SYLLABUS

Class – B.Com. II Year (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	Marketing control is easy here because it is related

difficult because various factors (like religion, culture, politics, etc) affect them.	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 Factor***	***Country A***		***Country B***		***Country C***	
		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.*

UNIT – III
DIRECT EXPORTING

Direct exporting means exporting the goods by the exporter firm itself without taking help of middlemen. In direct exporting, he manufacturer takes upon himself the task of managing the export sales. The exporter engages in or supervises every step in the export of goods and shoulders the entire responsibility for the operations and bears all risks. This will naturally mean greater involvement on his part in the export business. "The advantages of directness are not only greater sales, but also greater control, better market information and development of in-house expertise in international marketing.

Thus, if a manufacturer desires to engage in direct exporting, he must have to perform the following functions which are not required in indirect exporting :

(i) the direction and supervision of export including the development of export policy;
(ii) the adaptation of the product for export, including export packing;
(iii) selling, including such related functions as advertising, sales promotion, sales training, translation service etc;
(iv) transportation of the product, including documentation for shipment, rail and ocean shipping, insurance and other related matters;
(v) credit and terms of payment;
(vi) financing, including exchange, invoicing and collections.

In this way, the exporter manufacture performs all functions relating to export from beginning to end undertakes all risks.

Advantages of Direct Exporting

(1) **Better knowledge of customers' requirements.** The manufacture is in direct touch with the end users or retailers, and can possess a better understanding and knowledge of the requirement of the buyer and can adopt his product accordingly.
(2) **Full control.** The manufacturer has complete control over the prices to be charged for his product, can determine the credit terms, may have control over the distribution system and the quality of the product. He is the prime decision maker in exporting.
(3) **Full returns on exports.** The manufacturer enjoys full returns on the sales of his goods in foreign market because he does not have to share his profits with any one. As we know hat in indirect exporting, the middlemen purchase the products in the exporters country at cheaper rates and sell them at higher prices in foreign markets of their choice and thus share the profits.
(4) **Goodwill.** If the product of a manufacturer is successful in international markets he builds up name, reputation and goodwill. The goodwill so earned is likely to remain an asset of the manufacturer himself rather than of some middlemen. His turnover will shoot up in foreign as well as in domestic markets.
(5) **Full knowledge of market condition.** By going direct, the manufacturer may have full information on marketing opportunities and trends, competitors, product acceptance and other invaluable intelligence.
(6) **Permanency.** The manufacturer is assured of permanency in the business of exports because he is not dependent on others and takes full responsibility of his own export trade. He is, in this way, sure that his products will not be neglected in favour of a competing time.
(7) **Short chain of distribution.** The chain of distribution is shortened in direct exporting because some of the middlemen are eliminated completely. It may result in early delivery of good at lower prices to the foreign consumers.
(8) **Only choice for certain products.** The direct exporting is necessary in the following cases and there is no other alternative to get success:
    (a) In respect of commodities which use a highly technical sales organisation and aftersale services;
    (b) When middlemen are disinclined towards accepting all the risks of export trade;

(c) When importer or buyer in foreign country wants direct contact with manufacturer or where middlemen builds a barrier between the two parties;
(d) When exporter desires a direct flow of information which may be integrated into practices with a view to adapting production according to marketing conditions;
(e) When complex international situation, with its multiplicity of exchange regulations and tariffs, has increased the cost of exporting; and
(f) Where aftersale services are required.

(9) **Greater dedication by own staff.** In direct exporting, all the export operations are conducted by manufacture's own staff. As their own prosperity depends upon the success of export trade. They work with greater dedication. There are more specific advantages to have their own staff for this purpose-

(i) the employees have more knowledge about the company's products than an agent or distributor;
(ii) they can be trained in company's specific sales methods and techniques;
(iii) they can be compensated in accordance with the long-term overall interests of the whole enterprise and of the employees, and
(iv) they serve as a better source of information about the product acceptance and other market conditions. Such information shall be more reliable.

Thus, direct exporting is more advantageous than the indirect exporting provided the firm is financially sound to organize the direct exporting.

Disadvantages or Limitations of Direct Exporting

(1) **Large financial resources needed.** Direct exporting requires large funds in order to support adequately the cost of selling, the extension of necessary credits, the expenses of financing, the development of an export organisation. Changes in production and other expenses, engaging own staff. The manufacturing export firms which do not have adequate resources cannot go for direct exporting.
(2) **Managerial ability essential.** In the efficient operation of direct exporting, the managerial ability plays an important role. The management if it knows well about foreign markets, their needs and requirements, process of exporting such as documentation, shipping, financing and language etc., can only succeed in direct export trade. If such managers are not value available, the system shall be more dangerous.
(3) **Increased distribution costs.** The distribution costs such as maintaining a suitable channel of distribution setting up its own sales organisation etc. are increased considerably. These costs will either increase the prices of the consumers or reduce the profits margin of the exporter depending upon the market conditions.
(4) **It is more venturesome.** All the risks involved in export trade such as of credits, financing, collection, rejected merchandise, and the like, are borne by the manufacture himself. Certain other expenses such as market investigation and research, promotional expenses are also borne by the exporter. These expenses and risks, after all, become the part of total cost.
(5) **Other limitations.** (i) It frequently involves the maintenance of stocks in overseas depots which is, at best an expensive operation.

(ii) The manufacturer is frequently called upon to supply service direct from the factory-another expensive undertaking.
(iii) It involves greater initial outlay before profits begin to flow in.

Why Indian Exporters Take Recourse to Direct Exporting

By analyzing the advantages and disadvantages of direct and indirect exporting, it can safely be said that direct exporting is much better provided the exporting firm is financially sound. In India, more and more exporters are taking recourse to direct exporting. There are two specific reasons for this involvement.

(1) **Improves exporter's image in domestic market.** If the manufacturer succeeds in foreign markets, it can boost the manufacturer's image in the domestic market because of (i) goodwill earned by the firm in foreign markets; (ii) improved quality of products as the firm will like to produce and supply quality goods to the domestic market in order to achieve scale-economies. It need not differentiate the product unless it is warranted by situations, (iii) product development as the firm uses modern and the best technology available in the world to make its product competitive in the foreign markets. The advantages of product development is also available to domestic consumers. For this purpose, a regular market study is necessary.
(2) **Export incentives.** In India, liberal export incentives are available. They help exporters in taking pricing decisions.

Due to these reasons, Indian exporters are interested in direct exporting.
Any one of the following forms may be used by an exporter in direct exporting:
(1) **Establishment of branches abroad.** The exporter company may decide to establish its branches in foreign markets. Through branches, the company establishes sales organisation in the foreign markets, takes up all marketing and promotional efforts, and provides aftersale services or other facilities in a more effective manner.

Establishment of a branch would necessarily involve a lot of expenditure-capital and revenue. The company establishes branch, godowns, warehouses, service centres etc. and spends a lot of money.
(2) **Establishment of plants.** If the volume of business so justifies, a company may decide to establish a plant in the foreign country if it finds that it is not possible to export to a country because- (i) the cost of exporting is too high to sell the goods in the foreign county; (ii) the labour and or raw materials are available lower prices in importing country; (iii) there are so many tariff and non-tariff barriers on its goods; and (iv) the contribution to the national aspiration of the importing country is too high.
(3) **Lincensing arrangement.** Another method of direct involvement in the foreign trade is to enter into an agreement with a firm in the importing country whereby it permits the foreign firm to manufacture the goods in the former's brand name in exchange of a royalty. Thus, the rights to use a patent, trade mark and copyright are granted to the firm in importing country. It also provides technical know-how to it.
(4) **Joint ventures.** Joint venture means entering into partnership in collaboration with a local company in the importing country. It is a midway of establishing a plant abroad and the licensing agreement. Under this system, the exporting company has some investment and a voice in the management too. The exporting company also shares the profits of such venture.
(5) **Appointment of exclusive agent.** This is most widely-used method. Under this method, a sole representative is appointed by the exporter in the foreign market. It may be a person, a firm or a company mainly dealing in non-competing times. The representative collects orders from wholesalers and retailers and send them to the exporter. He exports the goods direct to the customers (buyers) in response to the orders forwarded by the sole representative.
(6) **Distributors.** Like exclusive agent, the distributor is also the sole importer of the manufacturer's products. He usually operates on his own account. He usually operates on his own account. He may also own wholesale and retail outlets, warehouses and godowns, showrooms etc.
(7) **Export salesmen.** Export salesmen represent the exporter in foreign countries and sell goods on his behalf. They get a fixed salary from the exporter or a fixed percentage on sales as commission. These salesmen may be the sole salesmen of he exporter or may sell goods for a number of parties.

