SYLLABUS

Class – B.Com. III Sem. (FT)

Subject – Elements of Export Marketing

UNIT – I	Role of export, scope of export marketing & why should a firm export?
UNIT – II	Selection of export products, selecting export markets.
UNIT – III	Direct and indirect export and role of export house. Channel selection & appointment of agency agreement & payment of agency commission.
UNIT – IV	Promotion Abroad, use of mailing lists, advertisement abroad & participant ion trade fairs & exhibition.
UNIT – V	Legal aspects of export contract including INCO terms, arbitration & settlement of disputes.

UNIT-I

Definition of Export Marketing –

'Export marketing includes the management of marketing of marketing activates for products, which cross the national boundaries of a country.- B.S. Rathor

'Export marketing is the performance of business activities that direct the flow of company's goods and services to the consumer or users in more than one nation. – Hess and Cateora

Introduction to Export Marketing

The world is shrinking rapidly due to advancement in the means of transport and communication and information technology. Due to this the interdependence of countries has increased.

The slogan 'Export or Perish' coined by Shri Jawaharlal Nehru in early sixties finds its validity in the present context as well when not only underdeveloped and development countries but also advanced countries of the world have realized the importance of export trade.

Export marketing is the process of exchanging goods and services between the resident of one country to the resident of another country.

Features of Export Marketing

(a) Lengthy Procedure
(b) Large scale operations
(c) Dominance of MNC's from Developed countries
(d) Trade barriers
(e) Trading Blocks
(f) International Marketing Research
(g) Importance of Advance technology
(h) Foreign Exchange Regulations
(i) Three faced competition
(j) International organizations

Scope of Export Marketing

(a) Export Marketing Research
(b) Research & development in advance technology
(c) Export Financing
(d) Export Production
(e) Export Packaging
(f) Export Pricing
(g) Export Procedure
(h) Export Incentive & Assistance
(i) EXIM Policy

Scope of Export Marketing –

Export marketing is a whole process of getting an order from a foreign country, its successful execution and realization of sales proceeds.

1) **Export marketing research** – Marketing research plays an important role in the international trade. The needs and requirements of individuals differ from region to region. Therefore, in order to satisfy wants of consumer in different parts of the world their needs and requirements must be properly understood through effective marketing research techniques.
2) **Research and development** – Technology plays an important role in building competitive strength. Countries, like USA, Japan and Germany dominate the world trade due to the use of advanced technology. Technology changes rapidly and therefore, every exporter must upgrade himself through continuous research and development.
3) **Export financing** – Exporters require finance at both pre-shipment as well as at post-shipment stage pre-shipment finance, also referred to as packing credit, is required prior to the shipment

of goods for execution of export order while post-shipment finance is required after the shipment of goods for meeting working capital requirements.

4) **Export production** – Price is an important factor that determines the success of an exporter in the highly competitive international market. Large-scale operations, full utilization of installed capacity and transactions in bulk reduce overall cost of production and thereby price of the product. At the same time, large-scale production leads to economies of scale.
5) **Export packaging** – Packaging plays an important role in the international market. Attractive and durable packing not only protects the product but also acts as a silent salesman. Certain countries have laid down strict packing standards for goods imported by them. An exporter can avail assistance of the Indian Institute of packaging (IIP) in this regard.
6) **Export Pricing** – While quoting price to the foreign buyer, an exporter must keep in mind that the price quoted is reasonable and final as it is the buyers' market. Other factors such as price charged by the competitors, incentives offered by the government, elasticity of demand for the product, etc., should also be taken into consideration.
7) **Export procedure** – Export procedure is very lengthy and complicated as it consists of many procedural formalities such as registration formalities, customs formalities and licensing formalities. Every exporter is expected to be well aware of such formalities else assistance of the clearing and for-warding agents (C & F agents) should be taken.
8) **Export Incentives and Assistance** – The government of India gives a number of incentives to the Indian exporters such as, duty drawback, concession on IT payment, exemption from sales tax and excise etc. In order to availed benefit of these incentives, an exporter must register himself with an appropriate Export Promotion Council (EPC) or Commodity Board (CB).
9) **EXIM Policy** – The foreign trade of India is guided by the provisions EXIM policy of the government of India and is regulated by the Foreign Trade (Development and Regulation) Act. EXIM Policy contains various policy decisions taken by the government in the sphere of foreign trade and more especially export promotion measures, policies and procedures related thereto.

ROLE OF EXPORT

(1) To Meet imports of industrial needs : No country today can survive in isolation. The developing countries need imports of capital equipments, raw materials of critical nature, technical knowhow for building the industrial base in the country with a view to rapid industrialization and developing the necessary infrastructure.

