



TOGETHER
for a sustainable future

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It is axiomatic in marketing that no amount of promotion and salesmanship can sell a product that is not properly conceived. Therefore, in analyzing a free zone as a "product" it is essential to think in terms of its total environment: economic, social and political with the greatest emphasis on the government's history of past performance with and attitude towards outside private investors. The following questions must be answered affirmatively in the minds of prospective investors as part of their decision-making process:

1. Will my investment be in a politically stable environment, i.e. free from government interference, free from any possibility of expropriation?

2. Will the rules that exist when I begin continue throughout the life of my contract?

3. Will the government take a favorable view of my operational needs with regard to importation of essential equipment, freedom of expatriates to manage my company and freedom from taxation on export business?

4. Will I receive prompt business-like answers to essential questions of business procedure before I begin and while I am a guest in the host country?

The greatest single obstacle to investment in a country thousands of miles from home (particularly in a relatively unknown area) is the question of security. Confidence in the stability and integrity of the host country and its government is an absolute essential.

A prerequisite for success in the promotion of any industrial free zone will be its status as an autonomous agency free of government interference and control. This is an essential element. Without it, an industrial free zone will be at a competitive disadvantage. Investment capital is the most nervous commodity in the world and since the competition among developing nations for such capital is

intense, no destination will be a strong contender without a free and stable operational environment. Along these lines, some governments are considering a program which will maintain ownership of the land, but place operational activities in the hands of a private corporation under a long-term contract.

Thus, the industrial free zone, if established without red tape and operated by private sector interest as a smooth, businesslike and stable channel for foreign investment can be a vehicle for foreign investment and employment which might not otherwise be viable in a given host country due to existing restrictions, laws and vested interests.*

Once it has been determined that an industrial free zone is a viable and promotable project and has the necessary elements which make it competitive on the world market (i.e., freedom from government interference, low cost

*Criteria for creating a "saleable product" was discussed in a paper by this author titled "Promotion Measures for Industrial Free Trade Zones" for the Training Workshop in Industrial Free Zones as Incentives to Promote Export-Oriented Industries, Shannon International Free Airport, Republic of Ireland, 5-16 March 1972. We refer readers to this paper for material which will serve as background for the subject matter to follow.

and productive labor supply, available energy, utilities and other infrastructure, tax and other incentives for capital investment, transport, geographic operation, access to markets, etc.), the scope, methods and cost of a marketing program can be determined.

FUNDAMENTALS OF THE PROMOTION AND MARKETING PROGRAM

Before dealing with specifics, let us, for perspective, review the primary characteristics of an IFZ promotion and marketing program and the categories of audiences for which they are designed.

These are fundamentals and should be considered irrespective of the magnitude of the program and its budget.

One must consider four essential stages or aspects. They are interrelated; however, from point of timing they are also sequential.

The first or "umbrella" stage is the broad scale identification of the project and creation of a positive national image for the host country.

The second stage is promotion to pre-selected prospect categories for the primary purpose of attracting inquiries.

The third stage is the servicing of inquiries attracted by Stage Two, and the fourth stage is direct face-to-face selling. Let us examine each of these in greater detail.

Stage I: The Projection of a Strong Positive National
Image

No nation can compete in the world market today without establishing an image of stability and the existence of a valid private enterprise system in addition to the many prerequisites in terms of competitive business advantages such as labor, quality and productivity and professionalism of its operating structure and services.

The image building stage will take the form of news and feature articles in business and trade publications, and, where appropriate, special events in the form of receptions,

speaking engagements to business groups and press conferences.

This can be a costly procedure, since it must be accomplished within the target country or countries. Image building, however, should not be the sole responsibility of a new industrial free zone. It should be tied to the overall public relations efforts of the nation since, in effect, the end result is to gain credibility and acceptance for the nation as a host country. Therefore, to expect a substantial budget from the embryonic IFZ to carry the weight of building an image for the nation as a whole may be out of proportion. Nonetheless, without a favorable national image as stated above, all of the other advantages and attractions will be less saleable.