INDIRECT EXPORTING

Indirect export means export through middlemen. When an exporter allows an intermediary in his own country to perform certain important marketing function in relation to exporting the product, it is indirect exporting.

If a manufacturer has once adopted the indirect method of exporting it is not necessary always to export indirectly through middlemen nor does it preclude the manufacturer from selling a part of his production directly. The actual method that is adopted depends, on the volume of business and the manufacturer's decision often changes in obedience to the different conditions of the sales.

Advantages of Indirect Exporting

(i) **Free from Botheration.** The producer exporter is free from all legal and procedural formalities which are necessary for making exports. The merchant exporter (the middlemen) takes care of all the botherations involved such as documentation, shipping arrangements, financial, political and credit risks, procuring licences from Government department etc. and assumes all sales in foreign markets.

(ii) No need for export organisation. In indirect export, he company need not establish its own channel for distribution or set up branches in foreign countries. In this way, he can organize its export trade without investing his capital funds because middlemen purchase cash from the company or sometimes they offer advance for producing goods for exports. Thus firm's capital is not tied up.

(iii) A boon to new entrants. The new entrants in export field are the main beneficiaries of this system. They are new and know nothing about export and problems involved in it. On the other hand, the merchant exporter knows everything in export trade and all about different export markets. The (producer) sell their products to them. During the course of time they gain experience and became fully aware of the procedures, formalities and problem of export trade.

(iv) Economy. As soon as the producer sells the product to the middlemen, he becames free from all worries of selling the product product in foreign markets. In this way, he saves a lot of money because he is not required to conduct market surveys; set up his own distribution channel, carry out programmes for advertising and other promotional activities and provide after sale services etc.

(v) Valuable market information. Merchant exporters are mostly experienced persons having full knowledge of various markets and marketing conditions. They provide the best source of information about foreign markets and the demand of the product therein to the exporter producers. The producers can adapt their products on the basis of such authentic information and improve their profitability.

(vii) **Concentration on Production.** It enables the manufacturer exporters to concentrate on production problems, leaving the question of foreign

(viii) **Other advantages.**

(a) It affords a means of building up a quick volume of trade, because the middlemen know where and how to get rapid international distribution. The merchant exporter sells the goods in different markets of the world and thus helps the exporter producing more.

(b) Middlemen are mostly well reputed firms. They obtain large orders from the importers of different countries. The producer firm gains out of his goodwill provided the quality is good.

(c) The merchant exporters may provide sales opportunities in otherwise out of way markets.

Disadvantages of Limitations of Indirect Exporting

The system of Indirect exporting suffers from the following drawbacks:

(i) **Ignorant of export trading.** The middlemen perform all the functions of export trading. The manufacture exporter, even after years of exporting, remains ignorant of export markets and marketing operations and continue to be totally dependent on middlemen.

(ii) **No scope for product development.** Middlemen sell products in which they are interested. Moreover, the firm remains ignorant of the market. Hence there is no scope for product development. So also, long-term development of the market is not possible. The firm is not in indirect touch with the customers of foreign markets, it cannot plan their product.
(iii) **Inappropriate in certain cases.** Indirect exporting is quite inappropriate in certain circumstances-(a) Where the products are either highly specialized or custom built. In such cases, overseas importers generally like to deal directly with the manufacturer or his representative. (b) Where aftersale services or warehousing facilities are required, direct involvement of exporter is called for. (c) Where the unit value is much higher or it is an industrial product, the importers like full satisfaction about the quality of the product.
(iv) **Availability of middlemen.** Export merchants may not be available for all markets. In such cases, the distribution problems remains unresolved.
(v) **Commission to middlemen.** Middlemen, engaged in export trade, charge commission for their services. This, in turn, increases the cost of product to the ultimate users and reduces the profitability rate to the manufacturer. Moreover, seller does not have any control over prices.
(vi) **No obligation to any manufacturer.** The export merchants may concentrate on products which offer them the greatest profit. They buy products in the cheapest market in his own account and sell them in the best market and hence feel no particular obligation to any manufacturer. If they are commission agents they oblige only those manufacturers who offer them higher commission. Small manufacturers, product may be ignored in this race.
(vii) **No efforts to promote exporter's product.** In the case of export commission house, the middlemen primarily represents the foreign customer as a buying representative, and he purchases goods only for foreign importers. Moreover, he is not interested in any particular manufacturer. In such circumstances the middlemen cannot be expected to do much to promote the sales of the manufacture.
(viii)**No permanency of business.** The permanency of any export business, built up by indirect methods, cannot be assured because the middlemen controls the outlets any may, at any time, shift his clientele to competing lines.
Thus, in indirect exporting, the exporter-manufacturer is always at the mercy of someone else (middlemen).
In indirect way of exporting, the manufacturer is not directly involved in the export trade. The producer permits an intermediary located in his own country to perform important trade. It is almost equivalent to domestic sales.
The forms of indirect export are as follows:-
(A) **Export Marketing Middlemen**
There are various marketing middlemen who are exports in the export trade. The manufacturer who wants to export may select any of them. The various middlemen are:
(1) **Merchant Exporter or Export Houses in India**
There are a number of merchant exporters or/and export houses in India. These merchants or houses purchase goods from the Indian manufacturers at the lowest possible price available in the domestic market keeping the requirements of the exporter or quality of products in mind. They process the goods purchased, pack and brand them and sell them in foreign markets.
Advantages. The manufacturers who like to export take advantage of the services of the merchant exporters or export houses in the following ways:
(i) The export house undertake documentation and shipping formalities necessary for exporting. The exporter manufacturer is free from all worries about exporting.
(ii) They purchase and sell goods at their own account after processing and packing and, therefore, bear all risks involved in exporting process.
(iii) They, in most of the cases, provide finance to manufacturers who are ready to supply their products to these merchants. They advance a part of the consideration to meet working capital needs.

Disadvantages. The institution of merchant exporters or export houses own the following disadvantages too.

(i) The manufacturer exporters remain unaware of the technicalities of the export trade even they have been exporting their product for a fairly long time. They could not know even ABC of the foreign market because they are fully dependent of these houses. They sell goods to them as they sell them in the domestic market.

(ii) The export merchants are interested only in profits and not in promoting the products of the manufacturers. They always try to purchase goods from the cheapest source, not necessarily from the same manufacturers who supplied them earlier.

Inspite of the defects of export houses, they serve to the manufacturers and the foreign customers in a number of ways.

(2) Export commission houses or overseas import houses. There exist import houses in some countries. Japan is the most important country, where entry through import trading houses is the easiest and the cheapest. They act in exporting countries as an agent of importers and maintain their offices in almost big cities of the world. These houses have contacts with all important wholesalers in the importing country. These are essentially, the buyer's hired purchasing agents, operating on the basis of orders or indent received from these buyers. They charge commission from the buyers. Selling through such import houses ensures that the goods will reach the important distribution and through them down the distribution system.

Advantages. Import houses serve the exporters in the following ways:

(i) They charge commission and all relevant expenses from the buyers as they act on their behalf. The exporter as such is not requires to pay commission and expenses. In this way, it is economical.

(ii) The exporters come to know about the demands of the foreign buyers through these houses. Generally they invite tenders from the manufacturers in the exporting country and given order to supply the required quantity to the manufacturer whose terms seem favorable. Thus, the exporter needs not collect the orders.

(iii) Small manufacturers who have no experience of exporting, may be benefitted from the services of such import houses.

(iv) The exporter may earn a handsome profit even by selling the goods to import houses at lower rates, because importer has not to bear the export commission and expenses.

(3) **Visiting or resident buyers.** Similarly in their operations to the export commission house or important house are the resident or visiting buyers. Many big foreign companies have their resident buying representavities in India and other countries who are entrusted with the jobs of procurement for their principals.

Advantages. (i) Such resident or visiting buyers are generally specialists of the goods to be purchased. It is technically sound and rational to appoint such persons on the team. Thus, qualitative purchases are expected at competitively reasonable rates.

