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.

UNIT-1

Meaning of International Marketing

It refers to the buying or selling of goods and services beyond the boundaries of a country. When a country crosses its national frontiers to market its products it is indulging in international marketing. In simple words, when two countries exchange the products and services with the motive of business trade, the process is called International Marketing

Definitions of International Marketing

According to **Kotler**, "Global marketing is concerned with integrating and standardizing marketing actions across a number of geographic markets."

According to **Cateora**, "International marketing is the performance of business activities that direct the flow of goods and services to consumers and users in more than one nation."

According to **Terpstra and Sorathy**, “international marketing consists of finding and satisfying global customer needs better than the competition, both domestic and international and of coordinating marketing activities within the constraints of the global environment.”

International marketing is different from domestic marketing not only in scope but also in nature. Following are the nature and scope of international marketing.

NATURE OF INTERNATIONAL MARKETING

1. **Broader market is available** – Unlike domestic marketing the market is not restricted to national population. Population of other countries can also be targeted in international marketing.
2. **Involves at least two set of uncontrollable variables** – In domestic marketing the marketers have to interact with only one set of uncontrollable variables. In international marketing at least two set of uncontrollable variables are involved or more if the marketing organization deals in more countries.
3. **Requires broader competence** – Special management skills and broader competence is required in international marketing/business.

4. **Competition is intense** – An international marketing organization has to compete with both the domestic competitors and the international competitors. Hence, the competition is intense in international marketing.

5. **Involve high risk and challenges –** International marketing is prove to various kinds of risk and challenge like – political risk, cultural differences, changes in fashion and style of foreign customers, sudden war, changes in government rules and regulations, communication challenges due to language and cultural barriers, etc,.

The Scope of International Marketing

International marketing that is also known as global marketing has earned a great scope today. No business can survive in international market until they don't have internal marketing plan. Thanks to globalization, the marketing strategies of today are not limited to stay confined within the borders of a country. Instead, the world is like an open market for marketers and they can enter whichever market they want. In other words, the scope of international marketing has grown wildly than it was in the past. Promoting a product internationally is rising up Indonesia, China, India, Mexico, Korea, Chile, Argentina, and Brazil in the form of new and potential markets. Moreover, increased power of purchasing and ever changing customer taste along with the assistance in gaining the knowledge about these taste has changed the shape of the world altogether.

Since the number of potential markets is growing, so it is important for any brand for having complete information about how messy it can get for them out there, if they are not fully aware of how far they can go for promoting their product. That's why we wrote a full-fledged article for fulfilling the purpose of making you understand the limits and freed of international businesses.

Imports

Importing products for a brand works the same way like as it does for a whole country. Businesses buy up the products so that they can resale it to potential customer base inland that they have gathered with a lot of hard work and passing through tough times. But most of the times, companies take help from imports for their own use – creation and improving their own production line. They do so when they are pretty sure that using the product can let them achieve their objective or can be helpful in putting up a unique solution.

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2. Exports

Exporting is similar in terms of concept for a brand as it is for a country. Companies export their finalized products to international markets or on to their other franchises in far off markets where they can sell the products to their localities for generating huge revenues. Not just this, even semi-finalized products are exported for getting an extra boost for the brand's treasury. This revenue generated through exports is then used for paying up the costs of imports, covering up the costs of development as well as ripening profits. Both the imports and exports help in expanding the reach of the companies.

3. Contractual Agreements

Whenever, business moves out to international level, its scope of international marketing exposes it to greater chances of doing a lot more business. In fact, the fun part starts there when you see your company making contractual agreements with many others. Those agreements can either be in terms of licensing or co- production or even of technical assistance.

Licensing then moves further down the road and includes even more agreements in the form of trademarks, patents, secrets of the brand and brand names, too, which those companies are allowed to use only if the fee is paid. Well! The fee part surely scares some of the traders but it's better to give one-time sacrifice and once your business starts running normally, the fee for such licenses can be automatically covered.

4. Joint Venturing

Joint Venture is the name of a collaborative association of two brands for a reasonable period of time. This association then gives birth to an even new firm that works individually and pursues goals other than parent companies. This new firm works under the banner of both the "venturing" brands and the division of profits and losses takes places between both in a certain ratio.

Most of the time, joint venture comes into being when a local company is of great interest for an investor out of the game field or sometimes, the case can go totally opposite. This technique is of extreme value to companies are interested in doing business in the countries where outsiders are not allowed to have their owned businesses and thus, raises the scope of international marketing.

5.Contract Manufacturing

Contract manufacturing is one of the most used tactics and is pretty awesome as well since it reduced the costs of productions for the companies or better said the company takes off the responsibility of assembling the products, itself. The other company, with which the contract is made, assembles the product and keeps product marketing. This is what a manufacturing contract is called. This process cuts half the both the price and risk while encouraging easy exit at the same time.

6.<u>Fully Owned Manufacturing</u>

This aspect of the scope of international marketing comes into play when it is in the best interests of the company to take full control over both the production and promotion in the target markets. For the purpose, the company sets up its own facilities for the creation and assembling the product (if possible). This lets the brand to work for long term interests instead of pursuing short term goals and keeping the quality and prices under their own consideration without having to rely on others.

Well! There are many other factors also that would force the company to take charge of everything. Such factors include trade barriers (and that, too, at their maximum extent), governmental policies and cost differences.

7. <u>Strategic Alliances</u>

Gaining a long term competitive advantage over the competitors is not an easy task. But at that point, it's important for you to learn that what you can't achieve alone, you can do so by making some friends. It works just like the concept which says that enemy of your enemy can be your friend. It's capabilities of increasing the innovative flow while boosting up the flexibility for making the responses back to the market and that's what makes this thing to be included among the important points of the scope of international marketing.

DIFFERENCE BETWEEN INTERNAL AND INTERNATIONAL MARKETING MEANING

Internal Marketing means when business takes place within the country but **International Marketing** means when marketing of goods and services take place outside the boundaries of a country.

Internal (Domestic)marketing	International Marketing
REQUIREMENT: Internal Marketing is essential for the requirement of different states and cities of a country	*REQUIREMENT:* International Marketing is necessary for country's economical, technical development and cultural exchange.
LANGUAGE PROBLEM: Language problem does not arise in Internal marketing.	*LANGUAGE PROBLEM:* It arises in case of international marketing.
CURRENCY: Same currency is followed in internal marketing	*CURRENCY:* International marketing exchange rate is to be considered.
GOVT. INTERFERENCE: Govt. interference is very less in internal marketing.	*GOVT. INTERFERENCE:* Govt. plays a very imp roll in case of international marketing.
MARKET RESEARCH: Market research work is very easy in case of internal marketing	*MARKET RESEARCH:* Market research work is very tougher in case of international marketing in comparison to internal marketing.