Stage II: Attracting Inquiries

Stage II will zero in on specific prospect groups with an inquiry-oriented program. At the outset, this will be in the form of publicity announcements with photos describing the newly established Industrial Free Zone, small space advertising in selected business and trade journals

and a direct mail program. All will offer the brochure. As time goes on, case-history success stories will become available for placement in appropriate publications on a continuing basis. From this screening procedure will emerge the serious prospects for Stage III.

Stage III: Servicing Inquiries

This function can be performed by internal staff within the IFZ. However, budget permitting, inquiries are better and more promptly serviced if handled within the country of origin. Therefore, should the IFZ have sufficient funds to support one or more external offices, the processing of inquiries and important follow-up by mail and telephone can be more efficiently and effectively handled. This "inquiry servicing" stage is both an information service and an evaluation process which will further screen and identify serious prospects. Offices abroad will also provide locations for prospects to have face-to-face meetings with IFZ agents.

Stage IV: Direct Selling

As a natural follow-up to Stage 3, direct personal contact of serious prospects by qualified representatives will be the most effective means for motivating prospects' visits to the IFZ.

The second phase of direct selling will take place when the prospect actually visits the host country for a personal inspection. This will be the most important stage of the entire selling process.

SETTING UP THE MARKETING AND PROMOTION PROGRAM

As can be seen from the previous four stages, an optimum program will require a home-base at the IFZ as well as offices overseas. These overseas offices could be owned and operated by the IFZ or could be composed of professional advertising and public relations counselors, or a combination of both. The staffs and consequent budgets for such thorough activities would, in our opinion, be beyond the means of most developing nations and, therefore, certain compromises or shortcuts will frequently have to be made. We will examine various alternatives.

GUIDELINES FOR AN OPTIMUM PROGRAM

In setting forth the details of this comprehensive promotion and marketing structure there are certain fundamental requirements common to a program of even the smallest magnitude. For example, the most minimal program will require a Director of Promotion and Marketing, a secretary for the Director, a brochure and other promotional literature. It is the magnitude of the program that will vary

and, of course, such variables as geographic coverage, advertising, travel and sales personnel.

In examining this situation, therefore, let us begin with an optimum program recognizing that although it may be beyond the financial reach of most IFZ administrations, it will express the scope of work to be accomplished and provide a guideline for evaluating priorities.

A. Selection of Internal Promotion Staff

Each program must begin with a Director of Marketing and Promotion. He will be the keystone for the entire operation, both internally and externally. Candidates for this position should be selected on the basis, if possible, of external experience i.e., education and/or service in a developed country. Failing this, it may be possible to find an expatriot in the host country with the necessary credentials. He will, obviously, cost more than a national. However, the importance of this position to the success of the entire program should be taken into account when structuring the salary level.

This Director should be assisted by one or two strong deputies plus the necessary secretarial assistance. These secondary personnel should be selected with his cooperation and concurrence. Consideration should be given to the linguistic capabilities of candidates so that as multi-national a group as possible be formed. This is obviously important when one considers the fact that part of the job will be to receive prospective investors from any number of European, North American, and Far Eastern countries. It is possible that technical assistance programs in effect by U. S. and European countries will aid in the selection, training and funding of this marketing team.

B. Duties of the Local Office

Briefly stated, this local team would be responsible for:

1. establishing and maintaining proper relationships with the local business community to reduce fears of competition and emphasize advantages of the IFZ to the local economy;

2. assisting in the creation of basic promotional materials;

3. receiving and answering inquiries once they are generated externally;

4. receiving and attending to prospective investors from abroad and providing a continuous flow of news and photographs and other image building information to business publications serving the developed world.