(ii) Such buyers are appointed or teams are sent in those countries which are the major producers and suppliers of such products. In these countries, they are able to purchase goods on favorable terms and at competitive prices.

(iii) The resident buyer may see that the goods are supplied in time and as such ensures the importer for the timely supply of goods.

(4) **Manufacturer's export agent.** It is an agent of manufacturer in the exporting country. Such agents maintain their own identity by operating in his own name. They deal in the various products of the same product line, manufactured by different manufacturers.

(5) **Export brokers.** The chief function of an export broker is to bring buyers and sellers together. He is specialist in performing contractual function. He does not actually handle the products he sells or buy. The exporter dictates the terms and conditions of sale and the minimum price, he is

willing to accept to the broker and the broker tries to find out the buyers in foreign markets on the terms and prices dictated by the manufacturer exporter.

(6) **Buying government agency in exporting country.** It is a Government agency manned by government servants of importing country. The main function of this agency is purchase goods for its government in the exporting country where it is stationed. They work in the same way as the Resident buyers appointed by the private-owned organization do. Agency generally purchases goods at the instructions of the importing government. India has appointed India Supply Mission in 1967 n Washing U.S.A. for the purchase of food grains. Japan is the important country that have established such agencies.

(7) **Government buying agency for export.** In this system of indirect exporting, the government of exporting country set up such organization in the country. These agencies purchase goods from the producers and export them to foreign markets on he basis of demand in he overseas markets. As these are government agencies hence they function under the control of the government.

(B) **Co-operative Export Trading Organization**

The disadvantages of appointing middlemen in direct exporting and the complexities involved in indirect exporting have led to a new device in recent years known as cooperative trading. Under this type of exporting a number of economically independent and sound manufacturing units, voluntarily or under the direction of the government set up a joint organization for coordinating their export activities.

Advantages. The following the advantages of cooperative exporting.

(i) Competitive advertising and price cutting are obviated by price and sale agreements. These will have some effects on reducing selling costs.

(ii) Combined sales have the salutary effects of standardizing contracts, terms of sales and rebates.

(iii) The unnecessary and harmful trade activities such as price-cutting, dumping at a very low price, and extending creditors are eliminated. Healthy trade practices are developed in foreign markets.

Disadvantages. These are-

(i) There is a problem of grouping of exportable goods. In specialty goods, the loss of identity will injure the salability of the goods, and group selling may not be practicable.

(ii) This type of organization requires cooperation. If it lacks it will not be possible to carry it on for long. The absence of ability to cooperate is the root cause of its destruction.

(iv) Failure of individual manufacturing concerns may constantly affect the cooperative trading organization.

In short, there are many forms of indirect exporting and the exporter may choose of them according to his needs and products.

DISTRIBUTION CHANNEL IN FOREIGN TRADE

INTRODUCTION

Distribution channel is an important element in marketing, be it within the country or abroad. The ultimate objective of a firm is to make the product available to its target customers and execution of this objective is called distribution.

DEFINITION

According to Richard M. Clewett

" Channel is the pipe line through which a product flows on its way to the consumer. The manufacturer puts his product into the pipe line or marketing channel and various marketing people move it along to the consumer at the other end of the channel."

DISTRIBUTION CONCEPT

Some manufacturers, particularly of industrial products, need only be concerned with the problem of distribution channels between nations (market-entry channels) because their products are sold directly to the end-user, i.e. another company or a government organization. However, other manufacturers face the additional problem of distribution within the foreign market. Where this is the case, the manufacturer should be concerned with the entire distribution channel (i.e. the whole channel), from producer to final buyer, whether an industrial end-user or consumer.
Unfortunately, exporters who trade with a large number of markets frequently think that their task has been accomplished once they have delivered their goods to the foreign importer. They consequently ignore the subsequent distribution channels that link the importer with the final purchaser, with the result that less than optimal profits are achieved.

The concept of distribution emerged completely in the mid 90s when companies like coca-cola, Pepsi, etc took over India's market. The concept of distribution channel is not limited to the distribution of tangible products. Producers of services and ideas also face the problem of making their output available to target population. In the private sector, retail stores, hotels, banks and other service providers take care to make their services conventionally available to target customers.

FACTORS AFFECTING THE SELECTION OF DISTRIBUTION CHANNELS

1. **ORGANIZATION OBJECTIVES-** if a company's objective is to have mass appeal and rapid market penetration.
2. **TYPES OF PRODUCTS-** perishable products should have a short distribution channel; FMCG should have a wide reaching, intensive distribution channel.
3. **NATURE AND EXTENT OF MARKET-** distribution to consumer market or industrial markets should have different channel structures.
4. **EXISTING CHANNEL FOR COMPARABLE PRODUCTS-** companies may choose its existing channels of distribution for relative products.
5. **BUYING HABITS OF CONSUMERS-** understanding consumer needs and criteria for buying.
6. **CHANNEL AVAILABILITY-** channel may not be available.

CHOICE OR FACTORS AFFECTING CHANNEL OF DISTRIBUTION

While selecting a distribution channel, the entrepreneur should compare the costs, sales volume & profit expected from alternative channels of distribution. Following points should be considered while selecting a channel of distribution:-

1. **MARKET CONSIDERATION**- the nature of the market is a key factor influencing the choice of channel of distribution, this includes:-
   a. Consumer or industrial markets.
   b. Number and location of buyers.
   c. Size of order.
   d. Consumers buying habits.

2. **PRODUCT CONSIDERATION**- the type and nature of the product influence the number and type of middlemen to be chosen for distributing the product. This include: -
   a. Unit value
   b. Perishability
   c. Bulk and weight
   d. Standardization
   e. Technical nature
   f. Product line
   g. Age of the product

3. **MIDDLEMEN CONSIDERATION-**
   a. Availability
   b. Attitude
   c. Services
   d. Sales potential
   e. Costs

TYPES OF EXPORT DISTRIBUTION CHANNEL

DIRECT CHANNEL

A direct distribution channel is where a company sells their products direct to consumers. While direct channels were not popular many years ago, the Internet has greatly increased the use of direct channels.

- Additionally, companies needing to cut costs may use direct channels to avoid middlemen markups on their products.
- Selling agents and Internet sales are two types of direct distribution channels. Selling agents work for the company and market their products directly to consumers through mail order, storefronts or other means.
- The advantages of direct exporting for a company include more control over the export process, potentially higher profits, and a closer relationship to the overseas buyer and marketplace.
- When a company chooses to export directly to foreign markets, it usually makes internal organizational changes to support more complex functions. A direct exporter normally selects the markets it wishes to penetrate, chooses the best channels of distribution for each market, and then makes specific foreign business connections in order to sell its product.

ADVANTAGES OF DIRECT CHANNEL OF DISTRIBUTION

1. It is the shortest channel of distribution.
2. It is beneficial when the product is highly technical and needs demonstration.
3. It is also appropriate when the firm is selling high priced products in foreign markets.
4. It is useful when the number of customers are limited
5. Full control on the products can be maintained.
6. It is useful when the customers are geographically concentrated at one place.
7. Goods and services may be directly delivered to the target customers.
8. Quick changes in marketing mix can be carried out keeping in view the opinions, reactions and suggestions of foreign customers.

DISADVANTAGES OF DIRECT CHANNEL OF DISTRIBUTION

1. The method increases the distribution cost.
2. The firm has to bear all promotional charges.
3. It is inappropriate for small firms.
4. It increases responsibility of management.
5. It is not appropriate for manufacturer or producers.

INDIRECT CHANNEL

- The indirect channel is used by companies who do not sell their goods directly to consumers
- Suppliers and manufacturers typically use indirect channels because they exist early in the supply chain.
- Depending on the industry and product, direct distribution channels have become more prevalent due to the Internet.
- Distributors, wholesalers and retailers are the primary indirect channels a company may use when selling their products in the marketplace.
- Companies choose the indirect channel best suited for their product to obtain the best market share; it also allows them to focus on producing their goods.
- The principal advantage of indirect marketing for a smaller company is that it provides a way to penetrate foreign markets without the complexities and risks of direct exporting. Several kinds of intermediary firms provide a range of export services. Each type of firm offers distinct advantages for the company.