There is only option to avoid the situation is to establish the export oriented industries and to increase the existing installed capacity of units producing goods for export markets.

If a country fails in meeting the import bill by exporting the goods and services from the other country, the difference is trade which cannot be said to be a pleasant situation.

(2) Debt Servicing : Almost all underdeveloped countries, including India, have been receiving external aid over the years for their industrial development. The natural consequence of aid has been the need for debt servicing i.e., arrangement of foreign exchange every year equal to the installment and interest assumed thereon as per term of the aid or loan.

(3) Rapid economic growth : An expanding export trade can be a dynamic factor in a country's development process. How ever, one has to plan imaginatively in increasing the production of exportable surpluses.

This will lead to

(i) Earning of more valuable foreign exchange.
(ii) 'Spin off' benefits for the domestic consumer by exposing the industry to international markets and making it more competitive as well conscious of costs and quality.
(iii) Mitigate unemployment in labour intensive industries.
(iv) Established new and new industrial units for contributing towards export.
(v) Full utilization of idle resources.

(4) Profitable use of natural resources : Natural resources are valuable assets of a country which should be exploited ideally keeping the interest of the country in mind. This can be well done by export marketing.

(5) Facing competition successfully : Domestic producer in order to avail these Govt. concessions, concentrates his mind towards the improvement of quality of goods produced and reducing the cost of production so as to face the acute competitive situation in the foreign markets by making intensive use of latest technology.

(6) Increase in employment opportunities : Many oriented industrial units are established and the existing. Units produce more to get exportable surplus. This generates new opportunities for employment and increases the existing level of employment.

(7) Role of exports in national income : Exports play an important role in the national income of the country and it can be increased to a sizable extent through organized export marketing.

(8) Increase in the standard of living.

(i) The imports of necessary items for consumptions.

(ii) Exports increase the employment opportunities which, in turn, increase the purchasing power of the peoples.

(iii) New items are produced for consumption in the domestic market.

(iv) In order to face the competition. People gets better quality products at cheaper rates.

(B) Importance of Export Marketing from the Role of Export from the Point of view of Individual Firm.

(1) Insufficiency of domestic demand
(2) To utilize installed capacity.
(3) Legal Restrictions
(4) Relative profitability
(5) Less business risk
(6) Increased productivity
(7) Social responsibility
(8) Technological improvements
(9) Product obsolescence

(C) Importance Role of Export from other viewpoints

(1) International collaboration
(2) Closer cultural relations
(3) Help in political peace

International Marketing Vs. Domestic Marketing

International Marketing	Domestic Marketing
1. There are different or diverse markets and fragmented in nature.	Market is much more homogeneous and different segments.
2. In it, marketing control function become difficult because various factors (like religion, culture, politics, etc) affect them.	Marketing control is easy here because it is related with only one market and its segments.
3. There is a lack of familiarity regarding foreign markets, so research become essential in it.	Research is not essential here because of well familiarity with domestic market. Thus, marketing is possible without research work.
4. Because of different unfamiliar market, special management knowledge is required in international marketing.	Because of one market, marketing management become easy here.
5. Product mix is decided here according to different foreign markets.	Product mix is decided keeping in view the satisfaction and more sales.

6. According to the requirements of international market, product development is made here.	Product development is more here according to the requirement of domestic market.
7. Multiple currencies, differing in stability and real value.	Single currency
8. Political factors may play vital role.	Political factors are of minor importance.
9. Keeping in view the national interests, government usually interference in business decision.	Minimum government interference in business decision.
10. Many languages, nations and cultures	One language, nation and culture.
11. Varity of financial climates	Uniform financial climate.
12. Degree of risk is higher.	Normal risk
13. Business rules are highly diverzed changing nature and unclear.	Business rules are standardized and matured.
14. Patriotism hinders.	Patriotism helps
15. Exchange controls and tariffs normal obstacles.	No problems of exchange controls, tariffs.
16. Considerable payment and credit risks	Minimum payment and credit risks.
17. Multiple and unstable marketing environment.	Relatively stable marketing environment.

Why should a firm export or go Global?