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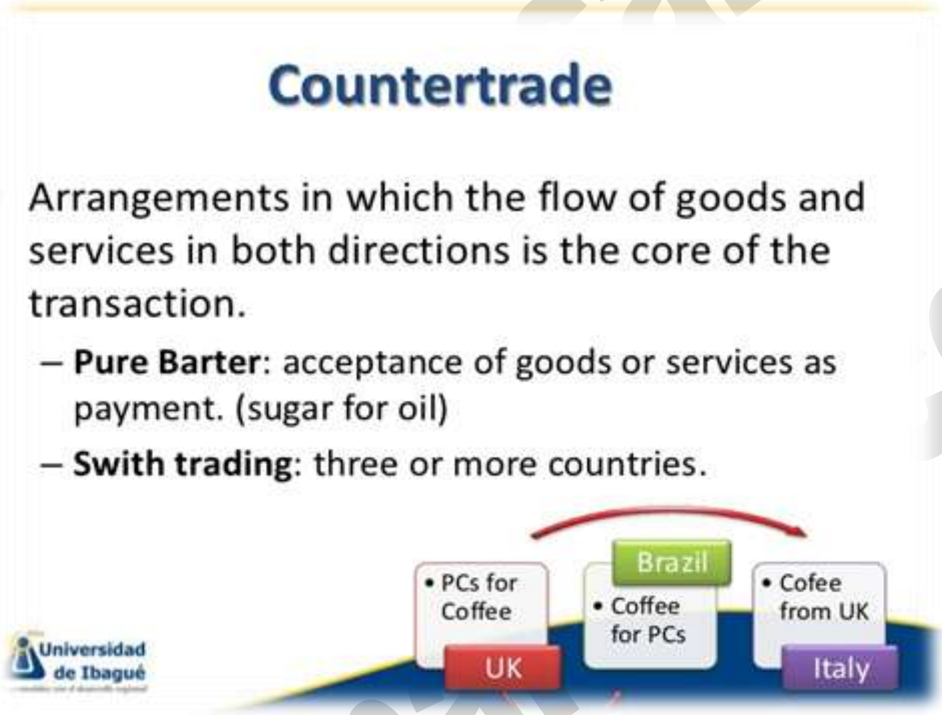
Basic foreign expansion entry decisions

- A firm contemplating foreign expansion must make three decisions
  - Which markets to enter??
  - When to enter these markets??
  - What is the scale of entry??
  - Which is the best mode of entry??


Basic Market Entry Decision
- Which Market??
Process of country evaluation & selection
Scan for alternatives
Choose & weight variables
Collect & analyze data for variables
Use tools to compare variables & narrow alternatives
Make final country Selection


Exporting
• Send a firm's products or services to international destinations.
– Indirect: without the firm's ultimate involvement
• Cost → CEM (ads), MEA (no ads, own name)
– Direct: Import without intermediaries → Export department.


Countertrade
Arrangements in which the flow of goods and services in both directions is the core of the transaction.
– Pure Barter: acceptance of goods or services as payment. (sugar for oil)
– Swith trading: three or more countries.
• PCs for Coffee
UK
Brazil
• Coffee for PCs
• Cofee from UK
Italy
Universidad de Ibagué

Countertrade (cont.)

- **Counterpurchase:** Country A exports to Country B in return promises to spend some or all of the receipts on imports from B.
  - No details, specific time (2 or 3 years)
- **Buyback:** requires a company to provide machinery, factories, or technology and to buy products made from this machinery over an agreed period.
- **Offset:** a foreign supplier is required to manufacture/ assemble the product locally and/or purchase local components as an exchange for the right to sell its products locally.

Contract manufacturing

- Contractual agreement between a company and a foreign producer under which the foreign producer manufactures the company's product.
  - The company controls promotion and distribution.
  - Pharmaceutical industry.

Licensing

- In this agreement, the international company, the *licensor*, agrees to make available to another company abroad , the *licensee*, use of its:
  - Patents and trademarks
  - Manufacturing process
  - Know-how
  - Trade secrets
  - Managerial and technical services.

Franchising

- Is a form of licensing.
- Transfer of technology, business system, brand name, trademark and other property rights.
- ***Franchisor***: developed the business, lends the names and brands.
- ***Franchisee***: buys the rights (fees or royalties) to operate the business under the name of the franchisor.

Unit-2

What is Product Planning?

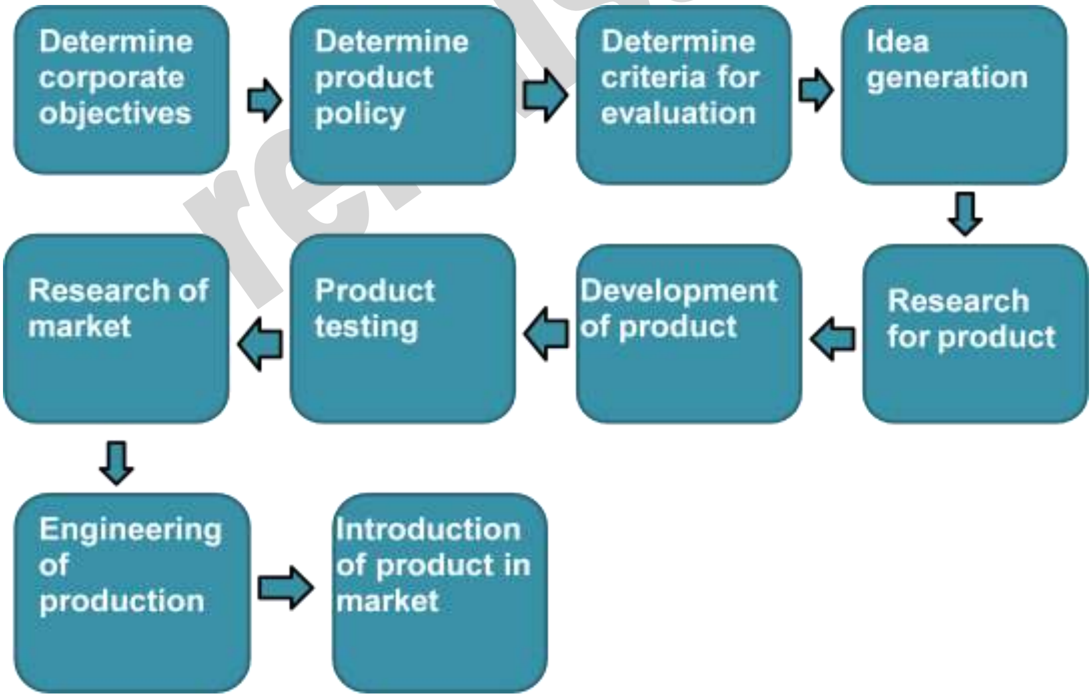
Product planning involves all of the internally focused decisions, steps, and tasks necessary to develop a successful product. In other words, it involves everything you'll need to do that will affect the product itself. By contrast, go-to-market planning involves all of the external-facing steps. These are the things you'll do to introduce and market your product to the public.