ADVANTAGES OF INDIRECT CHANNEL OF DISTRIBUTION

1. Most appropriate for new entrants in the market.

2. The distribution cost is reduced considerably.
3. Middlemen could provide better services.
4. Customer acceptance may be increased, foreigners rely more on firms of their own country.
5. It is beneficial when the customers are geographically scattered.
6. The company's goodwill will help in product establishment by the intermediary.
7. Firm may take the required information from the middle men.

DISADVANTAGES OF INDIRECT CHANNEL OF DISTRIBUTION
1. Increases the selling price of the product.
2. Middlemen may not be loyal to the marketing company.
3. It reduces the profits of the producer.
4. The firm gets second hand information.
5. The manufacturer firm remains ignorant.

CO-OPERATIVE CHANNELS
- Co-operative distribution is based on the basic principle of co-operation.
- It is used to avoid unnecessary competition, the exporting firms dealing in the same product category comes together and forms an apex body.
- All firms who want to co-operate becomes the member of this body.
- Governing board is constituted on the democratic basis.
- All the products being manufactured by the members are exported in foreign markets under a common brand name.
- Tie- ups are established in foreign markets with co-operative societies to market the product.
- Profits carried by the co-operative body in a specific period are distributed among members on the basis of the value of their goods.

ADVANTAGES OF CO-OPERATIVE CHANNELS
1. Appropriate for small firms.
2. It eliminates unnecessary competition.
3. Common branding and collective marketing provide more profits to the members.
4. Distribution cost and other expenses may be substantially reduced.
5. Services and support of talented persons may be used in the governing body.
6. When the companies come together it becomes a mega size company.

DISADVANTAGES OF CO-OPERATIVE CHANNELS
1. The longevity of the members are always under a question mark.
2. Efficient marketing companies sooner or later open up their separate entities.
3. Firms may have to bear unnecessary losses due to incompetent governing bodies.
4. Quality control may become a very challenging issue in co-operative distribution.

SPECIALIZED DISTRIBUTION CHANNELS
Try to control the distribution of products but not exclusively. Type of product distribution that lies between intensive distribution and exclusive distribution, and in which only a few retail outlets cover a specific geographical area. Considered more suitable for high-end items such as 'designer' or prestige goods.

Intensive distribution aims to provide saturation coverage of the market by using all available outlets. For many products, total sales are directly linked to the number of outlets used (e.g. cigarettes, beer). Intensive distribution is usually required where customers have a range of acceptable brands to chose from. In other words, if one brand is not available, a customer will simply choose another.

Selective distribution involves a producer using a limited number of outlets in a geographical area to sell products. An advantage of this approach is that the producer can choose the most appropriate or best-performing outlets and focus effort (e.g. training) on them. Selective distribution works best when consumers are prepared to "shop around" - in other words - they have a preference for a particular brand or price and will search out the outlets that supply.
Exclusive distribution is an extreme form of selective distribution in which only one wholesaler, retailer or distributor is used in a specific geographical area.

ADVANTAGES

1. Some control on the product can be maintained.
2. Can cover a large area.

PROCEDURE FOR DISTRIBUTION

According to Root (1998)
"When the exporting company decides to use an intermediary it must initiate a selection process in order to select high-quality intermediaries."

It has developed a 4-phase frame:

The four phases are:
1. Drawing up the intermediary profile
2. Locating intermediary prospects
3. Evaluating intermediary prospects
4. Choosing the intermediary

Phase I
The first phase lists all the criteria a company should look for in a prospective intermediary for a foreign target market

The following list will be used as a scale where each criterion of the scale can be rated from very important, important, not important and not considered.

- Goals and strategies
- Size of the firm
- Financial strength/credit rating
- Reputation with suppliers, customers, and banks
- Trading areas covered
- Compatibility
- Experience in products/with competitors
- Sales organization and quality of sales force
- Physical facilities
- Willingness to carry inventories
- After-sales service capability
- Knowledge/use of promotion
- Record of sales performance
- Relations with local government
- Communications
- Overall experience/attitude/commitment
- Lines handled
- Cost of operations
- Knowledge of English or other relevant languages
- Knowledge of business methods in the exporting company's country
- Willingness to cooperate with the exporting company

Phase II

The second phase consists of four different ways of locating intermediary prospects. They are:

- Collecting information from banks, trade publications, government agencies and personal visits.
- Asking existing and potential customers in the foreign market
- Visit, and/or participate actively in trade fairs
- Turn to organizations such as trade organizations, transporting companies and marketing agencies

Phase III

The third phase consists of evaluating intermediary prospects.

- References from banks and suppliers
- Find out the history of the intermediary
- Try to establish contact by letters or e-mail
- Compare the intermediary prospects from one another and against the criteria list from phase one

Phase IV

The fourth phase consists of choosing the intermediary. After the evaluations of the intermediary prospects and the prospects have been further limited, it is time to choose the final intermediary. It is important to meet the intermediary in person in order to find out if there is any personal chemistry between the parties involved. The final choice of intermediary is well worth the time and money, due to the fact that the success of the exporting company's product in the foreign country will depend mainly on the intermediary's efforts.

FOREIGN AGENTS

MEANING

- This is a person or company, resident in the foreign country that acts as the sales agent, often on an exclusive basis.
- Foreign agents are usually given the exclusive right to sell the product, should be selected with great caution and his rights and duties set out in a written distributorship agreement.
- Foreign agents or import merchant vary according to the types of products handled and their coverage of the foreign market. In receiving the maximum discount on price, the foreign distributor may agree to develop a market for the exporter.
- They do not take the title of the goods in their names.
- They generally do not take possession of the goods.
- They merely assist the companies in carrying out transactions of sales on behalf of them.
- They get commission of their services and do not bear risk.

The foreign agents can broadly be of 2 types:

1. Export agent
2. Import agent

EXPORT AGENT

- **An export agent** is a trading company that acts for local manufacturers, usually representing a number of non-competing manufacturers.
- I**n return for obtaining** export order from abroad, the export agent receives a commission.
- **Unlike the export merchant,** the agent does not become the owner of the goods and therefore does not assume the risk of not being able to sell them abroad.
- **An export agent** is usually retained on one or two year's renewable basis with an export agency agreement.

- **The function** of the export agent is to appraise the export potential of the local manufacturer's products, advertise them abroad, look for foreign buyers, obtain export orders, and advise on, or arrange for, the documentation, shipping and insurance once a sale has been made.

IMPORT AGENT

Such an agent promotes manufacturer's goods to local buyers and receives commission on an agreed percentage of the value of the sales or on a basic monthly retainer fee.
The choice of such an import agent is a delicate task, the manufacturer should obtain:
(a) A clear picture of the would-be agent's commercial history.
(b) His banking and commercial references.
(c) A list of other products handled and companies represented.
(d) The agent's premises visited with a personal interview.
(e) For a trial period, the firm chosen is usually granted an exclusive right to sell the manufacturer's product.
The import agent's main task is to promote the sale of the manufacturer's product, relay purchase orders to the manufacturer and to perform other related tasks such as collecting and remitting market information.

Representing the manufacturers at the trade shows, assist manufacturer's employees when they make periodic visits, advise about new government regulations and provide sales analysis, etc.
Sales commission for the import agent should be built into the selling price of the goods, all prices, quotations; brochures, etc. may be shown openly to potential customers.
Although the term import agent is used to describe such a person, an agency agreement must specify that the relationship is that of an independent contractor. In this way the manufacturer cannot be held legally liable for actions committed by the import agent.
Generally import agents do not have title to the goods. The exporter receives the order from the import agent but ships the goods directly to the buyer. Import agents provide a wide variety of services, etc.
When an import agent is appointed to represent an entire territory or country, he is called a **sole agent.**
When selling through an import agent, the exporter has more control over the market than when selling through a distributor and the

TYPES OF EXPORT AGENTS

Commission agents

Commission or buying agents are finders for foreign firms that want to purchase domestic products. They seek to obtain the desired items at the lowest possible price and are paid a commission by their foreign clients. In some cases, they may be foreign government agencies or quasi-governmental firms empowered to locate and purchase desired goods. Foreign government purchasing missions are one example.

Brokers

A **broker** is a party that mediates between a buyer and a seller. A broker who also acts as a seller or as a buyer becomes a principal party to the deal. A sales person working for a securities or commodity brokerage firm is popularly (but incorrectly) called a "broker." A broker in that context is, strictly speaking, an exchange member who is actually executing the purchase or sales order in the 'pit', on the exchange, as a service to the client of the firm for which that salesman works.

