our products are

octylmethooxycinnamate, oxybenzone, octylsalidylate, titanium dioxide,

octocrylene and the secret ingredients necessary for our gold, silver and bronze

coloring agents.

Target Market Demographics

Since such a high incident rate of skin cancer and skin damage exists in this

region, there is an ever growing need (market) for sunscreen products. Based on

our marketing research we have focused on three specific markets: tourism,

teenagers/young adults and parents with young children. These target markets

will allow for market penetration and diffusion at a quick rate since they are

the groups that have the highest need for our product and the greatest

purchasing power.

Geographically, our focus is on the Australian states, New Zealand, Tahiti, New

Caledonia and Fiji. The following demographics will highlight the targeted

areas beginning with the Australian states:

+ NEW SOUTH WALES — SYDNEY & CANBERRA

- Tourism: 1,237,900 per year or seasonally and is expected to increase

by 60% for the 2000 summer Olympic games.

- Teenagers/Young Adults: 26,000.

- Parents and Children: 6,066,000 with a population growth rate of

about .07% per year.

+ VICTORIA — MELBOURNE

- Tourism: 728,200 per year or seasonally.

- Overall population: 2,676,000.

+ NORTHERN TERRITORY- DARWIN & AYERS ROCK

- Tourism: 146,650 per year or seasonally.

- Overall Population: 892,150.

+ SOUTH AUSTRALIA — ADELAIDE

- Tourism: 182,050 per year or seasonally.

- Overall Population: 1,427,460.

+ WESTERN AUSTRALIA — PERTH

- Tourism: 364,100 per year or seasonally.

- Overall Population: 1,695,113.

+ QUEENSLAND — BRISBANE, CAIRNS & GREAT BARRIER REEF REGION

- Tourism: 1,092,300 per year or seasonally.

- Overall Population: 3,033,361.

+ TASMANIA — HOBART

- Tourism: 36,500 per year or seasonally.

- Overall Population: 2,027,200.

NOTE: Overall population of Australia is approximately 18,000,000 with a growth

rate of 1.1% per year.

The following demographics are for the countries that border Australia in the

Oceanic Region:

+ NEW ZEALAND — NORTH ISLAND — Auckland

- Tourism: 546,000 per year or seasonally.

- Overall Population: 1,540,000.

+ NEW ZEALAND — SOUTH ISLAND — Christchurch & Queensland

- Tourism: 756,420 per year or seasonally.

- Overall Population: 1,630,000.

+ TAHITI

- Tourism: 150,000 per year or seasonally.

- Overall Population: 213,000.

+ NEW CALEDONIA

- Tourism: 81,000 per year or seasonally.

- Overall Population: 179,000.

+ FIJI

- Tourism: 288,000 per year or seasonally.

- Overall Population: 588,068.

NOTE: Tahiti and New Caledonia are overseas territories of France. Although

these are target markets, secondary data for these areas are limited. Primary

data will be collected after the initial market distribution, subsequent to the

roll out in this area.

Direct Marketing (advertising)

Australia’s direct marketing industry is at the early stages of development when

compared to the United States but due to economic levels of income and the

infrastructure of the country this market is highly accessible and affective.

Australian citizens long to be “Americanized” which in terms of television

advertising and technological advancement, is a viable means that puts this form

of market at our fingertips. The adaptation of pay television also allows for

the consumer to shop at their convenience.

Direct Marketing (promotions)

Trade centers and shows are important, along with mass media ideas ranging from

newspapers to television advertisements. Our foremost research enables us to

believe that the Olympics in the year 2000 is the ultimate marketing entry gain.

By utilizing this direct market approach there are several promotional and

advertising methods, not the least of which, that F.H. Faulding is an Olympic

sponsor for the Sydney 2000 games. If we choose an Olympic team or spokesperson,

we can market/advertise through actual team/athlete T-shirts, hats, etc. This

would yield global advertising and public relations that could be a valuable

option as the games approach. Along with our product name and unique features,

we have contracted with Ken Done (a world renowned painter, based in Sydney) to

design our packaging and create other promotional materials as well (e.g., beach

bags, towels, etc.).

Market plan range/rollout

Sun Cosmetics anticipates completion of all contracts and legalities by mid-1997

and will then begin product distribution in late 1997, by introducing our

product line in Sydney, the highest populated area and one of the largest

tourist stops. After advertising and promotion have gained the attention and

recognition of the home market, we will get directly involved with the Olympic

sponsorship. Promotional items such as free samples, will be distributed in

advance, to gain brand recognition. In 1998 we plan to move into Melbourne,

Brisbaine, the Great Barrier Reef region and New Zealand’s South Island.

Towards the end of 1988, we will gear up for our entrance into Perth, New

Zealand’s North Island and Tasmania in 1999. The final oceanic regional move

will be in the year 2000 when we will complete our market rollout by entering

Fiji, New Caledonia and Tahiti. (This will allow us the time to conduct the

necessary primary research on these outlying countries/territories whose

secondary data was limited.) During the summer of the year 2000, we will

initiate our global presentation to expand our market to the other communities

of the world during the Olympic games being held in Sydney, New South Wales,

Australia, 2000.

Financial portrayal

Partner percentage expense (25%)\* 2,000,000

Distribution expense 500,000

Expatriate compensation 100,000

Trademark fees 8,000

Patent fees 5,000

Packaging expense (Ken Done) 20,000

Give-away expense 25,000

Advertising expense 200,000

Olympic giveaways/sponsorship 250,000

Tax expense 35,000

Raw material expense 60,000 Total Operating Expenses

3,203,000

\* Projections are based on $8,000,000 in 1997 sales.

