SYLLABUS

Class – B.Com III Year (Plain)

Subject – International Marketing

UNIT – I	International Marketing – Definitions, Nature and scope of international Market, Domestic Marketing V/s International Marketing. Decisions relating Entry in the Foreign Market.
UNIT – II	Product Planning for international Market. Product Designing, Advertising, Branding and Packaging
UNIT – III	International Pricing – Factors Influencing International Price, Pricing process and Methods, International Price Quotation and Payments Conditions.
UNIT – IV	International Distribution Channels and Logistics decisions, Selection and appointment of Foreign Agent.
UNIT – V	Indian Import – Export Policy and Practices. Steps of commencement of an Export Business, Exporting Pricing and Export finance.

Subject: International Marketing **Class: B.Com III year**

Unit-I

INTERNATIONAL MARKETING

Today all types of business enterprises are inspired to carry on business across the globe. This may involve purchase of raw material from foreign suppliers, assembling products from components made in several countries, or selling goods or services to customers in other nations.

Industrial Business means Carrying of business activities beyond national boundaries. These activities include normally the transactions of economic resources such as goods, capital and services comprising of technology, skilled labour, transportation etc. They also include international production. International business includes not only international trade of goods and services but also foreign investment as especially foreign direct investment. (FDI)

According to Rugman and Hodgetts, - "International business is the study of transactions taking place across national borders for the purpose of satisfying the needs of individuals and organizations. These economic transactions consist of trade, as in the case of exporting and importing, and foreign direct investment, as in the case of companies investing funds to up operations in other countries."

CHARACTERISTICS ARE KNOWN TO INTERNATIONAL BUSINESS-

1. It includes different types of business activity that crosses national borders.
2. It is wider in scope than international marketing.
3. It is the study of transaction for the purpose of satisfying the needs of individuals and organizations.
4. It takes different forms on the market entry strategies, such as exporting, licensing, contract manufacturing, foreign assembling, and foreign production.
5. It has complexity, diversity & universally in operations.
6. Its task is more complicated than the domestic.
7. Various national marketing programmes of a firm are co-ordinate and integrated in an effective multinational programme which is challenging task in it.
8. Special and broader competence is required in international business.
9. Protectionism is a common feature in international business.
10. International business is prove to various kinds of risk like- political risk, change in fashion & styles of foreign customers, sudden war, changes in govt. rules and regulations.
11. Dominance is a common feature in it.
12. It needed not only accurate but timely information to make an appropriate decision regarding foreign markets.
13. It is also based on the geographic market.
14. The division of labour and the transfer of know-how in international operations is a part of it.
15. Multinational Corporation (MNC) are major actors in the world of international business.

PROBLEMS AND CHALLENGES IN INTERNATIONAL BUSINESS/MARKETING

Many problems and challenges arise in international business in which unfamiliarity with foreign markets, law cultural, diversity, language differences, fashion, buying patterns etc. are main. But these problems may also arise in domestic business. In fact, there is no basic difference between domestic marketing & international business because the principles of business are universal. Some difference arise due to special problems or features of international marketing-

Special problems arise in international business-

1. Foreign languages, laws and regulations.
2. Difficult in information's gathering on foreign countries needed by a particular firm.
3. Exchange rate variations
4. Cultural difference
5. Higher risk in foreign market
6. Require broader range of management skills.

7. Difficulty in observing and monitoring trends and activities in foreign countries.
8. Economic differences
9. Political difference and instability
10. Distribution channels are very long and involve many intermediaries.
11. Pricing decisions
12. Special packaging and labeling might be required.
13. Unstable governments
14. Huge foreign indebtedness
15. Tariffs and other trade barriers.
16. Corruption
17. Technological piracy
18. High cost

INTERNATIONAL MARKETING

International marketing is an important aspect of international business. According to-
Cateora and Graham, "international marketing is the performance of business activities designed to plan, price, promote and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit."
Terpstra and Sorathy define, "international marketing consists of finding and satisfying global customer needs better than the competition, both domestic and international and of coordinating marketing activities with in the constraints of the global environment."

DOMESTIC BUSINESS V/S INTERNATIONAL BUSINESS

International Business is an extension of domestic business. Both the business involves buying & selling of goods and services. In most of cases profit is the driving force behind each transaction, success depends upon satisfying the basic requirements of the consumers in both the business this necessarily involves finding out what the buyers want and meeting their needs accordingly. Besides, it is necessary to build goodwill in both types of business, research and development for product improvement an adaptation is necessary in both businesses. But also with this many more differences are their.

DIFFERENCE BETWEEN BOTH THE BUSINESSES

Basis of difference	Domestic Business	International Business
System	Multiple currencies taxation systems, differing in stability and real value.	Single currency & taxation system with stability and real value.
Role of politics	Political factors play a vital role.	Political factors are of minor importance.
Languages & cultures	Many languages & differences in cultures.	One language and culture.
Financial climate	Variety of financial climate.	Uniform financial climate.
Risk	Higher risks of different nature.	Normal risks.
Business rules	Business Rules and regulations are highly diverse, changing nature, and unclear.	Business rules are standardised and matured.
Payment	Considerable payment and credit risks.	Minimum payment and credit risks.
Control on Activities	Control of business activities is difficult because of various factors (religion, culture, politics etc.)	Control of business activities is easy because of one market and its segments.
Familiarity	Lack of familiarity with foreign markets, research becomes essential.	Well familiarity with domestic market, business is possible without research.

Basis of difference	Domestic Business	International Business
Knowledge	Specific management knowledge and competence is required.	Management knowledge is required.
Product Mix	Product mix is decided according to foreign market.	Product mix is divided, keeping in view the satisfaction and more sales.
Product Planning	Product planning and development is made according to foreign markets.	Product planning and development according to domestic markets.
Focus	Focus of interest is on strategic emphasis.	Focus of interest is on general information.
Approach	Approach to study is integrative.	Approach to study is descriptive.
Market Aspect	Different or diverse markets fragmented in nature.	Market is much more homogeneous and different segment.
Research Cost	Amount of joint research is ever increasing.	Amount of joint research is normal or limited.

NEEDS AND IMPORTANCE OF INTERNATIONAL BUSINESS/ MARKETING

Needs and Importance of international Marketing/ Business has been increasing due to liberalization, privatization and globalization with faster communication, transportation and financial flows, the world is rapidly shrinking. Products developed in one country are finding enthusiastic acceptance in other

Important reasons for going international business/Marketing are as follow-

1. High profit advantage/ opportunities
2. Growth opportunities
3. Domestic market constraints
4. Increase global competition
5. Government policies and regulations
6. Monopoly power
7. Strategic vision
8. Increase in urbanizations
9. Increase in standards of living
10. Increase in customers buying power and knowledge.
11. Continuous increase in customer's desires
12. It can facilitate in cost reductions and efficient increases
13. Rapid increase in and expansion of technology
14. Geographical diversification.
15. Gross-border trade is much easier to than past time due to reasons of globalization, internet, e-marketing and wide facilities.

SCOPE OF INTERNATIONAL BUSINESS

As said earlier that multinational enterprises are major actors in the world of international business. There are thousands of multinational enterprises that collectively perform a wide range of operations and services. Their activity can be classified into two major categories-

1. Exports and Imports, and
2. Foreign direct investment

Other important activity of international business are-

1. Import Trade
2. Re-export Trade
3. Export Trade

7. **Assembly Operations-** This strategy is suitable for those manufacturers who want many of the advantage that are associated with overseas manufacturing facilities but not want to go in foreign markets. Such manufacturers can establish overseas assembly facilities in selected markets.

It provides following benefits-

(a) It is an ideal strategy of market entry when manufacturing and assembling the part of components and labour intensive & labour is cheap in foreign country.

(b) Import duty is normally low on part of components.

(c) Assembly operation provides cost advantage.

(d) Investments to be made, in the foreign country is very shall in the strategy.

(e) Political risk of foreign investment is low in this strategy.

(f) It Satisfy the "local context" demand to some extent.

8. **Joint Venture-** Joint venture is a very common strategy of entering the foreign market. "Commercial collaboration between two or more unrelated parties where by they pool, exchange or integrate certain of their of their respective resources. Such alliances there fore represent a move from direct competition as they attempt to engineer and take advantage of market opportunities."

Joint ventures have the following advantages-

(a) Potentially greater returns from equity participation as opposed to royalties.

(b) Greater control over production and marketing.

(c) Better market feedback.

(d) More experience in international marketing.

(e) It permits firm with limited resources to enter more foreign markets.

(f) Shared cost of administration

(g) Less costly than acquisition.

(h) Firm can gain instant access to local expertise and to partner's distribution system.

(i) A shared approach also permits economics of scale and a greater potential speed to market.

(j) A right local partner can have a major import or a firm competitiveness because sales a partner can serve is a cultural bridge between the manufacture and the market.

9. **Third country location-** This strategy of market entry is used, sometimes when there is no commercial transactions between two nations due to political reasons. Some of the important benefits of this strategy are as follows-

(a) It helps in entering such a market where no commercial transactions exists due to political or any other reasons.