Commercial agents

Agent who solicits and procures business from potential customers on behalf of one or more principals, usually against payment of a percentage of the realized sales revenue as commission. Foreign commercial agents are protected under the laws of their home country against unfair termination of the agency agreement. Also called commission agent. See also mercantile agent.

Carrying and forwarding agents

- The direct link between the manufacturer and the trade is the carrying and forwarding agent (CFA).
- He is the representative of the company and hold stocks on behalf of the company.
- Typically, there would be a CFA in each state.
- Large companies may have even more. He would typically deal with about half a dozen companies and hold stocks of 4-8 weeks.
- He supplies to the stockists, depending on the distance, once or twice a month.
- As there are large distances to be covered and small quantities to be delivered, he needs to keep a sharp eye on the stockholding of the stockist.
- As he is the representative of the company, and he is closest to the market, he also recommends stockists to be appointed, their credit worthiness, etc.
- The CFA typically gets a margin of 2-4% depending on the quantum of business he handles.

Auction companies

Auction companies are businesses that help clients to arrange and hold auctions featuring everything from furniture to real estate to personal belongings such as jewelry. Many people find that employing the services of an auction house is key to getting the best price for the items offered for bid.

Buying agents

Individual or firm that locates supplies at best prices and terms, and (if required) warehouses or consolidates them as one shipment on behalf of a local or foreign buyer. Also called indent agent

AGENCY CONTRACT

In India, the relationship between Agent and Principal is primarily contractual in nature and is governed by the terms of contract entered into between them ("Agency Contract"). The law of agency derives its statutory base from Chapter X of the Indian Contract Act, 1872 ("Act"), which provides the framework of rules and regulations that govern formation and performance of any contract including the Agency Contract.

Section 182 of the Act defines 'Agent' as 'person employed to do any act for another or to represent another in dealings with third person'.

Any person, who is of the age of majority according to the law to which he is subject, and who is of sound mind, can employ an Agent. As between Principal and third person a person may become an Agent, so as to be responsible to his Principal according to the provisions contained in the Act. No consideration is necessary to create an agency. The authority of an Agent may be express or implied.

Several types of commercial agents have been recognized under Indian law, which includes inter brokers, auctioneers, persons entrusted with money for obtaining sales and insurance agents.

CONTENTS OF AGENCY CONTRACT

1. **INDEMNITY OR COMPENSATION**

The right to claim indemnity arises primarily in the event of termination of
The agency.
An agency is terminated by the Principal revoking his authority; or by the Agent renouncing the business of the agency; or by the business of the agency being completed; or by either the Principal or Agent dying or becoming of unsound mind; or by the Principal being adjudicated an insolvent under the provisions of any act for the time being in force for the relief of insolvent debtors.

The right to indemnity and/or the right to compensation to the Agent in the event of termination of the Agency Contract are subject primarily to the terms and conditions of the Agency Contract entered into between Principal and Agent.

The Courts in India, from time to time have held that an Agent can claim indemnity against the Principal, if the Agent is able to prove that he has actually incurred a loss or that loss is eminent due to the wrongful termination of the Agency Contract.

3. **CONDITIONS OF INDEMNITY OR COMPENSATION**

In order to claim indemnity under section 222 it is essential that the act
Committed by the Agent must be lawful. Indian courts have held that an Agent is entitled to indemnity even in respect of void, but not illegal contracts. It has also been held by the Indian Courts that the Principal has to indemnify the Agent even in respect of the payments, which the latter is compelled to make even though he is not legally liable to pay the same.

The Indian Courts have held that the following inter alia will constitute 'sufficient cause' for the termination of agency: -
(a) Loss of reputation by the Agent;
(b) Incapacity of the Agent, whether physical or mental;
(c) Misconduct on the part of Agent, if sufficient to justify dismissal; and
(d) Taking bribes.

Under Section 225 of the Act, the Principal is liable to compensate the
Agent in respect of any injury caused to such Agent due to Principal's neglect or want of skill.

4. **CALCULATION OF INDEMNITY OR COMPENSATION**

There is no specific provision under the Indian Contract Act or any other law regarding the calculation of indemnity and/or compensation.
For the computation of compensation payable to the Agent the Court may take into consideration the amount the Agent would have earned, if the contract would not have terminated.

5. **INDEMNITY OR COMPENSATION FOR FRANCHISEES AND DISTRIBUTORS**

There is no specific law in India, which governs the payment of indemnity/ compensation to the distributors and franchisee and it is open to the parties to determine the conditions for payment and the amount of compensation.

NEED OF AGENCY CONTRACT

1. Terms and conditions related to consideration
2. Terms and conditions related to indemnity or compensation
3. Commission payment
4. Loyalty
5. Problems related to unsold goods
6. Problems in case of termination of the contract

ROLE OF EXPORT HOUSE

In 1958, it was realized that unless positive steps were taken to build up a number of merchant houses, concentrating almost exclusively on exports and capable of undertaking trade on a sustained basis, it would be impossible to compete successfully against the highly experienced and resourceful trading houses of other countries. They were also expected to become focal points for organizing exports of small scale units for whom it may not be practicable to embark on export marketing.

A new scheme of recognition of trading Houses was introduced in 1981 to develop new products and new markets particularly for products from the small and cottage industry sector. Export houses with demonstrated export capabilities and having facilities for testing and quality control were made eligible of recognition as Trading Houses. With effect from April 1988 Trading Houses having high volume of exports are eligible for recognition as star Trading Houses. With effect from 1.4.94 another category Super Star Trading Houses, has also been introduced. As of 21.4.97 the number of Super Star Trading Houses was 9. Star Trading Houses 52, trading Houses 464 and Export Houses 3,027. It might be noted that merchant exporters including export houses etc account for 78 per cent of India's exports.
With a view to encourage participation of State Governments and Union Territories in export promotion, one State corporation nominated by the respective State Government/Union territories may be recognized as an export House, even though the criterion of such recognition is not fulfilled by them.

Status category	Export Performance FOB / FOR (as converted) Value (in US $ million) during current and previous two years
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

The various criteria of eligibility of recognition of export houses, etc and it may be noted that the criteria for recognition have been made more stringent with effect from April1, 1997 and the number of these houses is likely to go down.
Recognition is valid for 3 years after which it has to be renewed within a period of 6 months.
Export Houses/Trading Houses/ Star Trading Houses/Super Star Trading Houses are entitled to special import licenses which enable them to import certain specified items from the negative and the restricted lists.
A new development in this area has been the decisions to allow large trading houses to set up fully owned trading subsidiaries to operate in India exclusively for export and import related activities. The existing trading multinational in India would be allowed to increase their stake to 100 per cent. The advantages expected from this step are the availability of highly professional marketing expertise and the use of their existing foreign offices for marketing intelligence and business contacts.

Advantages Enjoyed by Export houses/Trading Houses:
1. They can avail themselves of the various economies of scale in transportation, warehousing and other areas related to physical distribution
2. They can avail themselves of export finance available at confessional rates.
3. They are in a position to employ qualified and specialized staff to look after the complicated work relating to customs, legal problems, procedures and documentation.
4. They can bargain with large adding companies in foreign countries on an equal footing
5. They can achieve economies in export promotion by using the most effective advertising and publicity media as also by participating in many trade fairs and exhibitions.
6. They can very often profit by taking a position on exchange rates.
7. They are able to absorb many of the risks inherent in International trade because of the wide range of products handled by them.

Small industrial units can derive significant advantages by availing themselves of the services of export houses.

(1) Expertise and information on market opportunities abroad

(2) Ability to provide finance through trade credits, investments, direct loans and loan guarantees.

(3) Ability to absorb many of the risks inherent in trade because of the wide range of products they handle.

(4) Sales opportunities in otherwise out-of-the-way markets.

Export houses are themselves keen to help small manufacturers in their export effort as thy get extra weightage for the foreign exchange earned by the exports of products manufactured by small industrial units and for exports of handicrafts including silk products (double weightage).

UNIT-IV
PARTICIPATION IN TRADE FAIR & EXHIBITION

Introduction –

1. Oldest form of promotion
2. Success depends upon long-term relationship & approaches to marketing.
3. This Trade Fair Participation rests on premises of developing long term business relationship with foreign buyers.
4. Opportunity to display on large no. of buyers also representative who visit the fair.
5. Efficient tool to communicate with market.
6. Offers tremendous facilities to bring across massage to large buyers.