(Just-in-time inventory system to be utilized for raw materials, with the

distributors warehousing the final product in the particular city of

import/distribution.)

Market share projections: 1997 5% 2,000,000

1998 15% 1,500,000

1999 5% 1,000,000

2000 5 500,000

1997 10% 5,000,000

1998 10% 4,500,000

1999 10% 3,500,000

2000 10% 2,500,000

1997 15% 8,000,000

1998 15% 7,000,000

1999 15% 6,500,000

2000 15% 5,500,000

15% is a conservative estimate of the market share attainable by 1999 for this

product, in this plan. The current market demand is growing at an accelerated

pace, with our established competition holding market shares in excess of 20%.

Due to the nature of Australia’s quality demands and the incident of skin cancer,

our product will capture a significant market share quickly. Retail selling

prices: $ 8.50 (U.S.) in urban areas, and $10.50 (U.S.) in rural areas based on

a 90 ml container.

Alternative entrance/contingency

Overall success of our plan of entrance into this region may rest solely on our

ability to implement a worthy alternate or contingency plan should we encounter

any major setbacks. Based on corporate profiles and market research, we have

determined that the best contingency plan is to form a joint venture with

Hoechst Australia Ltd., located in Melbourne, Victoria, Australia, and utilize

their established production and distribution system. An alternative supplier

of raw materials has also been coordinated, should the need arise. This plan is

designed to be a substitute source or can be used to supplement the primary

source if sales increase faster than projected or we encounter any other

problems.

Conclusion

As an overview, statistics have shown that the Oceanic Region has the highest

amount of skin cancer and sun related damage in the world. Awareness and the

magnitude of this problem are apparent to residents and tourists, thus creating

a high demand for our sunscreen products. Our target markets are tourissts,

teenagers/young adults and parents with young children which makeup the majority

of the people directly effected by the sun. Presently, entrance into this

market is low risk. This is primarily due to the fact that language, cultural

and trade barriers do not exist. Also, the market is not saturated and our

initial expense and risk is limited due to our joint venture. We can gain a

high percentage of market share throughout this region by 1999 and begin our

global debut at the summer Olympic games at Sydney in the year 2000.

Appendix A

Here are some facts about skin cancer itself there are three basic types of this

disease. Basal cell carcinoma, squamous cell carcinoma are two types of cancer

that can cause disfiguring to the body but are not fatal. The third is

malignant melanoma which behaves like an internal cancer. It starts as a mole

and can spread to other parts of the body. The sun’s ultraviolet violet rays

are the most significant between 11 AM and 3 PM. This is the time that the

majority of children and outside labor workers are in the sun. In Australia’s

summer months’, exposure is so serious that safe sun time before damaged is

caused in Darwin is only 9 minutes. In Brisbane 11 minutes, Perth 10, Sydney

and Adelaide about 12 minutes. To demonstrate the concern for skin protection,

researchers have developed a T-shirt that has an ultraviolet sensitive paint on

the front of it which when exposed to the sun its picture will change color

revealing the radiation that the human eye cannot detect. It is said that by

the year 2050, society will not be able to go in the sun if humankind does not

recognize this issue.

Australia has developed a “slip slop slap” motto to promote skin protection.

Slip on a shirt, slop on sunscreen and slap on a hat.

Appendix B

There are several resources that we can use to discover our possible available

market for distribution. The services are located by contacting the local U.S.

Dept. of Commerce distribution. 1) Agent distributor search (AD) The US

commercial service will locate and screen potential Australian agents and

representatives for US companies. CS Australia will send information to

possible companies that might have an interest in our product. If the company

responds, the CS will make the opportunity for direct contact available. 2) CRS

Gold Key Service This idea makes it beneficial for US company representatives to

see the various services available. Such as market orientation meetings,

research, distributor searches and screening. They are an affective service

that truly widens the firm’s eyes in a particular country. 3) Customized Market

Analysis (CMA) This assessment provides information on the product’s potential

laws. This is very important to us as a joint venturer, because we need current

data and monetary trend information which oversees research. 4) CS — Catalog

Exhibitions CS Australia actively participates in trade shows, and a variety of

other trade events that provide actual catalogs or products for direct display.

5) Introduction to Australia

This new entry program is affective and inexpensive to test the Australian

market. Specific American firms in that industry contact Australian fin-ns. A

selected target industrial market is chosen through local agents and

distributors. Interested participants then actually follow up directly.

The CS also actively participates in trade missions, trade events, and the trade

opportunity program (TOPS). This service provides trade leads that manufactures

may request for representation, investment, licensing and finally joint ventures.

The last two services offered by CS are market research reporting and commercial

USA. The market research and reporting continually tracks major industrial

investments, projects, and policy developments.

Commercial news UA provides on new U.S. products available for the export market.

This distribution information goes to about 1,000 potential agents and

distributors in Australia. This service also identifies possible joint venture

participants. This distributive information goes to Australia. All of these

services are imperative to regarding possible market distribution resources.

Resources:

Austrade Australian Trade Commission 630 Fifth Avenue, Suite 420 New York, NY

10111 Nicholas Doumani (212)408-8473

Bureau of Tourism Research

Cambridge Encyclopedia of Australia Press Syndicate University of Cambridge 1994

CD ROM — U.S. DOC, International Trade Administration March, 1996

CD ROM — National Trade Data Bank February, 1996

Europa World Year Book 1995 London: Europa Publications Limited Volumes 1 & 2,

Pages 1236-1237 and 1246-1247.

Internet: HTTP://WWW.TELSTR.COM.AU/META/AUSTRALIA.HTML