Here are a few examples of both a product plan and go-to-market plan to better understand how we see both functions.

Product Plan:

- What features should we prioritize for the product's development?
- How will we determine the price points for our product?
- Which vendors will we work with for manufacturing?
- What will be our revenue targets, our goals for new-customer adoption and other metrics that we can track to determine the product's level of success?

PROCEDURE FOR PRODUCT PLANNING



INTERNATIONAL MARKETING: PRODUCT PLANNING

One of the fundamental decisions for successful international marketing relates to product policy and planning. It can be argued that product. decisions are probably the most crucial as the product is the very epitome of marketing planning. Errors in product decisions can include the imposition of a global standardised product where it is inapplicable and the attempt to sell products into a country without cognisance of cultural adaptation needs. An international marketer has the option of exporting ',he home market product to foreign markets, adapting the home market product to meet the needs of the foreign customers more closely, or developing new products to meet the specific needs of the customers in foreign markets. The selection process needs a careful analysis of the foreign market needs, appraisal of the market opportunity and detailed product planning. Decisions regarding the product, price, promotion and distribution channels are decisions on the elements of the "marketing mix". Many product decisions lie between the two extremes i.e. whether to sell globally standardised or adapted products.

NEW PRODUCT DEVELOPMENT FOR INTERNATIONAL MARKET

1. • Idea Generation
2. • Idea Screening
3. • Concept Testing
4. • Business Analysis
5. • Product Development
6. • Test Marketing
7. • Commercialisation
8. • Review of Market Performance

WHAT IS PRODUCT DESIGN?

- Product design describes the process of imagining, creating, and iterating products that solve users' problems or address specific needs in a given market.
- The key to successful product design is an understanding of the end-user customer, the person for whom the product is being created. Product designers attempt to solve real problems for real people by using both empathy and knowledge of their prospective customers' habits, behaviors, frustrations, needs, and wants.

CONSIDERATIONS OF PRODUCT DESIGN

- There are a number of factors to consider within the product design process, and even at the brainstorming stage, awareness of these factors is crucial.
- Customer requirements: The customer will have certain expectations with regard to quality, safety, reliability, lifetime and so on. Any object that becomes a product will need to meet these requirements up front.
- Production capability: In the case of a tangible product, the existing production plant structure will need to be able to make the product. For intangible services or systems, the existing infrastructure will need to be able to make them happen. This may require capital investment.

- Raw material availability: The company will need to have stable, reliable sources of the raw materials required. Any new raw material streams will need to be confirmed to ensure quality.

- Cost and price: There should be a good understanding of the estimated cost to produce the new product as well as the expected price for which it can be sold. Comparing this cost to competitors can help refine the product design.

- Effect on the product portfolio: Often, new product lines can "cannibalize" existing product sales. Current customers choose to switch to the new product, leaving the old product unsold. The company needs to consider the effects of the new product on future production and future sales and adjust the mix accordingly.

- Company brand: A business that has taken time to build a company image in the mind of consumers will expect any new products to meet this image. For example, a company known for its environmental awareness should consider whether new products help build that image or counteract it.

IMPORTANCE OF PRODUCT DESIGN

- It may seem like the product design process is too complicated and complex, and business owners may be tempted to streamline it to get a product on the market quickly. However, good product design can mean the difference between market success and product failure.

- A good product design must be both innovative and useful, and the benefits of good product design cannot be overstated. It's important to make sure the product does something new and different and that what it does is useful for the average consumer.

- These two pieces go hand in hand: a research department might be able to suggest 10 new ideas for products, but if these ideas don't focus on making the product functional in a way that makes the customers want it, then they won't become good products. Not all innovations become new products. The focus needs to be on the customers' needs and wants.

BRANDING AND PACKAGING

Defining a Brand

A brand consists of any name, term, design, style, words, symbols or any other feature that distinguishes the goods and services of one seller from another. A brand also distinguishes one product from another in the eyes of the customer. All of its elements (i.e., logo, color, shape, letters, images) work as a psychological trigger or stimulus that causes an association to all other thoughts we have about this brand. Tunes, celebrities, and catchphrases are also oftentimes considered brands.

A brand is the personality that identifies a product, service or company (name, term, sign, symbol, design, or combination thereof); it also represents a relationship to key constituencies: customers, staff, partners, investors etc. Proper branding can yield higher product sales, and higher sales of products associated with the brand (or brand association). For example, a a customer who loves Pillsbury biscuits (and trusts the brand) is more likely to try other products the company offers, such as chocolate chip cookies.

Some people distinguish the psychological aspect of brand associations (e.g., thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, etc.) that become tied to the brand from the experiential aspect—the sum of all points of contact with the brand, otherwise known as brand experience. Brand experience is a brand's action perceived by a person. The psychological aspect, sometimes referred to as the brand image, is a symbolic construct created within the minds of people, consisting of all the information and expectations associated with a product, service, or company providing them.

PACKAGING

- Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells, in many countries it is fully integrated into government, business, and institutional, industrial, and personal use.
- Packing means packing or wrapping goods to look attractive as well as secure safety i.e., (a) holding together the contents (b) protecting product while passing through distribution channels. Again packaging refers to "all the activities involved in designing and producing the container or wrapper for a product" (Stanton).
- Recently, term packaging is being used interchangeably to mean both 'packing' proper as well as 'packaging'. Traditionally, 'packaging' referred to retail or consumer container and 'packing' to transport container. Consumer packaging has significant marketing implications while transport containers are more important from logistics standpoint.
- Packaging is the general group of activities which concentrate in formulating the design of a package, and producing an appropriate and attractive container or wrapper for the product. Packing refers to the wrapping and crating of goods before they are transported or stored.

- It is a physical action which provides a handling convenience, e.g., rice, cotton, wheat or any other agricultural produce. It is necessary to prevent flowing out of liquids and is essential to maintain freshness and quality. It can prevent the danger of adulteration.

The following are the objectives of packing and packaging

1. To Provide Physical Protection
2. To Enable Marketing
3. To Convey Message
4. To Provide Convenience
5. To Enable Product Identification
6. To Enhance Brand Image

Unit-3

FACTOR INFLUENCING PRICING

1. Costs:

Costs are often a major factor in price determination and there are a number of reasons to have detailed information on costs. Costs are useful in setting a price floor. In the short-run, when a company has excess capacity, the price floor may be out-of-pocket costs, i.e., such direct costs as la, raw materials, and shipping. However, in the long-run full costs for all products must be recovered, although not necessarily full costs for each individual product. The actual cost floor, therefore, may often be somewhere between direct cost and full cost.

Costs are also helpful in estimating how rivals will react to setting a specific price, assuming that knowledge of one's own cost helps to assess the reactions of one's competitors. Costs may help in estimating a price that will keep-out or discourage new competitors from entering an industry. Internationally, however, costs are often somewhat less helpful for this purpose than in the domestic market, since they may vary over a wider range from country to country.