Objective –

1. Introduction of concept of product.
2. Basic theme of production.
3. Introduction of Export firm in International Market.
4. Introduction of Popularity of existing brand (Expansion / Diversification)
5. Consumer research on new product.
6. Prospective buyers, customer loyalty.

Conditions for success in Trade Fair Participation –

1. Production must be in top condition for demo.
2. As per requirement of buyer.
3. Define clearly the object of participation.
4. Select the right fair.
5. Advertisement planning including finance budget.
6. Invitation to public for maximum visitors.
7. Effective & efficient & experienced people to handle visitor at the stand.
8. Follow up/queries collection & answers.
9. Plans for repeated participation in fair.

Planning for Trade Fair Participation –

1. Decision to participate in the fair.
2. Selection of Right fair -
   (a) General (all types)
   (b) Specialized (Engineering tools, Car, bike etc.)

Major steps of Trade Fair Participation –

(I) Preparation before participation in Trade Fair :-

1. Collection of desired information –
   a) Information about the fair – Venue, date, time, application fees, last date, insurance & security arrangements.
   b) Market information – Customer requirement, stalls, packaging, legal requirement, duties taxes, channel of distance, advertising.
   c) Transport – Shipping schedules, costs, customs, documentation.
   d) Travel – Passport, people with goods & representatives, Hotel etc.
2. Planning & Budgeting
3. Booking of the stand –
   a) Shell scheme.
   b) Individual designed stand.
4. Planning for stand design.
5. Developing sampling range
6. Deciding price.

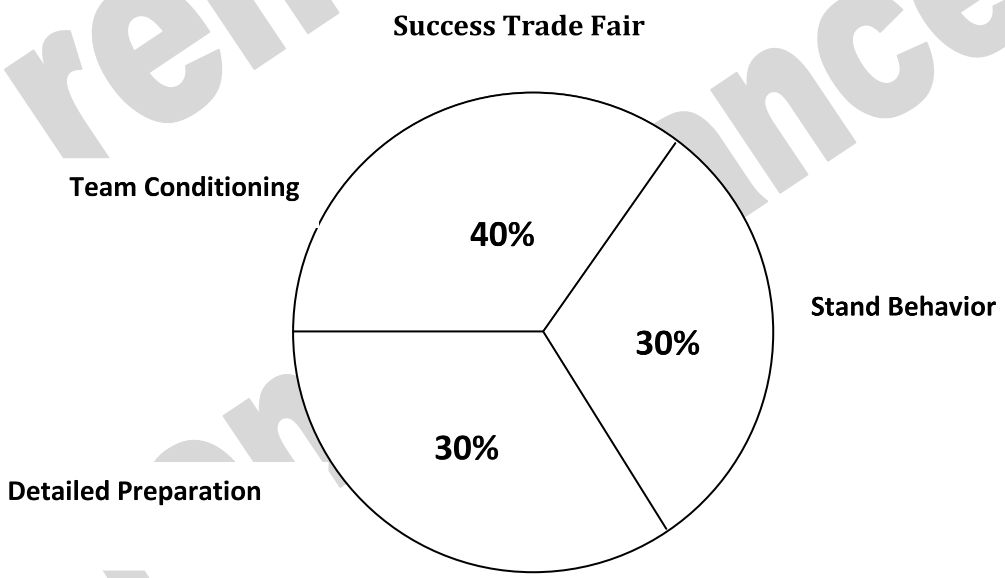
7. Promotion of visitors.
8. Arrangement for display & literature (technician)
9. Arrangement for transport, travel & stay.
10. Staff briefing.
11. Application for visa.
12. Purchase of foreign exchange.

(II) During the Trade Fair:
Stand Behavior –
1. No on the spot sale but to initiate relationship.
2. This happens by behavior at stand.
3. Behavior must be in Professional Manner.
4. Staff should be qualified & knowledgeable about the product.
5. Do not buy for products value but also buy for added values of the seller.

Effective stand behavior –
1. Formulas, be on time, name badge, be clear, body language.
2. Do not block clients.
3. No Gupshup.
4. Offer drinks, seats available.
5. Be realistic, polite.

(III) After the Trade fair: -
Follow up action –
1. To be success make follow up, client place visiting, emails, touching them frequently.
2. Timely giving them emails of new offers or detail about new product launching.
3. Issue various discount coupons on festival seasons.

Advantages of Trade Fair & Exhibition:-
1. Exporter gets ahead of other competitions.
2. Creates an impression that exporter is professional.
3. Exporter is serious business partner.



INTERNATIONAL TRADE PROMOTION ORGANISATION

India Trade Promotion Organisation (ITPO) is the nodal agency of the Government of India for promoting the country's external trade.

ITPO, during its existence of nearly three decades, in the form of Trade Fair Authority of India and Trade Development Authority, has played a proactive role in catalysing trade, investment and technology transfer processes.

Its promotional tools include organizing of fairs and exhibitions in India and abroad, Buyer-Seller Meets, Contact Promotion Programmes, Product Promotion Programmes, Promotion through Overseas Department Stores, Market Surveys and Information Dissemination.

ADVERTISING ABROAD

- Advertising is any sponsored, paid message that is communicated in a nonpersonal way
  - Single country
  - Regional
  - Global
- Global advertising is the use of the same advertising appeals, messages, art, copy, photographs, stories, and video segments in multiple country markets

Advertising Appeal

- Rational approach
  - Depend on logic and speak to the consumer's intellect; based on the consumer's need for information
- Emotional approach
  - Tugs at the heartstrings or uses humor
- Selling proposition
  - The promise or claim that captures the reason for buying the product or the benefit that ownership confers
- Creative execution
  - The way an appeal or proposition is presented—straight sell, scientific evidence, demonstration, comparison, slice of life, animation, fantasy, dramatization

Advertising Copy Mistakes

- In Asia, Pepsi's "Come Alive" was interpreted as asking to bring ancestors back from the dead.
- In China, Citicorp's "Citi Never Sleeps" was taken to mean that Citi had a sleeping disorder, like insomnia.
- McDonald's does not use multiple 4's in advertising prices in China; four sounds like the word death.

Cultural Considerations

- Images of male/female intimacy are in bad taste in Japan; illegal in Saudi Arabia
- Wedding rings are worn on the right hand in Spain, Denmark, Holland, Germany
- European men kiss the hands of married women only, not single women
- In Germany, France, and Japan, a man enters a door before a woman; no ladies first!

Cultural Considerations—Japanese and American Differences

- Indirect rather than direct forms of expression are preferred in the messages
- There is often little relationship between ad content and the advertised product
- Only brief dialogue or narration is used in television commercials, with minimal explanatory content
- Humor is used to create a bond of mutual feelings
- Famous celebrities appear as close acquaintances or everyday people
- Priority is placed on company trust rather than product quality

- The product name is impressed on the viewer with short, 15-second commercials

Public Relations and Publicity

- Fosters goodwill and understanding
- Generates favorable publicity
- Tools
    - News releases
    - Media kits
    - Press conferences
    - Tours
    - Articles in trade and professional journals
    - TV and radio talk show appearances
    - Special events

UNIT-V
INCOTERMS

The purpose of "INCOTERMS' or the International Commercial Terms, is to provide a set of international rules for the interpretation of the most commonly used trade terms in foreign trade. Thus, the uncertainties of different interpretations of such terms in different countries can be avoided or at least reduced to a considerable degree.

Frequently parties to an international trading contract are unaware of the different trading practices in their respective countries. This can give rise to misunderstandings, disputes and litigations all of which contribute to waste of time and money. In order to seek a remedy for these problems, the International Chamber of Commerce (ICC) first published in 1936'. Amendments and additions were later made in 1953, 1967, 1990 and the latest on 1st January 2000, in order to bring the rules in line with current international trade practices.

Group E	EXW	Ex Works (at a named place)
Group F	FCA	Free carrier (at a named place)
	FAS	Free Alongside Ship (at a named Port of shipment)
	FOB	Free on Board (At a named Port of shipment
Group C	CFR	Cost and Freight (Named port of destination)
	CIF	Cost, Insurance and Freight (upto a named Port of destination)
	CPT	Carriage Paid to (upto a named Port of destination)
	CIP	Carriage and Insurance paid to (upto a named Port of destination)
Group D	DAF	Delivered At Frontier (to a named place)
	DES	Delivered EX Ship (At a named Port of destination)
	DEQ	Delivered EX Quay (at a named Port of destination)
	DDU	Delivered Duty Unpaid (at a named place of destination)
	DDP	Delivery Duty Paid (at a named place of destination

Les us now discuss each of these terms separately.