(b) It may helpful in taking advantages of the friendly trade relations between the third country, and the foreign market concerned.

(c) Sometimes commercial reasons encourage third country locations.

(d) It may help in reducing cost and may increase price competitiveness to facilitate market entry or to improve market position.

10. **Merger and Acquisitions-** Merges acquisitions strategy has been used for a long time as a market entry strategy as well as expansion strategy. This strategy is a voluntary and permanent combination of business whereby one or more firms integrate their operations and identifies with those of, another and henceforth work under a common name and in the interest of the newly formed amalgamation.

This strategy has the following advantages-

(1) It provides instant access to markets and distribution, network which is treated as one of the most difficult area in international business.

(2) It helps to obtains access to new technology or a patent right.

(3) It reduces or ends the competition among competitive firms.

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of supplementary management services, training, technical advice, stock control systems, perhaps even financial loans. Hence, it retains complete control over how the product is marketed, but the franchisee carries the risks of failure and the franchiser's capital commitment is typically low.

2. **Exporting-** Exporting has been a most traditional mode of entering the foreign market and is quite a common are even now. Exporting can be defined as selling the goods or services from one country to another exporting can be either direct or indirect with direct exporting the company sell to a customer in another company. This is the most common approach employed by Companies taking their first internal step because the risk of financial loss can be minimized. A company can carry on direct exporting in several ways. some of them are as follows-
   (a) Domestic based export department
   (b) overseas sales branch or subsidiary
   (c) traveling exporting sales representatives
   (d) foreign-based distributors or agents

   These are several different method of Indirect exporting-
   (i) Export houses
   (ii) Confirming Houses
   (iii)Joint Marketing
3. **Contract Manufacturing-** Some Companies outsource their part of or entire production and concentrate on marketing operations. This practice is called the contract manufacturing or outsourcing. This is a common practice in international business. These are a number of multinationals and affiliates of multinationals which employ this strategy in India in respect of some product they market. The goal of a manufacturing strategy may be set up a production base inside a target market country as a means of invading it. As a market entry strategy, contract manufacturing has been continuously growing due to the many advantages of this strategy.
4. **Management Contracting-** The essence of this market entry strategy is the transfer of managerial skills and capabilities in the operation of a business in return for remuneration. A management under which operational control of an enterprise. Management contract not only allow firms to benefit directly from the sale of their knowledge and expertise; but can also provide opportunities for enquiring revenues in related activities.
5. **Turkey Contract-** Turnkey Contracts are common in international business in the supply, erection and commissioning of plants, construction projects and franchising agreements. turnkey operations are a form of international business involving a contract which includes the design, construction, and establishment of a facility or business operation, on behalf of a client in return for a fee. The size of such contracts is differentiating factor from other forms of international business, running into hundreds of millions of pounds. Turnkey projects may take several years to complete, which means financing and exchange rate risks have to be taken into account.
6. **Fully-owned manufacturing facilities-** This strategy of market entry is used when a firm sees its long-term and substantial interest in the foreign-market then firm establish full-owned manufacturing facilities there. There are several advantages of this strategy. Some of them are as follows-
   (a) If provides the firm with complete control over production and qualify.
   (b) It does not have the risk of developing potential competitors in licensing & contract manufacturing.
   (c) It provides economic & in many sense in large area market.
   (d) Local production allows better interaction with local market needs.
   (e) There may be low production costs in a foreign market.
   (f) It provides fully owned manufacturing facility for establishment.

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The law of every nation play a important role regarding the activities of business role regarding the activities of business within their boundaries. The importance of foreign laws to the international business manage lies primarily in domestic marketing in each foreign market. Problem arises from the fact that laws in each market tend to be some what different from those in other market. A firm must know the legal environment in each market event while making market entry decision because these laws constitute the rules of the game. Before considering foreign market entry.

The firm should known the following things-

(i) Differing legal systems
(ii) Foreign laws and marketing mix
(iii) Enforcement of the laws
(iv) Whose law & whose court?
(v) Arbitration or litigation etc.

In fact, a firm may enter foreign markets exporting use of agents or distribution, licensing and franchising joint ventures, management contracts, contract manufacturing or direct markets depends on several factors, some of which are peculiar to the firm and industry. a few of these major variables are the following-

(i) Company goals regarding international Business
(ii) The size of company in sales and assets.
(iii) The company's product line and nature of its products.
(iv) Competition aboard

Selection of suitable entry strategy is a tough decision. It is possible that many alternatives may be available in a country while a few or limited alternative age available in other foreign markets. Similarly, several governments have a define preferences for joint ventures over complete Foreign ownership while other governments may prefer foreign investment leading to import substitution to perpetual import of a product. Some governments may support free environment for foreign markets. The following criteria in selecting an appropriate and potentially successful market entry method-

(i) The company objectives and expectations relating to the size and value of anticipated business.
(ii) The size and financial resources of the company.
(iii) The existing Foreign market involvement.
(iv) The skills, abilities and attitudes of the company management towards international marketing.
(v) The nature and power of the competition with the market.
(vi) The nature of existing and anticipated tariff and non-tariff barriers.
(vii) The nature of product itself, particularly any areas of competitive advantage such as trade market or patent protection, and
(viii) The timing of the move in relation to the market and competitive situation

Important Foreign market strategies (Modes) are as follows-

1. **Licensing/ Franchising-** Licensing is a popular method of entering foreign markets. A means of establishing a foothold in foreign markets without large capital outlays is licensing. Patent rights, trademark rights and the rights to use technological processes granted in foreign licensing. It means limited to such companies. Franchising is a form of licensing where by the franchisee adopts the Patent. Companies entire business format, its name, trade marks business methods, layout of premises etc. the franchiser provides in return for a royalty and lump sum fee, a variety

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International Marketing Environment

Class: B.Com VI Semester (Plain) **Sub: International Marketing**

Marketing environment refers to those factors and force which influence a company. International marketing companies operate in number of countries and every country has its own marketing environment. Therefore, international marketing companies have to understand and manage these differences through country specific strategic for the success.

"Many companies fail to see change as opportunity. They ignore or resist changes until it is too late. Their strategies, structures, systems and organizational culture grow increasing obsolete and dysfunctional corporations as mighty as general motors, IBM and sears have passed through difficult times because they ignore macro environment changes because they ignore macro environment changes too long."

- According to Phillip. Kotier.

Marketing environment scanning is a continuing process of gathering information regarding company's internal and external environment analysing it, forecasting its trend and impact on the operations and performance of the company. On the basis of environment scanning company may design appropriate strategies to cope itself effectively with changes taking place in the marketing scenario. With the help of effective environment. Scanning marketing company may take full advantages of prevailing opportunities and minimise negative impact of prospective threats. Therefore in the fast changing marketing scenario environment scanning assumes vital significance.

Kinds of International Marketing Environment

I. Internal Environment

1. Leadership
2. Research and Development
3. Human Resources
4. Financial Resources
5. Image of the Company
6. Marketing Mix

II. External Environment

(A) Micro

1. Market
2. Supplies
3. Intermediaries

(B) Macro

1. Demography
2. Economic
3. Political
4. Legal
5. Technology
6. Competition
7. Social Forces
8. Cultural Factors

Market Entry Strategies (Mode)

International business firms have the fundamental goals of expanding market share, sales volume and increase in profit. Expanding markets in overseas countries is one of the strategies to achieve these fundamental goals. There are many strategies through which a firm may enter in foreign market. Infect, it is one of the most important strategies decision in international business. On the one extreme, a company may do complete manufacturing of the product domestically and export it to the foreign market. On the other extreme, a company may do complete manufacturing of the product in the foreign market. These are several alternatives in between there two extremes the choice of most suitable strategy is depend relevant factors related to the company and the foreign market.

(4) It reduces the like hood of company failure through spreading risks over a wider range of activities.
(5) It helps in acquiring business already trading in certain markets and provides economies of scale through none extensive operation.

11. Strategic Alliance- Strategic Alliance has been becoming more & more popular in international business. Although it is not strictly a market entry strategy. It has grow in importance over the last two decades as a competitive strategy in global marketing management. It a company that is racing for global market leadership needs alliances to help it do what it cannot easily do alone to -

(a) Get into critical country market quickly and accelerate the process of building a potent global market presence.
(b) Gain inside knowledge about unfamiliar markets and cultures through alliances with local partners.
(c) Access valuable skills and competencies that are concentrated in particular geographic location.

12. Counter Trade- Counter trade is a form of international trade in which certain export and import transactions are directly linked with each other and in which imports of goods are paid for by export of goods, instead of money payment.

Five types of counter trade like-
(i) Barter (ii) Clearing Agreements (iii) Compensation (iv) Off set (v) Counter Purchase
Although the majors reason for the substantial growth of counter trade is its as a strategy to increase export, it has been successfully used by a number of companies as entry strategy.
Finally the selection of an entry mode is critical decision in the country market is affected by and depends on the choice made. It affects the future decisions because each mode entails an accompanying level of resource commitment and it is difficult to change from one entry made to another without considerable loss of time and money.
Some of the important factors are as follows-
(1) Number of Markets (2) Penetration with markets (3) Market feedback (4) Learning by experience (5) Control (6) Profit possibilities (7) Investment requirements (8) Administrative requirements (9) Personal requirement (10) Exposure to foreign problems (11) Flexibility and (12) Risk keeping in view the above factors, an evaluation matrix may be prepared. Then the firm will find that each of the entry method will have a some what different 'Score' on the different dimensions. By relating these scores to the firm's own situation and needs, management can choose the most appropriate entry strategy (Mode).