The basic categories of cost incurred to serve domestic and export customers are the same, e.g., la, raw materials, component parts, selling, shipping, overheads. But their relative importance as a determinant of price may differ greatly. For example, the cost of marketing a product in a thin market thousands of miles from the production plant may be relatively high.Such items as the cost of salespeople, ocean freight, marine insurance, modified packaging, specially adapted advertising, and so forth may raise the price floor. Also, the location of foreign customers affects either the time needed to ship products or the need for maintaining local inventories, thus influencing either the cost of transportation – e.g., relatively expensive shipments by air cargo – or the costs of carrying and financing local inventories. Special legal requirements may influence production costs; e.g., automobile safety requirements or legislation affecting food and drugs.

2) Market Conditions (Demand):

The nature of the market determines the upper limit for prices. The utility, or value, placed on the product by purchasers sets the price ceiling. When a manager attempts to establish the value of a product in an export market, the manager in essence is attempting to establish a demand schedule for the product.

Values should be measured in terms of product utility, translated into monetary terms. Thus, pricing can be viewed as a continuous process of adjusting the price of the export product to the fluctuating utility of the last prospective buyer so as to make him a customer.

When estimating a demand schedule the market can be stratified, which involve estimating the number of customers who will buy at several levels of price? The exporter can then select the strata of interest, which gives the last prospect an amount of utility equal to the price charged while all other buyers will have surplus utility in that they would be willing to pay a higher price. Value may be determined by asking people, by some type of barter experiment, by test market pricing, by comparison to substitute products, or by statistical analysis of historical price/volume relationships.

The basic factors that determine how the market will evaluate a product in foreign markets include demographic factors, customs and traditions, and economic considerations, all of which are related to customer acceptance and use of a product.

3) Competition:

While costs and demand conditions circumscribe the price floor and ceiling, competitive conditions help to determine where within the two extremes the actual price should be set. Reaction of competitors is often the crucial consideration imposing practical limitations on export pricing alternatives. Prices of competitive products ('substitute' products) have an impact on the sales volume attainable by an exporter. The decision is whether to price above, at the same level as, or below competition.

Barriers that an exporter can use to provide 'shelter' from competition include having a product distinctiveness, a brand prominence with high brand equity, and a well-established channel of distribution both between countries and within a country that can provide greater dealer strength. Obviously, the more significant the barriers, the more pricing freedom there is.

Under conditions approximating pure competition, price is set in the marketplace. Price tends to be just enough above costs to keep marginal producers in business.

Under conditions of monopolistic or imperfect competition, the seller has some discretion to vary the product quality, promotional efforts, and channel policies in order to adapt the price of the 'total product' to serve pre-selected market segments. For most branded products and even for some commodities (when the export marketer and its reputation for service, dependability, and delivery are known) exporters have some range of discretion over price.

There are times when an exporter in such a competitive structure ignores competitive prices.

Under conditions of oligopoly, without sufficient product differentiation to give a seller a monopoly position, the point between the cost floor and price ceiling at which products will be priced depends upon the assessment of each oligopolist of the others' reactions to his decisions.

4) Legal/Political Influence:

The manager charged with determining prices must consider the legal and political situations as they exist and as they differ from country to country. Legal and political factors act primarily to restrict the freedom of a company to set prices strictly on the basis of economic considerations.

Sometimes foreign officials use pricing guidelines as a criterion for granting foreign exchange to the buyer of foreign merchandise. In some countries, the government is concerned with the relationship between the amount paid and the social benefits of the purchase. Even though the customer may be willing to pay a high price, the government may refuse to grant adequate foreign exchange for what it considers to be. Non-essential imports.

5) Company Policies and Marketing Mix:

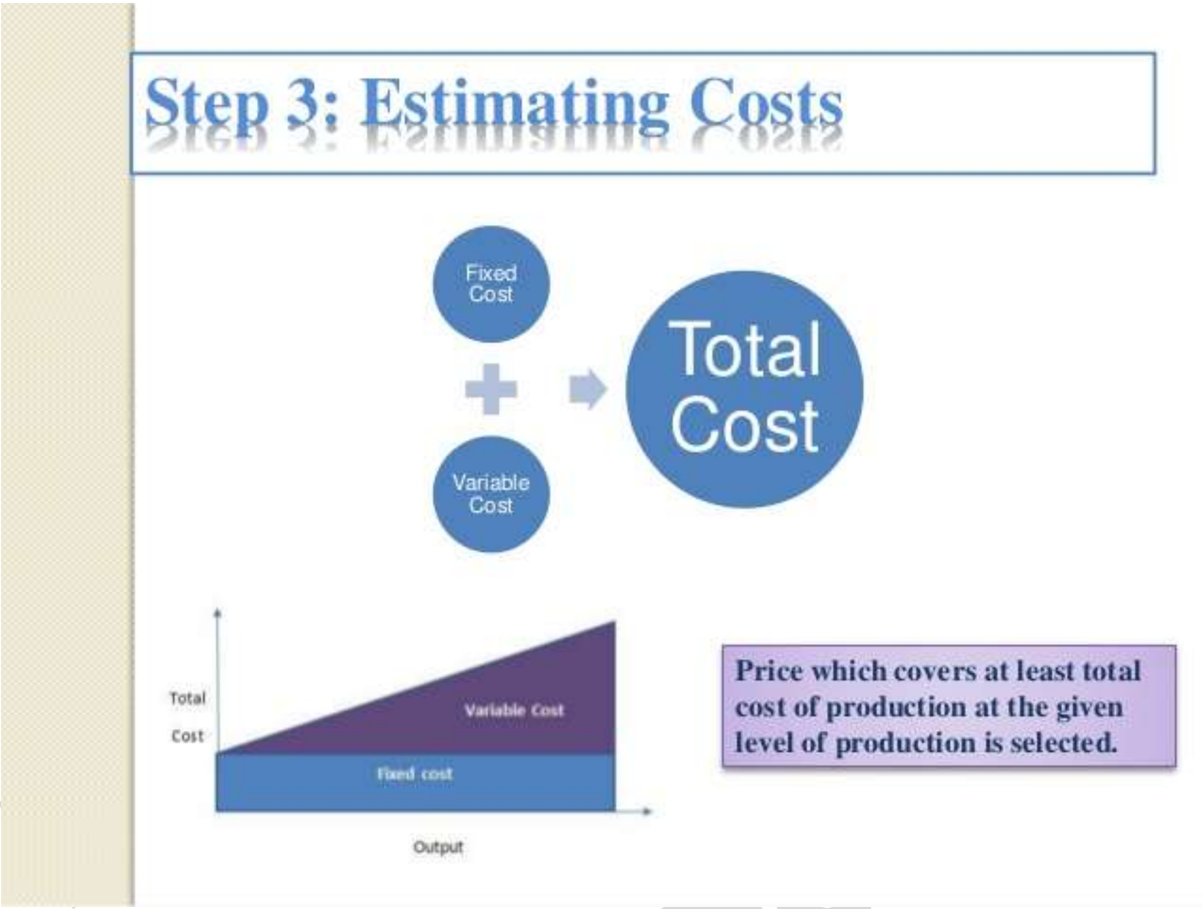
Export pricing is influenced by past and current corporate philosophy, organisation, and managerial policies. Ideally, all long-run and short-run decisions should be recognized as interrelated and interdependent, but as a practical matter some decisions must be made first and must serve as a basis for making subsequent decisions. For example, the company's organisational structure must be established and maintained for a period of time. During this period, other activities must be conducted within the constraints of the structure.