In EXW, the seller has to deliver the goods in the agreed specification and packing mode to the buyer, either at the doors of his factory or at any named place not cleared for export and not loaded on any collecting vehicle. The risk and title to the goods passes on from the seller to the buyer at the factory door, when the goods are accepted by the buyer. The buyer has to then make his own arrangements to carry the cargo to his warehouse including payment of freight and insurance charges. In some cases, the seller may agree to arrange transportation on behalf of the buyer. He then makes the arrangements and charges the expenses to the buyer in his invoice. When quoting EXW, the place has to be specified; for e.g. Ex-works Mumbai.

In the case of FCA, the seller arranges to deliver the cargo cleared for exports, to the carrier designated by the buyer and he obtains a receipt from the carrier as proof that the goods have been delivered. The risk and title to the goods passes on from the seller to the buyer a this point. From here, the buyer has to then make his own arrangements to carry the cargo to his warehouse including payment of freight and insurance charges.

In FAS, the seller's obligations and when the goods are placed on the wharf alongside the ship designated for carriage by the buyer at the named port of shipment. Clearance of goods for export is done by the seller. He bears the cost of customs formalities, duties, taxes and other charges applicable to export. The buyer has to then make his own arrangements to carry the cargo to his warehouse including payment of freight and insurance charges. It should not be used when the seller cannot carry out directly or indirectly the export formalities.

In FOB, the seller has to make arrangements to put the cargo on board the designated ship vessel used for sea or inland waterway transport. Once this is done, the obligation of the seller cesses. The buyer has to then make his own arrangements to carry the cargo to his warehouse including payment of freight and insurance charges.

In CFR, the seller contracts a carriage on behalf of the buyer and also pays the freight charges to reach the goods to the designated port of destination. However, once these have been done and the goods are put on board, the obligation of the seller is over. The risk of loss or damage to the goods, and all costs once the goods pass over the ship's rail, including Insurance is borne by the buyer.

CIF term is to used only for sea and inland waterway transport, In CIF, the seller contracts a carriage on behalf of the buyer and also pays the freight and insurance charges upto the port of destination. Once these have been done and the goods put on board, the obligation of the seller is over. Clearance of the goods for exports is arranged by the seller. It may also be noted that cost of customs formalities and duties and taxes on the goods for goods for transit through any country, have to be borne by the seller if it has been so specified under the contract of carriage between him and the buyer.

CIP and CPT terms are intended for any mode of transportation or a combination of many modes of transportation including multimodal transport. In the case of CPT. The seller contracts the respective carriage and also pays the freight charges on behalf of the buyer. Once these are done and the goods are handed over to the first carrier, his obligations are over. Under CPT the two parties can decide as to how and to what extent insurance coverage should be done. I lowever, in the case if CIP, the insurance charges also are paid by the seller on behalf of the buyer.

DAF is primarily used when goods are to be carried by rail road and delivered at the frontier. This means that the seller delivers the goods on the transport, in an unloaded condition and cleared for export. Unloading and import clearance have to be done by the buyer. The seller has to bear all costs and risks upto delivery at the frontier.

DES is used only when the goods are to be delivered by sea or inland waterway transport. Here, the seller fulfills his obligation to deliver then the goods have been made available to the buyer on board the vessel uncleared for import at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the destination port.

In DEQ, the seller makes the goods available to the buyer on he quay (wharf) at the named port of destination. Clearance for import has to be arranged by the buyer. The seller has to bear all risks and costs including duties, taxes and other charges of delivering the goods upto the quay.

DDU means that the seller bears the costs and risks involved in bringing the goods to the named place in country of importation in an unloaded condition, uncleared for import. In DDP. The seller delivers the goods to the buyer, in an unloaded condition, but cleared for import. The seller has to therefore pay the import duty also in the importer's country and so also bear the costs and risks in bringing the goods thereto.

The terms which are most commonly used in International trade are EX-Works, FOB, FAS, CFR & CIF. These terms are explained in detail below.

1. **EX-Works:**
   Under EX-Works contract, the seller must place the goods at the disposal of the buyer at the time which is specified in the contract. These goods have to be clearly specified and set right or identified as the contract goods. Then, the buyer takes delivery either at the premises of the seller or at a named place and bears all the risks and expenses from there. Examples of such contract are the purchases by specialised exporters of coffe, tea, cocoa or even the entire crop of a plantation. Large importers may decide to select the produce they want and arrange their transportation. Machinery made to the order of a particular client and high in value is also sold under "Ex-works" contract.

2. **FOB (Free on Board)**
   Under this contract, the responsibility and liability of the seller do not end until the goods have actually passed the ship's rail. The obligations of the sellers and buyers under his type of contract are as under.

Obligation of the Seller

1. The seller must deliver the goods on board to the vessel named by the buyer at the named port of shipment.

2. He must provide at his expense for the customary preparation and packing suitable to the nature of the goods and to their carriage by sea.
3. He must bear all costs payable on or for the goods until they have effectively passed the ship's rail at the port of shipment.
4. he must give the buyer a proper notice of shipment of the goods so that the buyer can insure them.
5. The seller must provide at his expense the customary 'clear' document in proof of delivery of goods aboard the vessel.
6. He should bear the cost of checking operations (i.e., checking the quality, measure, weight, or quantity) which are necessary for the purpose of loading the goods on board at the port of the shipment.
7. He must bear the cost of all dues and taxes payable on the goods for the purpose of loading them on board.

Buyer's Obligations under-FOB

1. He should charter a vessel or reserve the necessary space on board a vessel. He should also give the seller due notice of the name, and date of delivery of the goods to the vessel.
2. He must bear all costs and risks of the goods from the time when they shall have passed the ship's rail effectively at the named port of shipment. He must pay the price of the goods as provided in the contract.
3. The buyer must bear any additional costs incurred. Such costs might arise due to (a) failure of the vessel to arrive on the stipulated date or by the end of the period specified, or (b) the buyer was unable to take the goods, or (c) closed for cargo earlier than the stipulated date or end of the period specified. In addition he has to take all the risks of the goods from the date of expiration of the period specified.
4. The buyer must pay the cost of any pre-shipment inspection except when such inspection is mandated by the authorities of the country of export.

3. FAS (Free alongside ship)

Under this contract the seller must place the goods alongside the vessel during its loading period and pay all charges upto that point. The seller's legal responsibility ends once he has arranged for export clearance of the cargo and obtained a clean wharfage receipt. But he must assist the buyer(at buyer's expense) to obtain any other documents that the buyer requires to complete export and carriage, pulls those needed for clearance at destination. The seller must provide at his own expenses the customary packing of the goods unless it is the custom of the trade to ship the goods unpacked. He must pay the costs of any checking operations which shall be necessary for the purpose of delivery of the goods alongside the vessel.

The buyer must give the seller due notice of the name, loading berth of and delivery dates to the vessel.

4. CFR (Cost and Freight)

This type of contract involves obligations both for the seller and the buyer as explained below.

Obligation of the seller

1. The seller must supply the goods in conformity with the contract of sale, together with such evidence of conformity as may be required by the contract.
2. he must contract on usual terms, at his own expense, for the carriage of the goods to the agreed port of destination by the usual route in a sea-going vessel of the type normally used for the transport of goods of the contract description. He must pay fright charges and any charges like port congestion charges, valuation charges etc., which may be levied by the shipping line at the time of shipment at the port dispatch itself.
3. The seller must obtain an export licence or other Government authorisation if necessary, for the export of goods, at his own risk and expenses.

4. The seller must load the goods at his own expense on board the ship. This must be done on the date or within the period fixed. He must also notify the buyer without delay that the goods have been loaded on board the ship.
5. The seller must bear all risks of the good until such time as they shall have effectively passed the ship's rail at the port of shipment.
6. The seller must furnish to the buyer a clean negotiable bill of lading for the agreed port of destination. He should also furnish the invoice of the good shipped. The seller has to furnish these documents at his own expense. If the two parties have agreed to communicate electronically, the documentation is to be done by EDI, (at the expense of the buyer).
7. The seller must provide at his own expense the customary packing of the goods unless it is the custom of the trade to ship the goods unpacked.
8. He should pay the costs of any checking operations (i.e., quality, measuring, weighing, counting which shall be necessary for the purpose of loading the goods.
9. The seller should pay the dues and taxes incurred in respect of the goods up to the time of their loading.
10. The seller must provide the buyer, with the certificate of origin and any other document prescribed in the contract.
11. He must bear the charges for unloading at the named port of destination and also bear the costs and charges for customs formalities related to the transit of goods through any country if they were for the seller's account under the contract of carriage.