C. Establishing Representation Abroad

The location and nature of representation abroad may vary according to the fundamental characteristics of each IFZ and its host country.* Therefore, it is only

*These include: degree of concentration on labor intensive light industry, utilization of locally produced raw materials, geographic proximity to principal market areas, ties with common market areas, characteristics and cost of labor; all have a bearing on determining, in order of priority, the countries and classifications of products, industries and investors which will benefit most from using a given IFZ.

after research and analysis that the IFZ administration can determine with precision those categories of products and industries and, in turn, the specific countries which offer the greatest potential return for their promotional and marketing investment.

Areas with the greatest concentration of potential investors are North America, Western Europe and the Far East. The cost of establishing a fully staffed operation with broad promotional activities in all three sections of the world would be prohibitive for a start-up operation. It would be our recommendation to select one area with the greatest immediate potential, and establish a pilot operation. If successful, this experience may be applied to each of the other regions as budgets permit.

Here, then, are guidelines for the external operation:

Capabilities Required in a Promotion/Sales Office

The following skills must interrelate to perform a comprehensive range of promotion and business development services for selling an Industrial Free Zone:

- . research
- . advertising
- . public relations (with strong publicity emphasis)
- . graphic design and writing of sales promotion materials
- . direct mail programming
- . investment counseling and inquiry servicing
- . direct selling

In our experience the ideal office for providing this variety of promotional counseling and selling skills does not exist. The object, therefore, is either to identify an organization (sales agency, international business consultant, advertising and/or public relations agency) that currently incorporates as many of these elements as possible and guide them in adding the necessary qualifications; or start from scratch with one highly qualified and seasoned investment development promotion executive and build a full-time staff. This staff could then be supplemented with outside agency services as needed to provide:

- . public relations for releases, press conferences, articles, speeches and special events
- . advertising and direct mail counseling
- . graphics design and preparation of promotional materials

Criteria for Selection of an Outside Agency to be the IFZ Sales Operation in an External Market Area

1. Ability to counsel and assist in formulating promotional strategy and action program blueprint. (In conjunction with Marketing Director in IFZ home office.)
2. Ability to research and analyze prospect group categories; develop mailing lists and publication targets throughout Europe.
3. Ability to prepare and disseminate basic publicity materials in major news, business, financial and industrial publications, i.e. contacts and experience in principal European business centers.

4. An economic and business orientation to:
 - a. enable recognition of the most meaningful promotional assets offered by the host country and to identify the media and audiences most responsive to this type of information;
 - b. provide answers to technical inquiries from and visit with serious investment prospects.
5. Experience and capability for setting up and conducting a direct mail program.
6. Ability to design and write sales promotional materials such as brochures, folders, and newsletters.
7. The staff and infra-structure necessary to implement and orchestrate the entire program.

Setting up External Promotional Office as an Alternative
to Outside Agency

Such an office would be headed up by a managing director whose credentials and experience would be similar to the man we described for heading the IFZ home office promotional program. He would, in effect, establish a counterpart office to the home office with similar principal personnel. These would include:

1. A deputy or assistant manager who would be responsible for the day-to-day output of promotional materials and generally assist the manager in all aspects of the program including liaison with outside agency services.
2. An office manager/secretary who will be responsible for establishing the office infrastructure, setting up systems for processing direct mail inquiries, maintaining log sheets, answering requests for further information other than those requiring technical input, monitoring of telephone inquiries and coordin-

ating with the IFZ home office to maintain a continuing two-way flow of information. This person would need a clerical assistant in fairly short order as the program gained momentum.

3. An additional sales representative will be required when volume of inquiries and direct prospect contact increases and necessitates field travel to other countries.

Responsibilities and Communications Between IFZ and
Offices Abroad

Assuming that the decision is made to retain the services of an outside agency, a performance contract would be drawn up between the operating company and its overseas agency to establish the following agency responsibilities.