Pricing Process

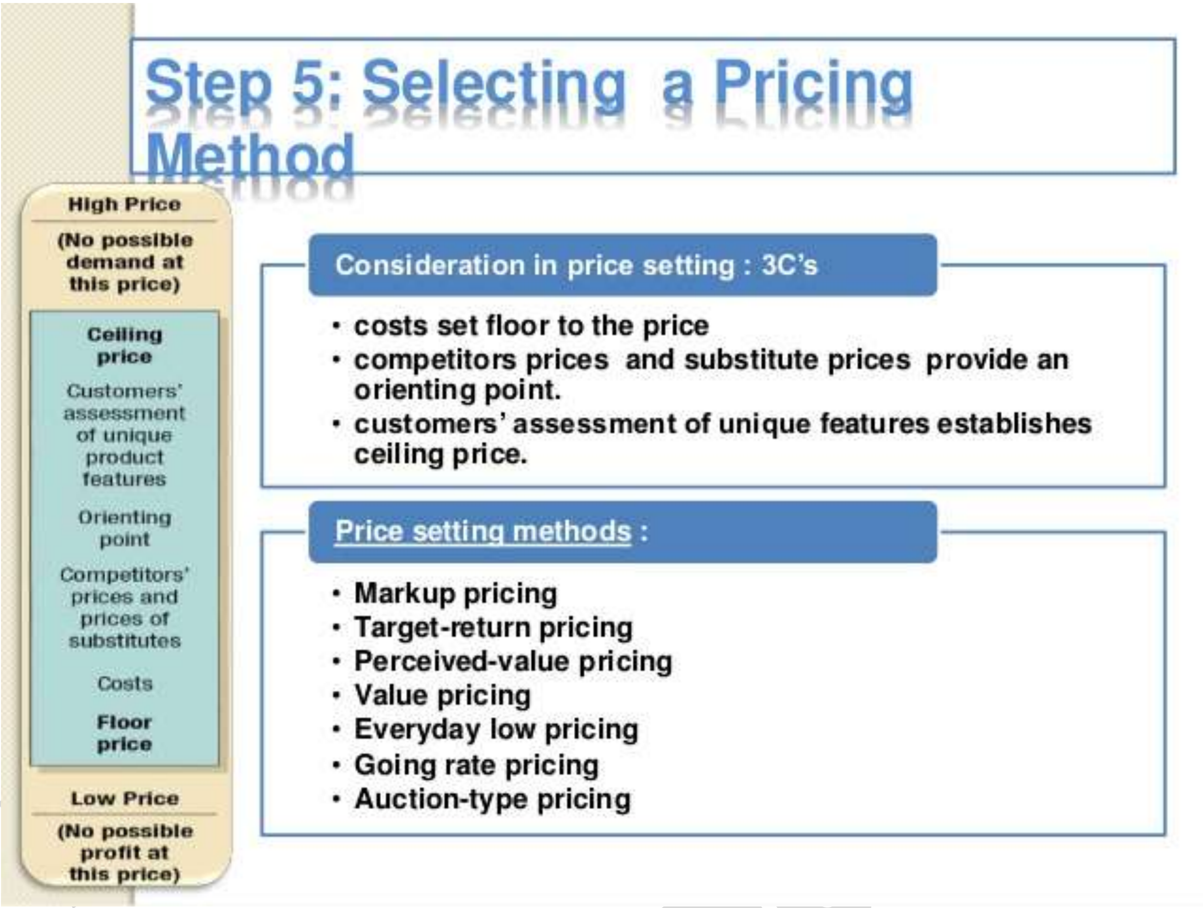
Steps in setting price selecting the final price Selecting a pricing method Analyze competitors' price, costs and offers Estimate costs Determine demand select the Price Objective


Steps in setting price
Select the Price Objective
Determine demand
Estimate costs
Analyze competitors' price , costs and offers
Selecting a pricing method
Selecting the final price


Step 2: Determining Demand
Price
demand
Price
Demand Curve
Demand Quantity
Price Sensitivity
Sensitive : regular items
Less sensitive: no substitute, Addiction, infrequently used items
Estimating demand curve
Surveys
Price experiments
Statistical analysis
Price elasticity of demand
Elastic demand
Inelastic demand


Step 3: Estimating Costs
Fixed Cost
Variable Cost
Total Cost
Total
Cost
Variable Cost
Fixed cost
Output
Price which covers at least total cost of production at the given level of production is selected.


Step 4 :Analyze competitors' costs, prices and offers
Has competitor cut his price?
No
Hold our price at present level; continue to watch competitor's price
Yes
No
No
Is the price likely to significantly hurt our sales?
Yes
Is it likely to be a permanent price cut?
Yes
How much has his price been cut?
By less than 2% Include a cents-off coupon for the next purchase
By 2–4% Drop price by half of the competitor's price cut
By more than 4% Drop price to competitor's price


Step 5: Selecting a Pricing Method
High Price
(No possible demand at this price)
Ceiling price
Customers' assessment of unique product features
Orienting point
Competitors' prices and prices of substitutes
Costs
Floor price
Low Price
(No possible profit at this price)
Consideration in price setting : 3C's
• costs set floor to the price
• competitors prices and substitute prices provide an orienting point.
• customers' assessment of unique features establishes ceiling price.
Price setting methods :
• Markup pricing
• Target-return pricing
• Perceived-value pricing
• Value pricing
• Everyday low pricing
• Going rate pricing
• Auction-type pricing

Pricing Methods

Definition: The **Pricing Methods** are the ways in which the price of goods and services can be calculated by considering all the factors such as the product/service, competition, target audience, product's life cycle, firm's vision of expansion, etc. influencing the pricing strategy as a whole.

Penetration Pricing

The rate issued for goods and services is set artificially low in order to earn market share. After achieving, the price is increased. This strategy was first used by France Telecom and Sky TV. Enterprises need to grab the opportunity to hold on to customers, so they offered free telephones or satellite dishes at minimal rates. And eventually, people signed up for their services.

After getting large number of subscribers, rates gradually go up. For example, Tata Sky or any cable or satellite company, when there is a premium movie or sporting event rates are at their highest. Thus, they shift from penetration strategy to more of a skimming or premium pricing strategy.

Economy Pricing

Here, the rates of marketing and advertising a product are kept as low as possible. Supermarkets often have economy brands for soups, spaghetti, biscuits, etc.