UNIT II

CLASS: B.COM VI SEM SUBJECT: INTERNATIONAL MARKETING

PRODUCT PLANNING AND DEVELOPMENT
PRODUCT

Product is the core of all marketing activities. No marketing activity is required without product. If the product fails to satisfy customer demands, no additional cost on any of the other ingredients of the marketing mix can improve the product performance in the market place.

"The product is a bundle of all kinds of satisfaction of both a material and non-material Kinds, ranging from economic utilities to satisfactions of a social- psychological nature."

Product Planning- Product planning, broadly defined, refers to the process of determining the length and depth of product line to be offered in the target export markets. The length is the number of products to be offered and the depth relates to variation of a product.

THOMAS SAY-
"Product Planning is nothing more than a systematic analysis of company policy and product line objectives in relation to anticipated consumer needs and desires. Product planning is necessary if management needs to obtain product information, including the composition of the product line to be offered in the target market."

COMPANY OBJECTIVES IN PRODUCT PLANNING-
In planning of a product in foreign market, a company must establish short-run and long-run objectives that fit the individual company. These objectives usually include-
a. Maintaining a stable product level
b. Obtaining a certain share of the market, and
c. Launching the international growth of the company.
d. Policy of having the importing nation receives mutual benefit from the trade. This can be done by putting some of the financial resources gained from the business back into the country.
In all cases the export market is to be used as a source of profit, a contribution to overhead, or a means of maintaining stability/ initiating growth. The growth of a firm will reflect the degree of comparative advantage which the company feels it will have in the foreign market.

General Electric Company (USA) includes the following steps in its product planning-
1. Recommendation of scope of product
2. Analysis of customer's needs and habits
3. Evaluation of product
4. Action and product idea
5. Preparation of specifications of product
6. Colour, design and size
7. Timing of product
8. Control of product line
9. Pricing
10. Information of product

SCOPE OF PRODUCT PLANNING
Product Planning involves a number of issue (Decisions) to be resolved-
1. Product attributes- It include quality, features, style and design etc. through which benefits of tangible product is delivered and communicated to consumers. Decision about these attributed are particularly important as they greatly affect consumer reactions to a product.

- Product quality
- Product features
- Product style & design
- Product colour
- Product size
- Product size
- Product branding & trade mark
- Product packaging
- Product labelling
- Product support service decision

2. Product line decision- Product line is a group of product that related either because they satisfy similar needs of different market segments or they satisfy different but related needs of a given market segment. In formulating product line strategies, marketer face a number of tough decisions.
- Product line length decision
- Product line filling decision

3. Product mix decision- It is the entire range of products of a company for safe. Product mix need not consist of related Product. Kotler opines that a company's product mix has for important dimensions- Width, Length, Depth and Consistency.
- Width of Product mix
- Length of Product mix
- Depth of Product mix
- Consistency of Product mix

4. International product decision- In this context, the following decisions are important-
- Special product
- Packaging challenges
- Branding brand
- Standardisation
- Labelling issue
- Decisions on product line and product mix
- Product support services
- Green marketing

INNOVATION AND NEW PRODUCT DEVELOPMENT

In the context of international marketing, innovation and new product development are important issues. Kotler say that- product innovations encompasses a variety of product development activities in which include product improvement, development of entirely new ones and extensions that increase the range of product the firm can offer.

"An innovation is defined as an idea, service product or piece of technology that has been developed and marketed to consumers who perceive it as novel or new."

A firm can obtain new products in two ways-

1. Through acquisition and
2. Through new product development.

An innovation is considered as a successful invention. An innovation is the act of developing a novel idea into a process/ product Reasons for product innovations are as follow-

1. Increasing price competition of products among manufactures.
2. Fast market changes
3. Technological changes
4. Potential risk of losses
5. Maximum utilisation of resources
6. Market strategy for demand of customers, to impress costumers & distribution channel and increase the effectiveness of promotional activities.

It is a fact that many risks are involved in innovation and sometimes the results of innovation may be zero. New product fails for a number of reasons-

1. In adequate market analysis and market appraisal
2. Insufficient and ineffective marketing support
3. Bad timing of introduction of a new product.
4. Failure to recognize rapidly changing market environment.

5. Absence of formal product planning and development procedure
6. Failure of the product to fill consumer need due to ignorance about consumer attitude about new product.
7. Higher cost than estimated costs.
8. Product problems and defects.
9. Failure to estimate strength of competition
10. Too many new products entering the foreign markets
11. Many products not new as perceived by consumers.

Development of new product is a challenging job before each company .keen competition, heavy cost, media, distribution cost etc. at present these problems it the development process.
There are seven steps in the planning and development of a new product-

1. Idea Generation
2. Idea Screening
3. Concept Development & Testing
4. Business Analysis
5. Product Development
6. Test Marketing
7. Commercialization

PRODUCT STYLE/ DESIGN
In product design composition and shape of a product is included. Product design facilities in use of product, improve its appearance, and provide satisfaction to customers. A manufacturer should develop various designs by segmenting the foreign markets so that sales might be increased so far as style is concerned, it may be defined as characteristic/ distinctive mode or method of expression, presentation or conception the field of same out.
"A style is a kind of design or art from that is unchanging"- cundiff and still.
Keegan opines that "Product design is a key factor in determining Success in global marketing". In this context, the following factors should be kept in mind while making product design decision.

a. Preferences
b. Cost
c. Laws and regulations and
d. Compatibility
e. Color & taste etc.

Markets should given it top priority in product design consideration he say that a product design that is successful in one world region, may also meet with success in the rest of the world. For example BMW and mercedes dominate the luxury car market in Europe and are strong competitors in the rest of the companies have a world design cost is also an important point in product design decision. Design is a broader concept than style. Style simply describes the appearance of a product. Thomas says that a company must change its product design according to changes in environmental factors. Richard robinson lists the following environmental factors that may require a change in product and the design changes which those factors would dictate-

Environmental Factors	**Design change**
Level of technical skills	Product simplification
Level of labour cost	Automation or manualisation of product
Level of literacy	Remaking and simplification of product
Level of income	Quality and price change
Level of interest rate	Quality and price change (investment in high quality may not be financially desirable)
Level of maintenance	Changes in tolerances
Climate differences	Product simplification & reliability improvement
Isolation (heavy repair difficult and expensive)	Reorientation of product standards and resizing
Differences in standards	Greater/ lesser product integration
Availability of materials	Change in product structure and tool

Power availability	Resizing of product
Special conditions	Product redesign or invention

In fact global competition has made the issue of design and style more crucial and important. Now most of the large companies have learnt it that design can offer one of the most potent tools for differentiating and positioning products of all kinds.

BRANDING

Corporate identification is a valuable asset in marketing in both domestic and international markets. Branding & trade make is identification of any product. The use of brand name is very important consideration in foreign marketing. In the context of international business the factors that usually determine policy on identification are further complicated by problems of nationalism, language and cultural differences, and customer preferences that vary with distinctive characteristics in each market. Despite these difficulties, a company must make decisions on multinational identification about the use of brand/ trademarks/ subsidiaries names.

"A brand is a name/ team/ Symbol, design or a combination of them in which is intended to identity the goods or service of one seller or group of sellers and to dedifferentiate them from those of competitors. Branding is the practice of giving of specified name to a product or group of a product from one seller. The specified name creates individuality in the product and hence, it can be easily distinguishes in the market from the rival product."

Trade mark is a legal team. It is a brand duly registered under the trade names and trademarks act. It is a brand enjoying legal protection. Trademark registration is essential in a foreign market.

Kotler has identified the four levels meaning of brand-

1. A brand is an attribute which bring to mind certain product attributes.
2. A brand provides benefits to the customers because customers do not buy attributes, but they buy benefits.
3. A brand also says something about the buyer's values.
4. A brand also projects personality.

Brand alternatives

These alternatives are the ways to decide on the brand names following are the main brand alternatives-

1. To use one name with no adoption to local markets.
2. To use one name but adopt and modify it for each local market.
3. To use different names in different markets for the same products.
4. To use the company name as a brand name under one house style or the corporate umbrella approach.

Characteristics of a good brand

Selection of a particularly brand is a very critical decision to be taken by an enterprise because this brand may determine the success/ failure of the enterprise. There are some factors which must be duly considered while selecting a brand which is given below-

1. Brand name & identification must different from other product for its use, equality, purpose, performance & nature etc.
2. Brand name must be simple & short for easy to pronounce, to spell, to remember, to identify & to explain.
3. Brand name should have its may attract the heart feeling of consumers.
4. Brand name must be capable of being registered and protected legally.
5. Brand should have a stable life. It should not be affected by time, fashion & style.