(Note: If the decision is for the operating company to set up its own office, these responsibilities and procedures would still apply, though, obviously, within a different type of contractual relationship.):

- . general promotion and image building
- . production of all necessary promotional materials; including press releases and feature articles, in languages appropriate for respective market areas
- . conduct of direct mail and sales promotion campaigns
- . setting up and handling special events and press conferences
- . identify and service prospects
- . direct selling
- . continuous follow-up to motivate trips to the IFZ by serious prospects
- . reporting to IFZ on a pre-determined frequency basis

The contract should require that the agency maintain:

1. An office for receiving visitors with appropriate identification of the IFZ and its host country;
2. Staff to receive and service visitors;

3. A comprehensive library of information and statistics on every relevant aspect of the host country's culture, history, society, politics and economy, including labor, regulatory agencies and policies covering foreign investment, taxation, incentives, customs and tariffs including importation of personal effects and automobiles for expatriates planning to live in the host country.

This information will be essential for fast and accurate response to all inquiries.

Recognizing that a successful overseas agency promotion is a two-way street, the IFZ should, in turn, clearly establish its responsibilities to the outside agency.

These would include:

- . A fee schedule, operating budget and method of payment
- . Material and photographs for news stories and feature articles

- . Material for a quarterly newsletter
- . Specific investment/business opportunities information
- . Comprehensive facts and material on industries selected for special promotion
- . Promotional material produced in the IFZ, such as photographs, graphics, displays, slides, films and other similar matter
- . Advance advice of any government promotions, travel by high officials and occasions of national importance
- . Special statements or speeches by high officials on topics, or on occasions, or at places having a bearing on the Free Zone investment program.

Reporting Procedures

On a monthly basis it would be the responsibility of the external agency or operating company office to provide the IFZ with the following information:

1. A complete list of all inquiries which were processed during the month. This would be broken down in terms of mail, telephone and personal visits.
2. Those serious prospects which received special attention should be reported in more detail.
3. A summary of public relations activities covering:
 - a. Speaking engagements
 - b. Press releases and their distribution lists
 - c. Publication of news and feature material with copies attached of all publicity which had appeared during that period.
4. In the event of speaking engagements, participation on panel programs or the conduct of press conferences or special receptions, the

following details should be included in the monthly report:

- a. Nature of the appearance
- b. Sponsoring body
- c. List of company prospects and/or press represented in the audience
- d. Follow-up action either accomplished or to be accomplished. This means whether each attendee had been or will be serviced with a letter and brochure or other information.

These are the elements which in our experience most frequently belong in monthly progress reports from the field. They serve as a guideline since each operation will have its individual characteristics and, therefore, its comprehensive activities report will reflect these characteristics.

CHECKLIST OF INFORMATIONAL/PROMOTION ELEMENTS

TO BE PRODUCED BY THE IFZ

- . A general promotional brochure illustrated in four colors for distribution to identified prospects (this is a project of Societe Generale Pour L'Industrie, Geneva, Switzerland and, presumably, has been completed).

- . A smaller, lighter weight, far less expensive promotional brochure in two or three colors which will fit a standard business envelope and can be mailed in quantity to large prospect lists. Such a pamphlet, summarizing the features and advantages of the Zone will be a necessary screening document and should be given broad distribution in order to stimulate further inquiries.

- . An attractively packaged text of the law creating the free zone which should contain a summary of the free zone laws and regulations for easy reference.

- . A "basic information brochure" (not an expensive promotional piece) designed for quick reference either as one document subdivided into chapters or as individual pamphlets. The subjects to be covered are:
 - . Basic information on labor availability and categories of skilled and unskilled training programs, wage scales and all details relating to employee benefit requirements.
 - . Information on basic facilities -- rental of land, rental of buildings, construction costs, availability and rates of water and power, plant sites, rental of existing plant facilities, etc.
 - . Information on transportation facilities -- schedules and rates (air and sea lines serving the area and frequency of services); services between piers, airport and free zone, trucking and handling rates.
 - . Availability of services such as computers, management supervision, banking and other financial services.

- . A summary of all government investment incentives, training programs, tax incentives and investment grants.

- . A slide and/or film presentation with synchronous tape, soundtrack or script.