Budget airlines are popular for keeping their overheads as low as possible and then providing the customer a comparative lower rate to fill an aircraft. The first few seats are sold at a very low rate almost an advertisement rate price and the middle majority are economy seats, with the highest rate being sold for the last few seats on a flight i.e. in the premium pricing strategy. During times of recession, economy pricing records more purchase.

Price Skimming

Price skimming sees an enterprise charge a higher rate because it has a substantial competitive benefit. However, the benefit tends not to be sustainable and reasonable. The high cost tempts new competitors into the market, and the rate inevitably decreases due to increased supply.

Producers of smart phones used a skimming strategy. Once other producers penetrated into the market and the smart phones were manufactured at a lower unit price, other marketing approaches and pricing approaches were executed. New products were launched and the market for smart phones earned a reputation for innovation.

DIFFERENT TYPES OF QUOTATIONS IN INTERNATIONAL TRADE

The most important types of prices that are often quoted in the international trade are as follows:

1. Loco Price: This is the price of the goods are available at the godown of the seller. In the course of shipment, whatever be the expenses, all will have to be borne by the importer.

2. On the Spot Price: This term is used for the price of goods that will be charged for ready delivery of the goods.

3. At Station Price: When the seller takes up himself the responsibility of sending goods to the railway station of his city, it is called At Station Price. But, the loading expenses and railway freight, etc., are to be paid by the buyer.

4. Free on Rail: When the responsibility of sending the goods to the railway station and of loading is taken by the seller, it is called F.O.R. price. Freight is to be paid by the buyer.

5. Free Along Ship (F.A.S) Price: This price includes expenses upto the despatch of goods to the sea port. This F.A.S. price includes cost of goods, packing, marking, dock charges and the commission of forwarding agent.

6. Free on Board (F.O.B) Price: When the seller takes upon himself the responsibility of sending the goods to the sea port and also of loading, it is called F.O.B. price.

7. Cost and Freight (C&F) Price: This price includes apart from the above expenses, the freight of the ship also. Insurance premium is not included in this price.

8. Cost, Insurance and Freight (C.I.F) Price: This price includes all the expenses upto the shipment of the goods from the port of shipper; the importer has to receive all the delivery of the goods in his country.

9. Ex- Ship Price: This price includes besides the cost of goods the expenses of reaching the goods up to the port of the buyer's country. In other words, marine insurance and other expenses connected with shipment have to be borne by the seller.

10. Franco Price: Franco means free from all expenses. Under this price, all the possible expenses in transit are to be borne by the seller and the seller has to supply goods at the factory of the buyer. Therefore, the expenses in the country of the buyer will have to be borne by the seller of the goods.

PAYMENT CONDITIONS IN INTERNATIONAL MARKETING

In order to become successful in today's global marketplace, exporters should provide their customers with appealing sales terms supported by suitable payment methods. The ultimate goal is getting paid in full and on-time for each export sale. An applicable payment method must be chosen carefully to reduce the payment risk while also fulfilling the needs of the buyer.

There are a variety of ways that payments can be made, including a different level risk for collection. We will try to explain these methods from most secure to least secure for exporters.

1. CASH-IN-ADVANCE

Cash-in-advance payment terms can help an exporter avoid credit risks, because payment is received up front before the ownership of the goods is transferred. For international sales, wire transfers and credit cards are the most common used cash-in-advance options available for importers. This presents the least risk to a seller while having the most risk to the buyer.

However, requiring payment in advance is the least favorite option for the buyer, because it generates an unfavorable cash flow. Especially when traders do not know each other, buyers are concerned that the goods may not be sent if payment is made in advance. Also, exporters who insist on this payment method as their sole manner of doing business may lose to competitors who offer more attractive payment terms.

2. LETTERS OF CREDIT

A letter of credit, or “credit letter” is one of the most secure payment methods available to international traders. It is a letter from a bank guaranteeing that a buyer’s payment to a seller will be received on time and for the correct amount and it is one of the most secure payment methods available to international traders. The buyer sets up credit and pays his or her bank for this service. A Letter of Credit is useful when well-founded credit information about a foreign buyer does not exist or is difficult to secure, but the exporter is satisfied with the creditworthiness of the buyer’s foreign bank. A Letter of Credit also protects the buyer as they do not need to make a payment until the goods have been shipped as promised.

3. DOCUMENTARY COLLECTIONS

In a documentary collection process, the seller instructs their bank to forward documents related to the export of goods to a buyer’s bank with an instruction to present these documents to the buyer for payment, pointing when and on what circumstances these documents can be released to the buyer. Funds are received from the importer and transferred to the exporter through the banks involved in the collection in exchange for those documents. Documentary Collections involve using a draft that requires the importer to pay the face amount either at sight (document against payment) or on a specified date (document against acceptance). The collection letter gives instructions that specify the documents required for the transfer of title to the goods.

Although banks do act as facilitators for their clients, Documentary Collections offer no verification process and limited recourse in the event of non-payment. They do not provide the same level of security as Letters of Credit, but, as a result, the costs are lower. Unlike Letters of Credit, for a Documentary Collection, the bank acts as a channel for the documents but does not issue any payment covenants (does not guarantee payment). The bank that has received a Documentary Collection may debit the buyer’s account and make payment only if authorized by the buyer.

4. OPEN ACCOUNT

An open account transaction is a sale where the goods are shipped and delivered before payment is due, which in international sales is typically in 30, 60 or 90 days. Obviously, this method is based on the trustworthiness between the two parties and this is one of the most advantageous options to the importer in terms of cash flow and cost, but is consequently one of the highest risk options for an exporter.

Because of high competition in export markets, foreign buyers often press exporters for open account terms since the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are not willing to extend credit may lose a sale to their competitors. Exporters can offer competitive open account terms while substantially mitigating the risk of non-payment by using one or more of the appropriate trade finance techniques covered later in this guide. When exporters offer open account terms, they can also use export credit insurance for extra protection.

5. CONSIGNMENT

Consignment is another method of an open account in which payment is sent to the exporter only after the goods are sold by the foreign distributor to the end customer. An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods for the exporter who retains title to the goods until they are sold. Clearly, exporting on consignment contains high risks as the exporter may not receive any payment and its goods are in a foreign country in the hands of an independent distributor or agent.

Consignment increases the chances of exporters to become more competitive on the basis of better availability and faster delivery of goods. Selling on consignment can also help exporters reduce the direct costs of storing and managing inventory. The key to success in exporting on consignment is to partner with a reputable and trustworthy foreign distributor or a third-party logistics provider. Appropriate insurance should be in place to cover consigned goods in transit or in possession of a foreign distributor as well as to mitigate the risk of non-payment.

UNIT-4

The distribution channel simply refers to the path or route through which product moves from producer to ultimate customer. It is through distribution channels that businesses are able to deliver their products to customers. The place of production & consumption of products is not the same therefore the distribution channel has an efficient role in overcoming this problem.