1. **Profit advantage**: International business could be more profitable than the domestic. Because of bulk sales in International marketing, the rate of profit to be earned, may be higher than the corresponding rate on the domestic rates.
2. **Growth opportunities**: Firm may enter in International marketing to take advantage of the business opportunities available in other countries. Most of the multinational corporations are getting increasingly interested in a number of developing countries as the income and population are rapidly rising in these countries.
3. **Domestic market constraints** : The level of domestic demand may be insufficient for utilizing the installed capacity in full, or government may impose certain restrictions on further growth and capacity expansion of some firm. In such situation a firm may attract to expand its marketing beyond the national border.
4. **Competition** : A protected market does not normally motivate companies to seek business outside the home market. Besides, the pressure of increased foreign competition can persuade a company to expand its business into International markets.
5. **Government policies and regulations** : Many governments offer a number of incentives and other positive support to domestic companies to export and to invest in foreign countries. If policies of a government are favourable for International marketing, a firm could like to go or expand its activities in abroad.
6. **Monopoly power** : In some cases, International business is a corollary the monopoly power which a firms enjoys Internationally. Such power may arise due to many factors (patent rights, technological advantage etc.) and may help Internationalization.
7. **Strategic vision** : The stimulus for Internationalization comes from the hope to grow, the need to become more competitive, the need to diversity and to gain strategic advantages of Internationalization.

UNIT-II
SELECTION OF EXPORT MARKET

One of the most important decisions in international is market selection.
The global made up of well over 200 independent nations with their own distinctive characteristics, is too vast indeed.

It would be very difficult for a company to operate in all these markets. There are barriers which make entry to a number of markets impossible or very difficult. There may be markets which are not profitable or are not worth the trouble. Further, there may be markets which are very risky due to political or other reasons.

Moreever, the company resources may not permit the operation in a large number of countries. There are of course, companies which operate in majority of the countries of the world. These companies have not achieved such a massive expansion overnight. It has been a gradual expansion achieved over a long period. Further, all types of business do not lend themselves for such substantial international expansion.

A company which wants to enter many markets should do it systematically. Too fast an expansion without the resources and organizational strength for such an expansion could be suicidal. The Bulova Watch Company expanded into over one hundred countries. It spread itself too thin, made profits in only two countries and lost around $40 million.

All these factors highlight the need for market selection. Even a company with ambitious plans and good prospects for global expansion has got to rank the markets for prioritization of the expansion plans.

Market selection is based on a through evaluation of the different markets with reference to certain well defined criteria, given the company resources and objectives. Marketing research, therefore, becomes necessary to obtain the data required for evaluating the markets. Important sources of information are given in the chapter International Marketing Intelligence.

It is also necessary to prepare a profile a profile of the selected markets to help the company to formulate the marketing strategy. It may be noted that many of the items of information contained in the market profile are collected for the purpose of evaluation of the markets for market selection.

MARKET SELECTION PROCESS

The important steps involved in the market selection process are depicted in figure.

* **International Marketing Objectives**
  The first step in any management decision making process is to determine/ascertain the objectives.
  The market selected to serve a particular international marketing objective need not necessarily be the best suited to achieve some other international marketing objective. Various markets may have different degrees of attractiveness from the point of view of different objectives.
* **Parameters for Selection**
  For proper evaluation and selection of the markets, it is essential to clearly lay down the parameters and criteria for evaluation. Important parameters often used for market selection are shown in the evaluation matrix.

Determine international marketing objectives	Determine parameters for market selection	Preliminary screening	Detailed investigation and short listing	Evaluation and selection

* **Preliminary Screening**

After determining the criteria for market selection, the next important step in market selection process is to conduct a preliminary screening of the markets. The objective of the preliminary screening process is to eliminate the markets which are obviously not potential enough as revealed by a cursory look.

The parameters used for the preliminary screening may vary from product to product. However, parameters like the size of population per capita income, structure of the economy, infrastructural factors, political conditions etc. are commonly used.

For example, in a country where there is no telecasting, there is obviously no market for T.V. sets. If the household income of the majority of a country with a small population is very low, the demand for costly consumer durables will be limited. There may be countries which should be omitted due to political reasons.

- **Short listing of Markets**

Preliminary screening enables one to eliminate markets which obviously do not merit consideration at the very outset. There would be a large number of markets left even after the preliminary screening. They are further screened with the help of more information than was used at the preliminary screening stage. The objective is to distill out a small number of markets which are likely to satisfy the company's criteria for market selection for a detailed analysis for ranking them and final selection.

- **Evaluation and Selection**

A thorough evaluation of the short listed markets is done with reference to the specific parameters and criteria and the markets are ranked of the basis of their overall attractiveness. One are more market (s) is/are selected from the rank list.