6. Brand name must be selected keeping in view the easily & effectively advertisement by nature.
7. Brand name must be far from obscenity
8. Brand should not be very expensive for the enterprise.
9. Brand name must suggest the consumers to adopt a particular product or to do a particular work like sleep well, good night.
10. Brand should be memorable and specific in the market field. It should have slogan oriented.

Above discussion makes it clear that the name of mark of a brand must be selected only after due considerations. The success of marketing efforts of an enterprise depends to a great extent upon the popularity gained by its brand.

Importance/ Advantages of Brand-

A power brand is a valuable asset of a company which can be sold/ buy for a price Kotler says that- "High brand equity provides a company with many competitive advantages, it enjoys a high level of consumer brand and awareness and loyalty, and the company will insure lower marketing costs relative to revenues.

1. Build up a bright image
2. Enables the assured control over the market
3. Branding differentiated from others.
4. If firm has branded line, can add a new item easily.
5. Lower production cost
6. Lower marketing cost
7. Lower legal cost
8. Flexible quality & quantity control
9. Better identification & Awareness
10. Possible brand loyalty
11. Possible premium pricing
12. Possibility of large market share
13. No promotional problem
14. Better margins for dealers
15. Better bargaining power
16. Better control of distribution
17. Competitive spirit created
18. Marketing efficiency
19. Brand confusion eliminated
20. Advantage for culture free product
21. Quick market penetration by acquiring local brand
22. Availability of mediator
23. Promotion of Goodwill
24. Conservation of consumers

Is the use of brand sociality desirable-?

(Demerits/ Disadvantages/ Limitations/ Arguments against branding)-

I. From the point of view of consumers-
   1. Discourages from trying other products.
   2. Creates confusion
   3. Leads to monopoly
   4. Commands Premium
   5. Substandard goods

II. From the point of view of manufacturers/ Products-
   1. Imposes Responsibility
   2. Some product don't lend themselves to branding
   3. Switch to another product
   4. Expensive
   5. Increases cost
   6. Opposition of middlemen

III. From the point of view of others
   1. Severe price competition
   2. Higher production cost
   3. Higher marketing cost
   4. Higher legal cost
   5. Difficulty for small manufacturers with unknown brand offering
   6. Brand promotion required

7. Loss of economies of scale
8. Market homogeneity assumed
9. Legal complication when non-registration of brand.
10. Diffused image

Conclusion- On the basis of the above criticism. It will be entirely wrong to conclude that brands are socially undesirable. If we honestly compare the overall advantages with the disadvantages of branding, we may conclude that its advantages are much more powerful. If certain more legislative measure are undertaken to improve the situation.
Brands in international markets-

1. Global
2. National
3. Private

Brand strategy
A must define its overall trading strategy which affects all of its products. A firm has four choices/ options in the context-

1. Line extensions
2. Brand extensions
3. Multi brand and
4. New brands

Strategy for Building Global Brands-
A global brand should have a minimum level of geographical spread and turnover in various global markets. However, in the fields of information and communication technology a lot of leapfrogging has taken place and a number of IT companies from India have aimed at global markets with little presence domestically. These are 6 strategies for global branding identified by "Quelch" expert-

1. Dominates the domestic market, which generates cash flow to enter new markets.
2. Meets a universal consumer head
3. Demonstrates balances country market coverage
4. Reflects a consistent positioning world wide
5. Benefits from positive country of origin effect
6. Focus is on the product category.

Life cycle concept of brand (sages of Development of brand)
Following are four stages of brand developments-

1. Embryonic- Not developed, almost unaware, no t well known fragmented markets.
2. Growth- Gradual shift in customer's preferences, get established in market
3. Maturity- Well established, focus on sales volume, high price competition, achieving high turnover.
4. Decline- Increasing no. of market players competing fiercely on price and volume, focus on differentiation new segments emerge, proliferation of competing brands in markets.

Packaging
Packaging may be defined as the general group of activities in the planning of a product. These activities concentrate on formulating a design of the package and producing an appropriate and attractive container for a product.

Kotler says that –"Packaging involves designing and producing the container or wrapper for a product. The package may include the products primary container, a secondary package that is thrown away when the product is about to be used and the shipping package necessary to store, identify and ship the product. Labeling printed information appearing on or with package is also part of packaging."
Characteristics of a good packaging

A packaging must have certain basic characteristics particularly in case of consumer goods as follows-

1. to attract attention
2. to immediately establish identify
3. to develop and sustain interest
4. to create the desire to possess the product
5. to compel action to purchase the product
6. to enter the memory of the customer
7. to enhance the total image of the brand
8. to provide protection to the product
9. To be a utility even after the use of the product.

There are two distinct kinds of packaging with different functions-

1. The product package
2. The shipping container

Product package-

The product is a silent salesman providing production and convenience as well as promotion. Product package depends on a variety of factors related to the markets-

a. Product should be package in convenient sizes in small units.
b. Product must project the proper image which gives satisfaction to customers
c. Product package must give it message in the language of the export market in addition weights, measures, size as well as prices.
d. Package colour is also important. It should not offend/ repel the potential customer.

Shipping container-

The purpose of shipping container is to protect the physical product the physical product to ensure that the product will reach the market intact the container should be strong, able to with stand all handling during shipment, properly. Sealed to prevent leakage, seepage, spoilage & pilferage. It must be labeled & clearly marked to show destination.

Important functions of Packaging-

1. It has become a sales tool.
2. It identifies the product and carries the brand name.
3. Packaging label informs to buyer about inner contents & how to use them.
4. It is the biggest advertising medium.
5. It moves the product at the point of purchase.
6. It encourages impulse buying.
7. It establishes a product image.
8. It identifies the product with advertising.

Important Aspects of packaging

In developing the marketing plan for a production international market packaging is an important element.

1. Promotional aspect
2. Protection aspect
3. Transfer aspect
4. Legal aspect

Policies and strategies of packaging-

In the modern time" many companies adopting the different strategies & policies which is below-

1. Changing the package
2. Packaging product line
3. Re-use packaging
4. Multiple packaging

Labeling
Labeling is also an important issue in international marketing. In fact packaging branding and labeling go together and constitute an integral part of product planning and development. The purpose of labeling is to give the consumer information about the product.

Kotler feels the "labels may range from single attached to products to complex graphics that are part of package. They perform several functions-
1. Label identifies the product/ brand.
2. It may also grade the product like-
    - Who made it?
    - Where it was made?
    - When it was made?
    - What is its content?
    - How it is to be useful? And
    - How to use it safely?
3. The label may promote the product through attractive graphics

Types of Labels-
1. Brand labels
2. Grade labels
3. Descriptive labels

Labeling is closely related to packaging but it has its own particular partners. The major elements are language, government regulations and customer information. Making decision on other labeling for foreign marketing is easier because of two reasons-
1. Concerning the government regulations, the firm has no direction, t must confirm.
2. Concerning cost, the firm can afford non-standardised labeling because it must less expensive than non-standardised product/ packages.

Unit III

Price is an important element of marketing mix decision that is often adopted in international markets with least commitment of firm's resources. Price is the sum of values received from the customer for the product/ service. Price plays significant role in bringing market product integration for international marketing companies. Price is terms of amount of money, but it may also include other tangible and intangible items of utility.

According to W.J. Stanton- "Price is the amount of money which is needed to acquire a product". Pricing is a managerial activity.

Pricing objectives-
Pricing objectives set guidelines for price setting and these are varies country to country for an individual firm. They must be compatible with company's overall goals and its marketing objectives. Following are the major pricing objective-

a. Return on Investment
b. Profit maximization
c. Maintain or increase market share
d. Price stabilization
e. Meeting competition

Difference in price determination of domestic and international marketing-
Price determination in domestic marketing is relatively easy job in comparison to international marketing. The major point of differences are discussed under following headings-

1. Cost Differences
2. Three-tire Competition
3. Support and subsidies
4. Impact of Factors of External Environment

Role of Price and Non-Price factors in International Marketing
Price and non-price factors make their impact in international pricing decision. Both these factors play their vital role in pricing decisions of exporting firms. The impact for individual firm or for country may be positive or negative. Impact of these factors may be discussed in following points-

A. Role of price factor
B. Role of non-price factor
    1. Bais Regarding Price Quality Co-relation
    2. Country of Origin
    3. Brand image
    4. Product Differentiation
    5. Speed of Delivery
    6. Capacity of bulk Supply
    7. Type of Product
    8. Sales services
    9. Credit terms
    10. Quick settlement of claims

Factors Influencing Pricing-
The important factors affecting pricing decisions in international marketing may be described as under-

1. Costs
2. Trade cycle
3. Marketing objectives of the company
4. Competition
5. Government policies
6. Elasticity of demand
7. Type of product
8. Product substitution
9. Image
10. Stages of product life cycle
11. Capacity utilization ratio
12. Product differentiation
13. Consumer profile
14. Exchange rate

Process of price determination-

Various steps in the general process of price determination may be described as under-

1. Estimate the prospective demand
2. Sales forecasting
3. Estimating cost
4. Evaluation of company's policies
5. Selection of pricing method and policies
6. Analysis of competitive influences
7. Selection of specific price
8. Readjustment of pricing

PRICING METHOD

Many methods are used in international marketing for setting prices of products and services by the different companies; selection of appropriate method depends on overall corporate goals, marketing objectives of the firm and prevailing global environment. Following methods are used for pricing in international marketing-

A. Cost Based Pricing Method

1. Cost plus pricing method- In this method of pricing an anticipated amount of profit is added in the cost of production to calculate selling price.