- . An information pamphlet especially written and oriented for accountants, lawyers and company financial officers relating the fiscal advantages of using the IFZ.

- . Elements for the Direct Mail Program to include:
 - . A letter to selected prospect lists introducing the IFZ

 - . The lighter weight, mass-mailing descriptive brochure

 - . A business reply card requesting information describing the company and the respondent and which by the nature of his answers, will determine whether or not he is a serious prospect. (This card should also invite the recipient to request the General Brochure.)

BUDGET GUIDELINES

I. Setting Up IFZ Promotion Office

<u>Salaries</u>	<u>Annual US Dollars</u>
Director of Promotion & Marketing	\$ 20,000
Assistant Director	12,000
Secretary/Administrative Assistant	3,600
Secretary/Clerk	<u>2,500</u>
Sub-total	\$ 38,100

Promotion Office Operations

Office equipment and furnishings (one-time cost)	5,500
Telephone, cable & postage at \$500 month (basically for international communications)	6,000
Expendable office supplies	1,200
Xerox or other office copier	750
Entertainment allowance for receiving prospects	4,500
Receptions for press and local digni- taries' on special events such as ground- breaking, dedication of new facilities, major announcements of new investors	3,000

Photography (for local publicity, for international publicity and for creation of continuing file for sales promotion purposes) 2,000

Sub-total \$ 22,950

Production of Basic Promotional Materials

Graphic design for logo, letterhead, business cards, labels \$ 1,000

Production of letterhead envelopes, business cards, labels, release paper, business reply cards
(Note: This takes into account quantities for direct mail distribution in addition to routine correspondence.) 4,500

4" x 9" brochure, 3 colors, 24 pages summarizing description, advantages and basic cost information. 10,000 copies cost for design, writing (unless included in agency fee), preparation of mechanicals and printing 8,500

Printing of publicity reprints for use in direct mail program 2,250

Preparation and printing of basic fact sheets or pamphlets on labor, transportation, cost of rental and/or construction of facilities, warehousing and handling services, etc. (2 colors, 4" x 9" page size for easy mailing) 3,600

Quarterly newsletter (3 times the first year) (estimate 10,000 copies 4 to 6 pages) at \$1,000 each 3,000

Slide presentation with synchronous
tape

3,800

\$ 26,650

10% Contingency

2,665

\$ 29,315

TOTAL FOR HOME IFZ PROMOTION
OPERATIONS

\$ 90,365

II. Combination Agency and Sales Office Services in
Developed Country for External Promotion

Agency Services

US Dollars

Would include management, supervision/execution of all public relations, direct mail and advertising (program detailed in preceding sections of this report). Staff required would include: one half-time account executive or director of promotion & marketing; one full-time administrative assistant; one part-time publicity and promotion writer. Also, such available staff as agency resources could provide on demand for special projects.

\$ 60,000

Agency Out-of-Pocket Expenses

Orientation trip to IFZ for agency account executive (preferably in company of area sales representative), air fare plus per diem

900

Telephone, cables, postage and other communications

1,800

Editor luncheons, local travel and entertainment

1,200

Travel to principal cities for editor contact and in conjunction with free zone administrator's tour (air fare and per diem), 4 trips

2,100

Release printing and distribution; photography for special events	750
Three press conferences	<u>2,100</u>
Sub-total	\$ 8,850

Sales Office (Basic Expenses)

This facility may or may not be on the premises of the public relations/promotion agency, but would require identification as the Industrial Free Zone Office.