DETERMINANTS OF MARKET SELECTION

The market selection is normally based on two sets of factors, viz, the firm related factors and the market related factors.

a) Firm related factors
b) Market related factors

Firm related factors refer to such factors as the objective, resources, product mix, international orientation etc. of the firm.

a) Firm related Factors

A firm whose export objective is only to sell out a marginal surplus will select a foreign market suited to serve this purpose. Another firm with the same product, which wants to export a very large quantity, forming a very significant share of its total output, may have different consideration than the first firm in market selection. In the case of the second firm, as the total quantity involved is large and as it forms a significant share of its total output, market diversification would be important to minimize the risk. If we think of a third firm which also wants to export the same product as the first two firms but which wants to export several other products also, the market (s) which it selects may perhaps be different from what the first two firms have chosen; it would give more importance to the total exports of all its products than of any single product. Further, the market selection may be influenced by other objectives like growth. When business growth is an important objective, growth potential of the market will be an important criterion for selection.

The planned business strategy may also influence the market selection. For example, a market considered the most important from the point of view of exporting need not necessarily be the one that would be selected for locating production base or a sales office. A company that has plans for large expansion of foreign business may choose a market, to start with, which can serve as a hub of international business.

The market selection is also influenced by the international orientation.

Another very important determinant is the company resources comprising financial, human, technological and managerial factors.

The dynamism and philosophy of the top management and the internal power relations may also influence the market selection decision.

b) Market related Factors

The market related factors may be broadly grouped into general factors and specific factors. General factors are factors general to the market as a whole whereas the specific factors are factors which are specific to the industry concerned.

i) General Factors

1. **Economic Factors** : Include factors like economic stability, GDP growth trends, income distribution, per capita income, sectoral distribution of GDP and trends, nature of and trends in foreign trade and BoP, indebtedness, etc.
2. **Economic Policy** : Includes industrial policy, foreign investment policy, commercial policy, monetary policy, fiscal policy and other economic policies.
3. **Business Regulations** : Regulations of business like industrial licensing, restrictions on growth, takeovers, mergers etc, restrictions on foreign remittances, repatriations etc., tax laws; import restrictions and local content stipulations, export obligations and so on.
4. **Currency Stability** : Stability of the national currency is another very important consideration in the market selection.
5. **Political Factors** : Character of the political system including the nature and behaviour of the ruling party/parties and opposition party/parties, the government system etc, and political stability are among the most important determinants of market selection.
6. **Ethinic Factors** : Ethnic factors like ethinic characteristics, including ethnic deffereces, and their implication for the business, ethinic hamony etc. should also be analyzed.
7. **Infrastructur**e : Infrastructure facilities seriously affect business. For example power shortage could cause considerable production losses. Shipping and other communication bottlenecks could lot of delays and loss of business, in addition to high costs.
8. **Bureaucracy and Procedures** : The nature and behavior of the bureaucracy and the procedural system or styles are also important factors to be considered.
9. **Market Hub** : The ability of a market to act a hub, a base from where the company can operate in a contiguous region or countries, is a very important factor in the market selection of a company with plans for expansion of international business. South Africa, for example, could be such a hub for the entire sub Saharan Africa.

ii) **Specific Factors**

1. Trends in domestic production and consumption and estimates for the future of the products(s) concerned.

2. Trends in imports and exports and estimates for the future.
3. Nature of competition.
4. Government policy and regulations pertaining to the industry.
5. Infrastructure relevant to the industry.
6. Supply conditions of raw materials and other inputs
7. Trade practices and customs.
8. Cultural factors and consumer characteristics.
9. Market characteristics including the number and nature of market segments, price trends etc.

Evaluation Matrix

Attributes	***Weighting***	***Country A***		***Country B***		***Country C***	
	Factor	***Rs***	***WS***	***RS***	***WS***	***Rs***	***WS***
General							
Political Stability	10	10	100	7	70	10	100
Economic Stability	8	10	80	7	56	8	64
Currency Strength and Stability	8	9	72	7	56	8	64
Government policy	8	8	64	8	64	8	64
Infrastructural facilities	8	9	72	6	48	7	56
Ability to serve as marketing hub	10	8	80	5	50	6	60
Tax incentives	5	7	35	6	30	7	35
Ethnic factors	4	7	28	4	16	7	28
Bureaucracy and procedure	7	8	56	6	42	6	42
Sum of weighted scores			587		432		513
Specific							
Competition	8	4	32	7	56	8	64
Demand	10	10	100	6	60	8	80
Labour costs	7	7	49	8	56	7	49
Labour productivity	7	6	42	6	42	8	56
Infrastructure	8	8	64	6	48	8	64
Govt. policy & regulation	8	9	72	7	56	8	64
Incentives	5	6	30	5	25	6	30
Sum of weighted scores			389		343		407
Grand Total			976		775		920
Ranking Countries			1		3		2

Where, Rs – Raw Score, WS – Weighted Score (Weighting factors x Rs.)

Reference –
1) *"Export Marketing", B.S. Rathore, P-234*
2) *"Export import procedure and documentation", Unit-III, P-44-63.*