Advantages	Disadvantages
Simple method,	It is unrealistic & week method
Having no complicated calculation	It ignores market demand & influence of competition
Method cover all the costs	It does not consider price elasticity of demand
Firm can get desired "Return on investment"	If firm use market penetration strategy, then method is useless.
Profitable sales volume can be generated	

Feasibility- Cost plus pricing method is best suited for those firms, who are operating in seller's market, sellers market is a situation, where infinite demand is prevailing in the market and combined supply of all seller's is unable to meet it.

2. Marginal cost pricing- Marginal cost is the cost of producing one additional unit. The curve of fixed cost will be horizontal, means that upto a specific level of production the fixed cost will remain same fixed cost involves salaries, rent, minimum water and electricity expenditure, interest etc.

Advantages	Disadvantages
It is useful for market penetration	If company ignored fixed cost for international market then it is to be recovered from domestic market
Firm may increase its turnover	Method is not useful where the variable cost is very high on total cost
Price can be made very competitive by using this method	Loading of fixed cost of export marketing may be done on other product, which can bear high cost. It may lead to cannibalization of its own products by the firm.
This method is appropriate for price sensitive foreign markets.	Under penetration strategy may keep lower price for exports but it difficult to increase price in future.
	Firm may be charged for dumping its product in foreign markets.

Feasibility- It is appropriate method for those international marketing firms operating in the construction/ in turn-key projects. It is useful when the management want to keep its man power engaged during the slack season. It is also appropriate when domestic customer can afford higher price and firm is planning to adopt techniques of mass production to reduce the gap between total cost and marginal cost. It is also useful when capacity utilization ratio is low.

3. Break-even pricing (BE Pricing) - Break even pricing is no profit no loss marketing. BE point is that quantity of production at which total revenue equals total cost, assuming a specific selling price. B.E.P. calculated with following formula-

$$\text{In units} = \frac{\text{Total fixed cost}}{\text{Unit contribution to over head}}$$

or (Selling price – Average variable cost)

To attain BEP in sales volume, multiply the BEP in units with selling price.

Advantages	Disadvantages
Marketing Company may safeguard against possible losses	Basic assumption of BEP analysis generally not valid for two reasons (a) Total fixed costs are constant is not fully valid (b) Variable costs remain constant is not fully valid
Calculation of BEP, is very simple	The method does not tell us weather we can actually sell the break even amount

Feasibility- Though the break even pricing method ignores market circumstances, but it is having its limited uses. This method may be useful in following situations-

a. It is appropriate for new entrant firms in international marketing.

b. It can be effective when exporting firms apply market penetration strategy means firms keeps the prices of its products below in order to get established in the market.

c. If the stiff competition is prevailing in export market, then break even pricing may be used to defeat competitor.

B. Market-Oriented Pricing Method- Market-oriented pricing method gives proper weightage to need of customers and different elements of external macro environment. These methods can be discussed under the following headings-

1. Pricing above the market- This method of the firm changes higher prices for its product/ service in comparison to its competitors apply by international marketing company, whose marketing strategy is non price competition.

Feasibility- (1) This method is appropriate for those firms, who are operating in quality sensitive foreign markets. There is positive co-relation between quality of product and its prices, and firm can psychologically satisfy to customers and they will never mind the high prices.

(2) This method is also useful when the firm is pricing an innovative product in the market.

(3) And also method appropriate when the firm is going to create substantial differentiations in its product/ services.

2. Pricing below the market- This method of the firm sets the prices for its product/ service below the level of its competitor/ below the standard price range accepted by the market. Usually market leader retrain from this method because if they do so, consumers may doubts, regarding the quality of product.

Feasibility- (1) The method is a appropriate for the "Follower firms" of the market.

(2) The method is also having utility for those foreign markets that are price sensitive

(3) It is useful for small marketing companies.

3. Pricing to meet competition- In this pricing method the price of product is set at the balancing point of prevailing demand and supply in the market. Market accepted price for the product or service, serves a basis for price setting, under this method. Price depends on the demand of product.

Feasibility- The method is appropriate in free economics, having least government interference.

C. **Transfer Pricing-** This pricing refers to prices charged as good or products sold within corporate family. Determination of mode of transfer pricing becomes necessary when a firm begin to establish joint ventures/ foreign subsidiaries/ setting collaboration with other partners/ going to appoint franchise-holders in foreign countries, in order to give boost to its global operations. When goods moving from one unit to another unit situated in other countries at that time this method is appropriate.

Basic objectives-

1. To facilitate the control of parent company over its subsidiaries.
2. To keep the operations of all units across the world profitable.
3. To reduce the problems related to tax structures.
4. To maintain harmony among the different units or with subsidiaries.
5. To keep the price of firms products competitive to its rival foreign companies.

Method of charging transfer pricing-

1. Transfer of manufacturing cost
2. Transfer of arm's length
3. Transfer of cost plus
4. Transfer of negotiation prices

Export Price Quotations and Inco terms

Export price quotations and Inco terms plays vital role in international marketing. Buyer in international trade inquires from number of foreign companies regarding product or goods foreign companies who are interest to export provide full details of desired product along with price quotation. Purchasing decision is significantly affected by price quotation. The details of widely used price quotations in international marketing is as under-

1. Ex-works/ Ex-factory (EXW)-This price quotation refers to floor cost of seller.
2. Free carrier (FCA)- This price quotation the exporter's obligation to deliver the goods is over when he delivers it.
3. Free alongside ship (FAS)- This price quotation the exporter delivers the goods by placing it alongside the ship at the specified poll.
4. Free on board (FOB)- In this price, if the loading expenditure is added into FAS the new price quotation will be FOB.
5. Cost and freight (C&F)- This price quotation refers that exporters has added the amount of foreign firm is country's port to the port of importer.
6. Cost, Insurance & fright (CIF)- In this price, if the amount of insurance premium is added in the C & f. The new quotation will be C/F.
7. Delivered Ex-ship (DES)- This price quotation indicates that the exporter will deliver the goods by placing it at the disposal of importer's port the exporter bears all the risk & cost involved in bringing the goods.
8. Delivered at frontier (DAF)- Under this price quotation exporter delivers the goods at the disposal of importer on means of transport not unloaded, cleared for exports but cleared for import at the specified destination at the frontier, but before the custom post of the adjoining country.
9. Delivered Ex quay (DEQ)- In this price quotation the importer clears the goods for import and he has to pay all the taxes, duties and for other formalities, imposed by the government of his country.

10. Delivered duty unpaid (DDU)- In this price quotation the exporter delivers the goods, which is not cleared for import but not unloaded from at any destination. The exporter bears the risks and cost of transportation of goods, excluding the import duty.
11. Delivered duty paid (DDP)- In this price quotation the exporter delivers the goods to the importer cleared for import but is to be loaded from at any destination. In the price quotation obligation of exporter become grater & importer's become minimum.

An export offer or quotation is the basis of any export transaction and may be made in any of the following four ways-

1. A proform invoice indicates the price as well as other charges as per terms of contract incurred in shipment. This is an exact duplicate of the invoice which will be sent to the importer just after the export.
2. The offer may be made in response to a public global tender floated by a buyer. It should be comprehensive. It covering all the conditions of tender & listing out price with other changes such as freight.
3. An offer may also be in the form of printed price list where goods have standard export price and also mention other terms & conditions.
4. An offer can be given in the form of a letter indicating the price terms of payment & delivery period what ever may be made of offer at should be written in a simple and easily understandable style.

Factors in drawing up Quotations or Impact of Different contract conditions on export price Quotation.

The base price determines the expenses and the risks which are to be borney by the exporter. Besides these are certain other specific conditions which the buyer would like to include in the contract to be fulfilled by the exporter. Implications of contract conditions tend to be stronger in case the merchandise in question is the capital goods involving installation. Performance guarantees, supply of spare parts etc. The implication of such conditions & their effect on price calculations are-

1. Exchange rate variation
2. Packing of export consignment
3. Guarantees
4. Spare parts
5. Price variation formula
6. Change in specification
7. Penalty/ Liquidated damages provision

Thus the above factors which really affect the price to be quoted the exporter/ seller should take them into account while preparing an export price quotation so that he may be fully protected against any subsequent loss.

UNIT IV

DISTRIBUTION CHANNELS & LOGISTICS DECISIONS

Definition and Meaning-

Distribution channel is an important element of marketing-mix. The ultimate objective of every firm is making product available to its target customers and execution of this objective is distribution.

According to Richard M. Cleweett, - "Channel is the pipe line through which a product flows on its way to the consumer. The manufacture 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."

Channel of distribution is a route to deliver goods from the producer to ultimate consumer or industrial users. Channels of distribution provide smooth flow of goods or products from centre's of production to centres of consumptions.