Direct Channel

Direct Channel is also termed as Zero-level channel because there are zero intermediaries involved in this channel. Producers directly deliver their products to their customers without using any middlemen. This channel is basically used by businesses to sell perishable or expensive goods. The direct channel is one of the oldest forms of distribution channels used by businesses to sell their products.

The advantage of this channel is that it cuts all profit margins of the intermediaries. Businesses are able to deliver at a lower rate to their customers. It also reduces the time involved in delivering process as product directly flows between manufacturers & customers.

Indirect Channel

The indirect channel is those in which manufacturers do not directly sell to customers. There are various middlemen & intermediaries involved in the distribution channel. Intermediaries work for their commission. They purchase products in bulk from manufacturers & supply products to final customers as per their demand.

This type of channel saves manufacturers from the risk of delivering products. They sell all their products to intermediaries & receive payment in cash. There are 3 types of indirect channels

- One level,
- Two-level, &
- Three-level channels.

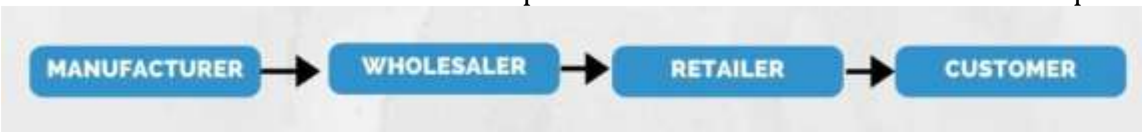
One level channel

It is a distribution channel where there is one intermediary involved in between manufacturer & customers. This intermediary is termed as a retailer. Manufacturers instead of selling their products directly to customers sell them to retailers. These retailers then sell them to customers as per their requirements. Retailers set their profit margin over the price they pay to manufacturers. This channel is used for consumer goods like clothes, furniture, watches, mobiles, etc.

Two-level channel

Two-level distribution channel is one in which there are 2 intermediaries involved in distribution network of business. These intermediaries are wholesalers & retailers. Producer's sells goods in large quantities to wholesalers; wholesalers sell them in small quantities to the retailers. Retailers finally deliver the goods to customers in quantities demanded by them. They both charge their commission for supplying the goods from producers to customers. This channel is more convenient in case of durable

& inexpensive products.

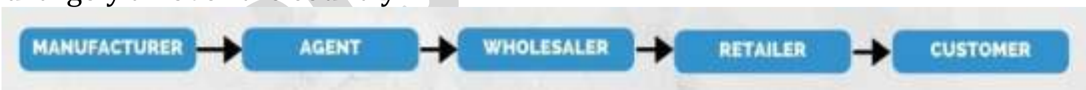


Two-level channel

Three-level channel

Three-level distribution channel is longest form of distribution channel. Here there are 3 intermediaries involved: Agents, Wholesalers & Retailers. Agents are the person who represents the producer & company. In place of manufacturers, the agents deal with intermediaries. These agents do not have ownership of goods but they work on remuneration basis for companies.

In this channel, agents sell goods to wholesalers on behalf of the company. Wholesalers then sell these goods to retailers & retailers sell these to final customers. This channel is used when demand for the product is very high & customers are scattered largely all over the country.



Three-level channel

International Distribution Channel

International channels of distribution The international marketing includes the performing of business activities designed to plan, to stir up fares, to direct the goods and services of the company for the consumers in different states. (Cateora PH & Gilly M. & Graham J 2011, p. 10). The international specialists of marketing are conducted by a wide range of channel alternatives. The cooperation of effective channel systems between and inside different markets, presents a difficult challenge conducted by a lot of mediators. At the other extreme, the distribution channels at countries in development can be spread, not effective or doesn't exist at all (Kotler Ph. , Armstrong G. , 2011, p. 354). A challenge of managing an international business is the direct investments in operations in other countries. Many companies first start in the field of international marketing, gain experience and gradually changing their tactics of international marketing in the field of research with the developed plans. Despite the means that are used to enter a foreign market, a company can make a small investment or none at all, which means that its involvement in the marketing can be limited to sell a product (Cateora PH & Gilly M. & Graham J 2011, p. 19). The companies are fully engaged to get involved in the international activities of marketing. These companies are after markets in the whole world to sell their products that are a planned result. This planning doesn't include only the marketing, but also the production of goods outside the international markets (Cateora PH & Gilly M. & Graham J 2011, p. 21). The analysis of distribution channels in contemporary conditions consists in correlation between economic operators from all the levels of production and distribution to the customer's door. This means that the relations should be built not only with customers but with the main suppliers and mediators as well (Segetlija Z. & Mesarić J. & Dujak D. ,2011,p. 793). The international channels of marketing are becoming more and more important. The satisfaction of channel members is a main characteristic in the relations between international and local channels (Schmitz C. & Wagner T. , 2007, p. 5). The distribution channels refer to internal channels (like sales through internet and telephone) and external channels like retailers, partners, distributors, resellers, commercial alliances, suppliers etc. (Munusamy J. & Chelliah Sh. , 2011, p. 2). All countries have laws that regulate marketing's activities in promoting, developing products, labeling, prices and distribution channels (Cateora PH & Gilly M. & Graham J 2011, p. 204). The marketing strategies of the company have to be responsible for the changes in the distribution channels between countries

Distribution plays an important role in the implementation of the international marketing programme as it enable the products and services to reach the ultimate customer. An international marketing firm has the option of managing its distribution function either directly or indirectly through middleman or a suitable combination of the two.

Following are the distributions channels in International market

Indirect Distribution: Indirect channels are further classified based on whether the international marketer makes use of domestic intermediaries. An international marketer therefore can make use of the following types of intermediaries for distribution in foreign markets.

- **Domestic Overseas Intermediaries**

1. Commission buying agents
2. Country controlled buying agents
3. Export management companies (EMCs)
4. Export Merchants
5. Export agents
6. Piggy backing

- **Foreign Intermediaries**

1. Foreign Sales Representatives
2. Foreign Sales Agent
3. Foreign Stocking and Non-Stocking Agents
4. State Controlled Trading Companies

Direct Distributions: The options available to international marketer in organizing direct distributions include sending representatives abroad from the headquarters, setting up of local sales/branch office in the foreign country of for a region establishing a subsidiary abroad, entering into a joint venture or franchising agreement.

Companies having long-term interest in international marketing find it expedient to deploy their own sales forces in foreign markets. This helps them in increasing their sale volume through committed market development activities, better control and motivation of foreign intermediaries being used and paving the way for smoother transition to direct distribution and marketing.

Logistics Decisions:

Market logistics activities involve strong trade-offs, decisions must be made on a total system basis. Customers are interested in on-time delivery, suppliers desire to meet emergency needs and also have willingness to take back defective goods and re-supply them quickly at their costs. A company must then research the relative importance of these service outputs. For example, for a photo copier machine, the least service-repair time is very important.