Rent -- 500 sq. ft. (including carpeting and decorating)	\$ 6,000
Furnishings and office equipment	3,000
Telephone and cables (or telex when volume warrants)	3,600
Expendable supplies	1,200
Xerox	<u>600</u>
Sub-total	\$ 14,400

Personnel (Salaries of Sales Office)

Sales representative	\$ 25,000
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Administrative Secretary (bi- or tri-lingual -- maintains all correspondence, active prospect files and reception)	<u>10,000</u>
	\$ 35,000
10% Fringe benefits	<u>3,500</u>
Sub-total	\$ 38,500

Travel and Out-of-Pocket Expenses
for Sales Operation

Travel approximately one week per month to principal cities in North America or Western Europe, depending upon region selected for priority of promotion and sales program	\$ 4,500
Air fares	2,150
Two orientation trips annually	<u>1,500</u>
Sub-total	\$ 8,150

TOTAL FOR AGENCY AND SALES OFFICE SERVICES	<u>\$129,900</u>
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III. Direct Mail Program

Purchase of mailing lists (based on criteria for selection of target industries)	\$ 750
Introductory mailing to 5000 selected names to include letter, brochure and reply card	1,750
Three mailings of 5000 each during year of quarterly progress report with form letters and reply card (postage rates must be broadly estimated, as mailings may be from the IFZ or the external office. Estimate based on \$.20 U.S. per letter plus \$750 for processing.)	3,750
Allowance for further list research, added industry categories during year and contingencies	<u>1,500</u>
	\$ 7,750

IV. Advertising Budget

No precise budget or advertising schedule can be projected at this time. This must be the job for a qualified agency serving the area. Types of publications have been recommended within this promotion program.

This advertising would be small space with the principal objective of attracting inquiries for the brochure. It should not be viewed as "image building".

Recommended Trial Allocation for First Year
(for both space and mechanical production) \$12,000

Note: If advertising results prove outstanding, it may be desirable to increase the number of insertions and reduce an expenditure for direct mail, travel or other discretionary area.

BUDGET SUMMARY

Setting Up and Operating IFZ Promotional Office	\$ 90,365
Agency and Sales Office Services for External Promotion	129,900
Direct Mail	7,750
Advertising	<u>12,000</u>
 TOTAL PROMOTION AND SALES BUDGET FOR FIRST YEAR OF OPERATION*	 <u>\$240,015</u>

*NOTE: Budget would be higher during first year due
to certain non-recurring start-up costs.

COST CUTTING ALTERNATIVES FOR
IFZ PROMOTION AND SALES PROGRAM

I. Structure of Home Office

It may be possible to begin with a smaller full-time staff than recommended earlier in this report, provided there is access in the IFZ host country to qualified outside promotional agency talent to provide counseling and direction for setting up the promotional office. The same agency services might be purchased on a per diem basis for the preparation of promotional materials.

II. Structure of Relationship Abroad

Previously in this report we referred to a \$60,000 annual agency fee for a full range of services. This figure is based on the full-time efforts of several specialists in a promotional capacity. This scope of responsibility may be reduced in accordance with budget limits.

The minimum services recommended for an agency to provide would be as follows: Consulting with regard to providing continuing direction to the IFZ promotion director -- an "official" office in the developed country and production of the following basic materials in that service area:

1. publicity to business and trade press;
2. direct mail to selected prospect categories;
3. telephone and mail answering services with inquiries forwarded to the IFZ home office.

Fundamental responsibilities of this agency would be:

1. to build an awareness of the IFZ within selected audiences;
2. to generate inquiries;
3. to answer inquiries promptly with basic information;
4. to forward all requests (as stated above) directly to the IFZ;

5. to coordinate visits by investment prospects to the IFZ.

Such a relationship could be structured on the following financial basis:

Monthly fee for agency services	\$ 2,500
Monthly rental of office for IFZ name promotion	500
Part-time secretary to handle requests and receive visitors (monthly salary)	500
*Monthly out-of-pocket expenses for release distribution, photo reprinting, telephone, postage and limited travel	<u>500</u>
TOTAL	\$ 4,000

*Inspection visits by the agency director to the IFZ should be considered as a semi-annual budget item.

It is important to point out that this relationship would not include responsibility for direct sales. It would, however, provide for one knowledgeable individual in the agency to be available to discuss with prospects visiting the office all pertinent

information concerning the IFZ. In short, this reduced budget relationship would service the inquiries, but would not aggressively pursue investment prospects on a continuing basis.