Buyer's Obligations

1. He must accept the documents when tendered by the seller if the are in conformity with the contract of sale. They buyer must pay the price as provided in the contract.
2. The buyer must receive the goods at the agreed port of destination. He must bear with the exception of the freight, all costs and charges incurred in respect of the goods in the course of their transit by sea until their arrival at the port of destination.
3. The buyer must bear all risks of the goods from the time when they have effectively passed the ship's rail at the port of shipment.
4. He must pay all customs duties as well as any other duties and taxes payable at the time of the importation.
5. The buyer must procure and provide at his own risk and expense any import licence or permit or the like which he may require for the importation of the goods at the destination.
6. The buyer must pay the cost of any pre-shipment inspection except when such inspection is mandated by the authorities of the country of export.

5. C.I.F. (Cost, Insurance, Freight)

A contract between the seller and the buyer stipulates the duties and responsibilities as mentioned below:

Seller's Obligations

1. The seller must supply the goods in conformity with the contract of sale. He must provide the necessary evidence of conformity as may be required by the contract.
2. He must arrange clearance of goods for exports.
3. The seller must obtain an export licence or other Government authorisation if necessary, for the export of goods, at his own risk and expenses.
4. The seller must load the goods at his own expense on board the ship. This must be done on the date or within the period fixed.
5. The seller must provide the buyer, with the certificate of origin and any other document prescribed in the contract.
6. He must provide insurance cover for the goods upto the destination point prescribed in the contract.
7. He should also provide the insurance certificate to the buyer.

Buyer's Obligations

1. He must accept the documents when tendered by the seller if the are in conformity with the contract of sale. They buyer must pay the price as provided in the contract.
2. The buyer must receive the goods at the agreed port of destination. He must bear with the exception of the freight & marine insurance, all costs and charges incurred in respect of the goods in the course of their transit by sea until their arrival at the port of destination.
3. He must pay all customs duties as well as any other duties and taxes payable at the time of the importation.
4. The buyer must procure and provide at his own risk and expense any import licence or permit or the like which he may require for the importation of the goods at the destination.
5. The buyer must pay the cost of any pre-shipment inspection except when such inspection is mandated by the authorities of the country of export.

6. CPT (Carriage paid to)

It means to deliver the goods at the named place of destination at sellers expense.
Buyer will take the responsibility of cargo insurance, import custom clearance, payment of custom duties and taxes and the other cost and risk.

Responsibilities of Seller

1) It responsible for loading and transportation
2) It responsible for cost and fright
3) He will not bear insurance charges.
4) He will bear the charges of packing the goods to a specified destination
5) Unloading charges will be also paid

Responsibilities of buyer

1) He responsible for the cargo insurance
2) He will bear the import custom clearance, other custom duties, taxes and other risks.

7. CIP (Carriage & Insurance paid to)

It means to deliver the goods and the cargo insurance to the named place of destination at seller expenses.
Buyer assumes the import custom clearance, payment of custom duties, & taxes and other cost & risks.

Responsibility of Seller

1) The seller is responsible for cost & fright
2) Is responsible for cargo insurance
3) Is responsible for transporting good to named part of
4) Unloading fees will be paid.

Responsibilities of buyer

1) Is responsible for import custom clearance, payment of import duties & taxes
2) He will not bear the cargo insurance

8. DAF (Delivery at frontier)

It means the delivery of goods will be at a specified point at the frontier at sellers expense.
Buyer is responsible for the import custom clearance, payment of custom duties and taxes and other costs & risk.

Responsibilities of Seller

1) He is resp. for loading, transportation, cost, fright and unloading also.
2) He will bear the cargo insurance
3) He will bear the charges of placing the goods to a specified point at the frontier

Responsibilities of buyer

1) He will bear all custom clearance, payment of custom duties and taxes
2) He is not responsible for unloading

9. **DES (Delivery Ex Ship)**
   It means the delivery of the goods on board the vessel at the named port of destination of sellers expenses.
   The buyer will take the responsibility of unloading fees, import custom clearance payment of custom duty & taxes, cargo insurance and other cost & risk.
   Responsibility of buyers
   1) He is responsible for unloading fees, import custom clearance, payment of custom duties & taxes, cargo insurance.

   Responsibility of seller
   1) He is responsible for transpiration, carriage & fright.
   2) Not for unloading & insurance
10. **DEQ (Delivered Ex Quay)**
   It means to deliver the goods to the quay at destination at sellers expense in this seller is responsible for import custom clearance and payment of custom duties & taxes at the buyers end. Buyer assumes the cargo insurance and other cost and risk.
   Responsibilities of seller
   1) He is responsible for all loading, carriage, cost and fright.
   2) He is also responsible for unloading charges.
   3) He bears import custom clearance, payment of custom duties & taxes.
   4) Responsible to keep the goods at quay.

   Responsible of buyer
   1) He will bear insurance charges
   2) He will bear all charges to take the goods from port to its final destination.
11. **DDU (Delivery Duty Unpaid)**
   It means to deliver the goods at the final destination i.e. buyers premises by seller's expense and he will also take the cargo insurance till the buyer's premises.
   Buyer will take care of the custom clearance & payment of custom duties and taxes.
   Responsibilities of Seller
   1) Is responsible for loading, carriage & fright and also for unloading
   2) Is responsible for cargo insurance
   3) He will bear the charges of making the goods available at buyer's premises.

   Responsibilities of buyers
   1) Is responsible for import custom clearance, import duties and takes.
   2) He will not bear cargo insurance
12. **DDP (Delivery Duty Paid)**
   The seller is responsible for most of the exp. Which includes the cargo insurance, import custom clearance and payment of custom duties and taxes at the buyer end, and the delivery goods to the final point of destination which is often the project site an buyers premises. The seller may opt not to insure the goods at his/her own risks.

SETTLEMENT OF DISPUTES

Conciliation

Conciliation is an alternative dispute resolution (ADR) process whereby the parties to a dispute (including future interest disputes) agree to utilize the services of a conciliator, who then meets with the parties separately in an attempt to resolve their differences. He does this by lowering tensions, improving communications, interpreting issues, providing technical assistance, exploring potential solutions and bringing about a negotiated settlement.

A conciliator assists each of the parties to independently develop a list of all of their objectives (the outcomes which they desire to obtain from the conciliation).

Most successful conciliators are highly skilled negotiators. Some conciliators operate under the auspices of any one of several non-governmental entities, and for governmental agencies such as the Federal Mediation and Conciliation Service in the United States.

Arbitration

Arbitration, a form of alternative dispute resolution (ADR), is a legal technique for the resolution of disputes outside the courts, wherein the parties to a dispute refer it to one or more persons (the "arbitrators", "arbiters" or "arbitral tribunal"), by whose decision (the "award") they agree to be bound. It is a settlement technique in which a third party reviews the case and imposes a decision that is legally binding for both sides.

Arbitration is a proceeding in which a dispute is resolved by an impartial adjudicator whose decision the parties to the dispute have agreed will be final and binding. Arbitration is not the same as:

- judicial proceedings, although in some jurisdictions, court proceedings are sometimes referred as arbitrations[6]
- alternative dispute resolution (or ADR)[7]
- expert determination
- mediation

Litigation

A case, controversy, or lawsuit. A contest authorized by law, in a court of justice, for the purpose of enforcing a right. Participants (plaintiffs and defendants) in lawsuits are called litigants.

The process of bringing and pursuing a lawsuit. Litigation often proceeds much like trench warfare; initial court papers define the parties' legal positions as trenches define battlefield positions. After the initial activity, lawyers sit back for several months or years and lob legal artillery at each other until they grow tired of the warfare and begin settlement negotiations. If settlement is unsuccessful (90+% of all lawsuits are settled without trial), the case goes to trial, and the trial may be followed by a lengthy appeal.