Important characteristics of distribution channel-

1. It is an important element.
2. It is a route through which a product is flow to customers
3. It's ultimate destination is customers
4. It is like middlemen.
5. It role is connecting link between producer and consumer in case of indirect distribution.
6. It is may be without middlemen. It will happen in direct distribution policy, where producer himself selling a product.
7. It does not include shipping/ railway companies, road transporters/ Banks, insurance co. etc. It provides their valuable role but they are not the part of channels of distribution.
8. Distribution cost does not increase the marketability of firm's productions. Thus, every marketing company tires to minimize the cost of distribution order to earn more profit.

ROLE & FUNCTIONS-

1. Channels of distribution create various utilities, like- place, time & title.
   - Place utility for flow of production to the customers.
   - Time utility for available of production in sufficient quantities.
   - Title utility for transfer of ownership of goods the retailers create this utility.
2. Channels of distribution. Functions as a vital instrument of marketing information system. Actually, the retailers face real music of the market. Wholesalers' collets information regarding customer opinion about product. Marketing examines the information and takes necessary actions.
3. Role of financing is also important by distribution channels.
4. Distribution channels reduces considerable administrative burden of the marketing company.
5. The channel member knows the pulse of market and their suggestions becomes very important in correct price determination of products.
6. Distribution channel play very significant role in promotion of firm's product.
7. If firm is successful in convincing to channel of distribution about its product the product may get settled in the market very quickly.
8. In the reduction of distribution cost, the channels of distribution play its important role.

IMPORTANT POLICIES OF DISTRIBUTION

1. Intensive/ Comprehensive Distribution policy- Under this policy the firm tries to take services of maximum middlemen(Retailers) in order to provide best exposure to its products. This policy is best; suited for convenience goods and industrial supplies. It is very useful when firm's products are effectively branded. That's why length of channel is larger.
2. Selective distribution Policy- Few dealers are appointed in a particular market to the products by the firm. These dealers cannot deal in competitive brands. The policy of selective distribution is suitable for the marketing of shopping products, durable consumer products industrial accessories and fabricated materials. Under this policy marketing company can transfer some portion of promotional expenditures on dealers/ middlemen.

3. Exclusive Distribution Policy- Under this policy only a single dealer (may be two dealer) to sell the company's product in a specified sales territory this policy frequently used in the marketing of consumer speciality products, industrial products, automobiles, shighly technical products & reasonable portion of promotional expenditure may be shifted to dealers.

METHOD OF EXPORT DISTRIBUTION CHANNELS

The suitable distribution channel should be selected by the firm for marketing of its product in foreign market effectively. Many channels are available for distribution, every channels has it advantages & disadvantages. That's why marketing company should select appropriate channel with very careful consideration on it.

Important distribution channels are as under-

I. Direct Distribution Channel- under this channel the firm does not take the help of middlemen to sell its products. The firm sets its own distribution channel in its foreign markets to directly sell its products to the consumers. If the firm is having sound financial resources & intensive knowledge then this method may be very appropriate.

Advantages

1. Shortages channel
2. Beneficial in highly technical product
3. Appropriate if product selling on very high price.
4. Appropriate number of customers is limited.
5. Profit is increase because profit margin of middleman is nil
6. Full control may be established.
7. Firm may take optimum use of its spare financial resources.
8. Products may be quickly delivered.
9. It is the best method to sell the product.
10. The firm remains in direct touch of the foreign customers.

Disadvantages

1. Increase the distribution costs.
2. Firms bear all promotional expenditure
3. It requires huge financial resources so it is unappropriate
4. It increases responsibilities of management.
5. It is very difficult tasks to perform manufacturing & selling simultaneously.

II. Indirect channel of distribution- Under this channel the marketing company utilizes the services of middlemen to distribute its products to consumers of foreign markets. The role of middlemen becomes very significant in indirect channel. These middlemen may be further divided into two categories-

1. Merchant middlemen
2. Agent middlemen

Advantages

1. It is most appropriate for new entrant in the international market.
2. It is appropriate for those firms's having limited financial resources.
3. Distribution cost may be reduced
4. Middlemen may provide better services to customers.
5. Customers acceptance may be increased
6. Marketing company can take full advantage of goodwill & established image itself

Disadvantages

1. It increases the selling price of products.
2. Middleman may not be loyal to marketing company.

3. It reduces the profit of exporter.
4. It is not appropriate for very high priced.
5. International marketing company remains ignorant about foreign market. So role of firms becomes limited.

III. **Mixed channels of distribution-** The present trade is in favour of mixed distribution channels. It is a combination of direct and indirect channels in order to attain the advantages to both the channels. Even in a single country at some places the firm may directly sell its products to customers and for other places the services of middlemen can be used.

IV. **Co-operation distribution channel-** It is based on basic principles of co-operation. This type of distribution system in order to avoid unnecessary competition, the exporting firms dealing in the same product category 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 member firm are exported in foreign markets under common brand name. Tie-ups are established in foreign markets with co-operative societies to market the product.

Advantages
1. It is appropriate for the small exporting firms
2. It eliminates unnecessary competition.
3. Common branding & collective marketing provide more profit to member.
4. Distribution cost may be substantially reduced
5. Services of talented persons may be used in board.

Disadvantages
1. The longevity of co-operative distribution remains always under question mark.
2. Firms have to bear unnecessary losses due to in competent board.
3. Quality control becomes a very challenging issue in co-operative distribution.
4. Effective company may depart form it & may be start their operation separately.

V. **Vertical Marketing System**- In recent times vertical marketing system is becoming popular the wholesalers and retailers were more interested in maintaining their freedom than in coordinating their activities with producer. This type of channels designed specifically to improve operating efficiency & marketing effectiveness. There are 3 types of vertical marketing distribution channel-
   1. Corporate vertical marketing distribution channels
   2. Contractual vertical marketing distribution channels
   3. Administered vertical marketing distribution channels

Factors affecting choice of channels
An appropriate distribution channel selection is an important decision for international marketing company for success fully selling its in foreign markets. The selection of channel is governed by many considerations and factors.

I. **Market consideration**
   1. Number of present & potential customers
   2. Geographic concentration of customers
   3. Order size

II. **Product consideration**
   1. Unit price of the product 2. Perishability 3. Newness of the product
   4. Technicality of product 5. Type of product

III. **Company considerations**
   1. Marketing policies & strategies 2. Desire to control the channel

3. Financial resources
4. Managerial resources
5. Services to the customers

IV. **Middlemen consideration**

1. Market reputation and goodwill
2. Financial resources
3. Location
4. Product line specialization
5. Access to desired market
6. Available facilities
7. Availability of desired middlemen
8. Prospective sales
9. Attitude towards policies of the marketing company
10. Cost factor

CHANNEL SUPPORT

In order to get success in foreign markets, international marketing company should seriously think about the channel support. In the agenda of channel support. Following points should be weightage-

1. Advertising support
2. Training
3. Missionary selling

The strong relationship should be established and maintained with channel members periodic feedback should be obtained and on this basis quick corrective action should be taken and marketing strategies should be redesigned. Product should be well matched with the channel. In the case of multiple channel in a single country. The firm should establish proper co-ordination.

LOGISTICS DECISIONS

Logistics/ physical distribution task is more challenging and complicated in international marketing, in comparison to domestic marketing.

According to W.J. Shmton, "Physical distribution is the management of physical flow of products and the establishment and storage of goods after they are produced and before they are consumed."

It is clear that logistic distribution involves the movement of goods from producing centers to centers of consumption. It is closely related with channel management of the company. In a wider sense, logistics is the function responsible for moving materials through their supply chain where a supply chain is the series of activities and organization that materials move through on their journeys from initial suppliers to final customers.

Characteristics-

1. It is a science of supply
2. It is closely related with management of distribution channel
3. It is important linking pin between production and consumption centers.
4. Logistics play same role in marketing system like blood supply.
5. It is the management of flow/ movement of product.
6. It is a managerial activity, it involves management of storage of products at specified centers.

Objectives-

1. Prime object of logistic is to provide maximum customer satisfaction by delivering goods at desired places at right time in desired quantity.
2. An important objective is to ascertain the smooth flow of goods
3. Profit maximization is another important objective.
4. Another objective is to strike optimum balance between distribution cost and maximum customer satisfaction.

Philip kotler suggests to follow this equation to strike optimum balance the two contradictory objectives (reduction of distribution cost & maximum customer satisfaction). The formula in this regard is as under-

D = T + Fw + Vw + S

Meaning of above words is as under-

D = Total cost of physical distribution system

T = Total transportation Cost

Fw = Fixed costs of warehouse

Vw = Variable cost of Warehouse

S = The quantum of profit/ loss due to average delay in supply

5. Creation of place utility and time utility is another objective of logistics.

Advantages & significance of Logistics Distribution

Logistics distribution management functions as an important installment for getting success in international marketing. It is not a easy task to manage effective, smooth, economical and regular supply of required raw material and other things to every places where the customer are happened.

1. Reduction in distribution cost
2. Optimum use of financial resources
3. Exploitation of market opportunities
4. Price stabilization
5. Market expansion
6. Boosts morale and motivation of middlemen
7. Maintenance of market share
8. Elimination of middlemen
9. Maximum customer satisfaction.

Logistics Decisions

Logistics distribution task is very crucial and challenging in international marketing in comparison to domestic marketing when the marketing operations are spread over number of countries, having vast geographical distances, the company has to take number of important decisions for the efficient, effective, smooth and economical flow of goods from centers of production to consumption centers. Before taking important logistics decisions the firm should take into mind the factors affecting it.

I. Factors affecting the physical distribution/ Logistics Decisions

1. Size of the market
2. Topography
3. Proximity to center of production
4. Ware housing facilities
5. Mode of transport and infrastructure
6. Custom duties and local taxes
7. Quantitative Restrictions

II. Important Logistics Decisions

1. Determination of Distribution hub
   a. Cost
   b. Connectivity
   c. Control
   d. Co-operation

2. Inventory Control System
   a. Service standard
   b. Usage rate
   c. Order lead time
   d. costs

3. Material Handling system
   a. Manual handling
   b. Mechanised handling
   c. Automatic handling

4. Procedure to process orders- Process of order can be made smooth and fast if required information is handy with decision marking authority. These information are-
   a. Balance stock of product at distribution hubs
   b. Stock position at the middleman
   c. Present demand of product in firms different market
   d. Due position of payments of middlemen
   e. Past record of middlemen computerised system to process the orders may be very helpful.
5. Route Planning and Transportation Divisions- The route selected should cover maximum places to minimize distribution cost.

SELECTION AND APPOINTMENT OF FOREIGN AGENT

An agent is a person employed by another person to do any act for him or to represent him in dealing with third parties so as to and himself by the acts of such another person.

According to Indian Contract Act – "An agent is a person employed to do any act for another or to represent another in dealing with third persons."

Relationship between the two persons appointing person and the person who is acting on behalf of him is called agency. Appointment of selling agent is very important decision in international marketing. Marketing company which is appointing him shall be liable from the acts of agent and all the contracts made by the agent with the third parties shall be having legal binding on it. For the trusted relations and longivity of agency the following factors should be taken in to due consideration-

1. Study of the foreign market
2. Legal provision of both countries
3. Eligibility to become agent
4. Number of agent
5. Financial position
6. Line specialization
7. Sharing of expenses
8. Payment of commission
9. Place of order
10. Delivery of goods
11. Dealing in competitive product
12. Credit sales
13. Comprehensive
14. Language of the contract
15. Opinion of the legal experts.

Identifying foreign sales agents-

How can you find foreign agent? There are so many way for finding agent. Following are the way of foreign sales agent-

1. Indian Embassies and high commission office
2. Foreign chamber of commerce
3. Import promotion centers
4. International union of commercial agent and brokers
5. Visit of fairs exhibitions
6. Advertising

Contents of agency agreement

1. Types of agreement
2. Geographic coverage
3. Product coverage
4. Exporters obligations
5. Agent's obligation
6. Duration and termination of agreement
7. Arbitration
8. Remuneration of agent

UNIT V

EXPORT POLICY AND PRACTICES IN INDIA

The Exim policy for each year used to be announced by means of a public notice published in the Gazette of India. This practice continued till 1985. The current Exim policy came into force on 1st April 2002 and will remain in force co-terminus with the tenth- five year plan up to 31st March 2007. Exim policy clearly out liners and defines the various export promotion measures, policies and procedures related to foreign trade. Before starting of foreign trade, a firm is required to obtain an import export code number (IEC Number) from the directorate General of foreign trade. The principal objectives of India's exim policy are as follows-

1. To facilitate sustained growth in export in order to attain a share of at least 1% of global merchandise trade.
2. To stimulate sustained economic growth by providing firms an access to essential raw materials, intermediates components, consumables and capital goods required for augmenting. Production and providing services.
3. To enhance the technological strength and efficiency of the Indian agriculture sector, industry and services to improve their competitive strength while generating new employment opportunities and to encourage the attainment of internationally accepted standard of quality
4. To provide consumers with good quality products and services at internationally competitive prices while at the same time create a level playing field for the domestic producers.

The Exim policy is published in 5 volumes and each volume pertains to a specific topic-

1. Export-import policy- It contains provisions & schemes
2. Handbook of Procedures (Volume I)- It contains Export import procedure followed by all parties such as exporter importer, licenser or any other authorities
3. Handbook of Procedures (Volume II)- It contains input- output norms used for working out put-input proportion as to determine the advance license entitlement and DEPB rates.
4. ITC (HS) classification of EXIM Terms- It serves as a comprehensive reference manual for finding out exportability/ importability of product.
5. Schedule of DEPB Rates (Volume V) - It provides a complete rate structure of DEPB.

IMPORTANT PROHIBITIONS AND RESTRICTIONS

(U/S 11 of the customer Act 1962)- This Act allows the central Government to prohibit import & export of certain goods either absolutely or subject to conditions by notifications in the official gazette.
The Directorate General of foreign trade may enforce any restrictive measure in the trade policy through a notification necessary for the following-

1. Protection of public morals
2. Protection of human, animal or plant life or health
3. Protection patents, trademarks, copyrights and prevention of deceptive practices.
4. Prevention of use of prison labour.
5. Protection of national treasures of artistic, historic or archaeological value.
6. Conservation of exhaustible natural resources.
7. Protection of trade fissionable material from which they are derived
8. Prevention of traffic in arms, ammunition and other war equipment.

Trade policies subsequent to 31 March 2001 provide free importability status to goods that can be freely imported; unless prohibited/ restricted by any person. These policies are completely different from the previous trade policies. Important prohibitions may be made for a number of reasons such as national security, public order, morality, and prevention of smuggling, conservation of foreign exchange and safe guarding balance of payment only few items are prohibited for imports which are as follows.

1. Tallow, fat, and oil rendered/ unrendered of any animal origin
2. Animal rennet
3. Wild animals, including their body parts and products and ivory.
4. Beef and products containing beef in any form.

Presently, the import restrictions are maintains only on a limited number of products for reasons of health, security, and public morals. These include firearms and ammunition, certain medicines and drugs, poppy seeds, and some other products used for the prevention of wildlife and environment.
Some other important points-

1. Exim policy providing subsidy to reduce freight disadvantage for export is allowed under the rates.
2. All quantitative restrictions on agricultural product exports have been removed, except on a few items.
3. Several support measures to promote exports from the cottage and handicraft sector have been introduced. An amount of Rs. 5 crore has been allocated for promotion of items falling under Khandi & Village Industries commission.
4. Concept of industrial clusters for export will be used to begin with, tripur for hosiery, panipat for blankets and Ludhiana for wollen knit wear like product identified which will be given special privileges, like eligibility to EPCG scheme, market access initiative funds etc.
5. Special Economic zones will continue to constitute the main institutional form to promote exports.
6. Overseas banking unit will be permitted under this year's policy to be set up in SEZs.
7. To promote agro-exports the concept of agro-processing zones was introduced last year, 20 agro-zones have already been set up.
8. The policy has schemes to promote export of computer hardware from India. The Electronic hardware technology park (EHTP) scheme will be strengthened.
9. The assistance to states for infrastructural development for exports (ASIDE) is being strengthened.

MODERN TREND & INDIAN FOREIGN TRADE ARE STUDIES UNDER FOLLOWING HEADINGS-

1. Size & value of foreign trade- Since the beginning of the planning era in India the total turnover of foreign trade (imports plus exports including re-exports) has been steadily rising. In year 1950-51 import was Rs. 608 crore, export Rs. 606 rore & balance of trade was Rs 2 crore but these were increased in 1990-91 import was Rs. 43198 crore, export Rs. 32553 and balance of trade was Rs. 10645 crore and these were also increased in 2002-03 import Rs. 297206 crore, export Rs. 255137 crore and balance of trade was Rs. 420679 crore. India's share in world trade in 1992-93 was 0.4% in 2001 was 0.7% and it increased in 2002-03 was 0.8% of world trade. India's target was decided that 1.0% share upto 2007.
2. Composition of foreign trade- The composition or structure of foreign trade means that the product of import & export. During the British empire India's foreign trade structure is uninformed, unsystematic, unplanned in the period two things are there-
    a. Export of India's raw material to foreign
    b. Import of finished goods from foreign

India's Export's composition divided in main 4 categories-

1. Food grain, agriculture & allied product
2. Minerals & raw Materials
3. Manufactured goods
4. Fuels & capital goods

India's import composition divided in main 3 categories-

1. Consumable goods
2. Raw material
3. Capital goods

The policy of government is that Government wants to minimize the import & promote the export.

3. Direction of foreign trade- India has export and import links with all the regions of the world including both developing and developed countries. During the April-Feb 1997-98 Asia &

Oceania accounted for 38.7% of India's total exports. Followed by west Europe (28.1%), America (22.9%), Africa(5.5%) and East Europe (3.6%). During the year Asia and Ocenia were the largest suppliers of goods and accounted for 47% of India's imports followed by west Europe (31.6%), America (11.5%), Africa (7.2%) and East Europe (2.8%)

4. Exports- Exports have shown an increasing growth trend and diversification of its base over the years. Commodities whose exports are increasing over the last few years include plantations. Marine products, sports goods, gems and jewellery, chemical and allied products, engineering goods, textiles and handicrafts. However, during 1997-98 negative growth has been witnessed in respect of export of ores and minerals, leather and manufacturers, carpets and petroleum products.
5. Imports- Imports are effected to meet the essential requirements of domestic consumption, investment and production. Bulk imports as a group registered a negative growth of 3.2% during 1997-98 and accounted for 36.8 percent of the total imports. This group includes fertilizers, newsprint, precious and semi-precious stones, machinery, project goods, medicinal and pharmaceutical products.

STEPS IN STARTING ON EXPORT BUSINESS

Export business attraction has been increasing in all countries of the world along with globalosation, internationalization and economic liberalisatiorn information revolution and fast progress in transportation has made export business easy. At present every businessman can start export business easily while analyzing the global socio-economic and political situation effectively. Export business provides more opportunity of developments against domestic business but with high risk and single wrong decision about export and destroy the whole business. Before entering in export business. A firm must consider the following factors carefully which may be called as basic decision steps in export business.

1. Study of legal provisions- like industrial act & policy, exim policy, FEMA & other special rules of assistance for export business etc.
2. Factors affecting export market
3. Decision of entrance of export market
4. Selection of export market- some factors are there- exporter's capacity, capability, long term interest of the exporter, profit & risk elements, size and population of the export market, purchasing power policy direction of export markets, cost & marketing efforts, Type and level of competition in export market are major attraction factors.
5. Product planning for export market- This planning decision may be made on the basis of these points- potential market, environment of export market, government, rules & regulations, nature & level of competition and expected profits.
6. Selection of trade (export) method- Basic two methods of sales are there
   a. Indirect Exporting
   b. Direct Exporting
7. Decisions regarding promotional policies- Following points should be kept in mind while formulating promotional policy-
   a. Nature of the policy
   b. Life cycle of the product
   c. Nature of foreign market
   d. Availability of funds
   e. Firm's goals and needs
8. Pricing
9. Determination of credit policies
10. Decisions regarding distribution channel are depend on many factors like-
    a. Availability of the channel
    b. Types of product
    c. Desired degree of penetration into the foreign market
    d. Evolutionary level of retail trading in the particular country.

e. Size of the manufacturer and its desire to control the channel.
f. Managerial experience and ability
g. Nature of the market (industrial/ consumer)
h. Regional concentration
i. Sales possibilities in foreign market
j. Cost of distribution channel.

IMPORT AND EXPORT PROCEDURE

Export and Import is a specific activity in which a set procedure is followed to complete the activity. A procedure is a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished. These are the specific manners in which a particular activity is to be performed policy and procedures are separate things. A procedure provides guidelines to the action by prescribing how an action can take step by step. On the other hand policy provides guidance for managerial thinking as well as action. A policy is more flexible as compared to a procedure.

No international trade transactions can be completed without the assistance of at least 3 intermediate agrees-

1. A carrier who undertakes to deliver the goods to the buyer on behalf of seller.
2. An insurance company that covers the risk arising out of hazards of long voyage.
3. A banker, who collects the sale, proceeds from the buyer and hands over the same to the exporter.

Other intermediates are freight forwards, freight brokers, chamber of commerce etc. procedures and a attendant formalities become necessary to ensure compliance of contract obligations of the concerned parties such as the exporter, importer and intermediaries. International trade also means regarding relationship between the citizens of two independent countries.

EXPORT PROCEDURE

There are two types of export. First who buys goods form local manufactures & export, and second who manufacture the goods in factory and they exporting the goods.

When exporter process export order; than he has two follow a set of procedures- likewise, verification of business terms, find out the need of documents, preparation of delivery note, inspection of goods and insurance, shipment of goods, negotiation of documents and profit making by registered exporter.

1. Code number
2. Obtaining Export License-
   a) Established Exports, b) Producer Exporters, c) New comer Exporter.
3. Registration with the export promotion council
4. Offered and orders-
   a) Demanding letter of credit
   b) Documentation
   c) Delivery Schedule
   d) Inspection Agency
   e) Other like Packing labeling & Marketing
5. Confirmation of order.
6. Collecting goats/ Delivery notes
7. Pre-shipment inspection
8. Packing of goods.
9. Appointment of clearing and forwarding agent
10. Dispatching goods to the port
11. Obtaining custom permit
12. Obtaining the shipping order
13. Export duty and shipping bill
14. Dock challan
15. Shipment of goods

16. Mate's receipt extra
17. Bill of loading
18. Charter party
19. Insurance of goods
20. Advised by the forwarding agent
21. Exporter invoice
22. Payment of goods
23. Advise of importer

IMPORT PROCEDURE

1. Trade inquiries
2. Obtaining import license
3. Placing the indent
4. Obtaining foreign exchange
5. Sending letter of credit
6. Shipment by export agent
7. Obtaining documents of title
8. Appointment of clearing agent
9. Endorsement of documents from the shipping company
10. Payment of duty or custom duties.
11. Dock challan
12. Taking delivery of the goods at the port
13. Bonded warehouse
14. Dispatch of goods by train
15. Sending advise note to the importers
16. Delivery of goods by train
17. Payment to agents.

CHECKLIST FOR AN EXPORT ORDER-

1. The scrutiny of the export order sight
2. Confirmation of the export order
3. Arrangements regarding
4. Booking of shipping space
5. Instructional to clearing and forwarding agents and regarding.
6. Quality control requirements and pre-shipment inspection act and other inspection formalities.
7. Inland and marine insurance extent of the risks covered
8. Insurance with KC.G.C
9. Packaging, marking and forwarding goods for dispatch
10. Transmissions of R.R. and other documents to clearing and forwarding agents.
11. The list of documents to be prepared and presented to bank for negotiation of collection
12. The list of documents to be presented for claiming exports assistance.
13. To the export promotion council
14. To the maritime the collector of central excise
15. To the joint plant committee
16. To the export inspection council
17. To the reserve bank of India
18. For remittance of foreign exchange for payment of claims
19. To the IDBI direct financial assistance to exporters
20. To the bank (for packaging credit)
21. For medium term credit
22. To the ECGC for export the risk insurance export credit and Guarantee corporations.
23. Document required by the importing countries

MAIN DOCUMENTS FOR FOREIGN TRADE

Export documentation is, however complex as the number of documents to be filled in is large so able is the number of concerned authorities to whom is relevant documents are to be submitted. These documents must be properly and correctly filled. An exporter should have the complete knowledge of these documents and he should be well familiar with complete export procedure. Export documents may be divided in 4 categories-

a. Commercial documents
b. Regulatory documents
c. Export assistance document
d. Documentation required by importing countries.

MAIN DOCUMENTS USED IN EXPORT TRANSACTIONS-

1. Commercial Invoice- This is basic documents with the help of this document all other documents are prepared because all information contained in such invoice- Invoice number, Date of dispatch, Goods description, Price charged, terms of shipments, nature and address of both the buyer & seller. Shipping vessel name, marks & number on the packages & port of debarkation. On the basis of price charged as per agreement the commercial invoice may be of the following types-
   i. FOB invoice
   ii. C & F Invoice
   iii. C & F Invoice
   iv. FAS Invoice
   v. Ex-ship Price
   vi. Franco invoice
   vii. Proforma invoice
2. G.R.I Form- This form has been devised by the RBI. It is a declaration from prescribed by the RBI
3. Letter of credit (L/C)- Letter of credit popularly know as L/C; is the most important form in the export trade
4. Bill of Exchange (B/E)- When a draft bill is drawn on a foreign bank it is known as foreign draft or B/E. Types of B/E- Sight B/E, Arrival B/E, Date B/E. documentary B/E
5. Shipping Bill- This is customs documents. There are three types of shipping bills namely-

a. Shipping bill fore free goods
b. Shipping bill for dutiable goods known as dutiable S/B
c. Drawback shipping bill if duty drawback scheme is applicable to the goods exported.

6. Marine Insurance policy- A policy is a contract and a legal document. An exporter must put up this policy as a collateral security when he gets an advance against his bank credit.
7. Bill of lading (B/L)- It is a document which is issued by the shipping company acknowledging that the goods mentioned there in have been placed on board the ship and an undertaking that the goods in like order and conditions as received will ne delivered to the consignee, provided that the freight specified there in has been duly paid two types of bill are there-
   a. Clean Bill of lading
   b. Foul Bill of lading
8. Mate's Receipt- This document issue as receipt by the captain of ship after examining a packing and counting of the packages.
9. Certificate of origin- This certificate as the name implies, are documents which certifying the place of origin of the merchandise. It is a basic instrument in marine insurance
10. Packing note and list- An export packing list indicates that the type of package itemises the material in each individual package indicates the type of package, and is attached to the outside of the package. It should be noted here that no particular form has been prescribed for the packing note and packing list.
11. **Other documents-**
   a. Certificate of inspection
   b. G.P. forms
   c. Cart Ticket
   d. Custom formalities
   e. License
   f. Shipper's export declaration
   g. Indent/ Order
   h. Principal export document