INTERNATIONAL LOGISTIC DECISIONS

International Firms have begun to implement various strategies in order to remain competitive in world market. Logistics is one of the key areas in the process of international marketing as the delivery of goods to the buyer is as important as any other activity in business and marketing. Quite often, the most crucial part in International trade is the timely delivery of goods at a reasonable cost by the exporter to the importer. In fact, the prospective buyer may be willing to pay even higher price for timely supplies. The emergence of logistics as an integrative activity, with the movement of raw materials from their sources of supply to the production line and ending with the movement of finished goods to the customer has gained special importance. Earlier on, all the functions comprising logistics were not viewed as components of a single system. But, with emergence of logistic as an important part of corporate strategy due to certain developments in the field of international marketing has gained special significance.

"Logistics is the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services and related information from point of origin to point of consumption for the purpose of conforming the customer requirement". This definition clearly points out the inherent nature of logistics and it conveys that Logistics is concerned with getting products and services where they are needed whenever they are desired. In trade Logistics has been performed since the 3 beginning of civilization: it‟s hardly new. However implementing best practice of logistics has become one of the most exciting and challenging operational areas of business and public sector management. Logistics is unique, it never stops! Logistics is happening around the globe 24 hours a days Seven days a week during fifty-two weeks a year. Few areas of business involve the complexity or span the geography typical of logistics.

Logistics has gained importance due to the following trends

- Raise in transportation cost.
- Production efficiency is reaching a peak
- Fundamental change in inventory philosophy
- Product line proliferated
- Computer technology
- Increased use or computers
- Increased public concern of products Growth of several new, large retail
- chains or mass merchandise with large demands & very sophisticated
- logistics services, by pass traditional channel & distribution.
- Reduction in economic regulation
- Growing power of retailers
- Globalization

APPOINTING A SALES AGENT.

Selling a product through an overseas agent is a very successful strategy. Sales agents are available on commission basis for any sales they make. The key benefit of using an overseas sales agent is that you get the advantage of their extensive knowledge of the target market. Sales agent also provides support to an exporter in the matter of transportation, reservation of accommodation, appointment with the government as and when required. It is, therefore, essential that one should very carefully select overseas agent.

MERITS OF APPOINTING A SALES AGENT

There are various types of merits associated with appointed a sales agent for export purpose are as follow:

- Sales agent avoids the recruitment, training, time and payroll costs of using own employees to enter an overseas market.
- An agent is a better option to identify and exploit opportunities in overseas export market.
- An agent already have solid relationships with potential buyers, hence it saves the time of the exporter to build own contacts.
- An agent allows an exporter to maintain more control over matters such as final price and brand image - compared with the other intermediary option of using a distributor.

IMPORTANT POINTS WHILE APPOINTING A SALES AGENT:

Appointing right sales agent not only enhance the profit of an exporter but also avoid any of risks associated with a sales agent. So it becomes important for an exporter to take into consideration following important points before selection an appropriate sales agent for his product.

- Size of the agent's company.
- Date of foundation of the agent's company.
- Company's ownership and control.
- Company's capital, funds, available and liabilities.
- Name, age and experience of the company's senior executives.
- Number, age and experience of the company's salesman.
- Oher agencies that the company holds, including those of competing products and turn-over of each.
- Length of company's association with other principal.
- New agencies that the company obtained or lost during the past year.
- Company's total annual sales and the trends in its sales in recent years.
- Company's sales coverage, overall and by area.
- Number of sales calls per month and per salesman by company staff.
- Any major obstacles expected in the company's sales growth.
- Agent's capability to provide sales promotion and advertising services
- Agent's transport facilities and warehousing capacity.
- Agent's rate of commission; payment terms required.
- References on the agents from banks, trade associations and major buyers.

UNIT-5

INDIAN IMPORT – EXPORT POLICY

Export Import Policy or better known as Exim Policy is a set of guidelines and instructions related to the import and export of goods. The Government of India notifies the Exim Policy for a period of five years (1997 2002) under Section 5 of the Foreign Trade (Development and Regulation Act), 1992. The current policy covers the period 2002 2007. The Export Import Policy is updated every year on the 31st of March and the modifications, improvements and new schemes becomes effective from 1st April of every year. All types of changes or modifications related to the Exim Policy is normally announced by the Union Minister of Commerce and Industry who coordinates with the Ministry of Finance, the Directorate General of Foreign Trade and its network of regional offices.

Indian EXIM Policy contains various policy related decisions taken by the government in the sphere of Foreign Trade, EXPORT PORMOTIONAL MEASURES.
EXPORT PORMOTIONAL MEASURES like

- Assistance to State Governments to Infrastructure Development of Exports (ASIDE)
- Market Access Initiative (MAI)
- Marketing Development Assistance (MDA)
- Meeting Legal
- Towns of Export Excellence(TEE)
- Brand Promotion Quality
- Test Houses
- Quality Complaints/Disputes
- Trade Disputes Affecting Trade Relations
- Export and Trading Houses

OBJECTIVES OF EXIM POLICY

- To accelerate the economy from low level of economic activities to high level of economic activities by making it a globally oriented vibrant economy and to derive maximum benefits from expanding global market opportunities.
- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components,' consumables and capital goods required for augmenting production.
- To enhance the techno local strength and efficiency of Indian agriculture, industry and services, thereby, improving their competitiveness.
- To generate new employment.
- Opportunities and encourage the attainment of internationally accepted standards of quality.
- To provide quality consumer products at reasonable prices.

IMPORT PROCEDURES

- Trade enquiry

- Procurement of import license
- Obtaining foreign exchange
- Placing the indent
- Dispatching a letter of credit
- Obtaining necessary documents
- Customs formalities and clearing of goods
- Making the payment

EXPORT PROCEDURES

- Registration procedure
- Pre shipment procedure
- Shipment procedure
- Realizing export incentives
- Post-shipment procedure

CONCLUSION

- EXIM Policies provides policy and strategy of the government to be followed for promoting exports and regulating imports.
- Export and import play a significant role in the economic development of all the developed and developing economies.
- With the growth of international organisations like WTO, UNCTAD, ASEAN, etc., world trade is growing at a very fast rate.

PRACTICE STEPS OF COMMENCEMENT OF AN EXPORT BUSINESS

1. Before starting an import-export business, decide export or import?

Your first lesson is to decide, are you going to export or import? If you are from developing country, let's say from India, then most probably it's easier for starting exporting business. India has a lot of products what all could be exported to the western countries. Exporting out is always easier for you than importing, If you are from the developing world.

If you are more interested in starting importing business, then you should already have a plan. You should know to whom you are going to resell your products, after imported. Also If importing, then you should already be sure, what products you are going to import.

Generally, for people from developing countries, it's easier to start exporting business. For people from developed countries, like USA, UK, EU it is easier to start importing business.

If you are passionate about importing, then we have a case study, which shows you step by step, how we made 100,000 USD profit trough importing from China. You can learn from this and start your own importing business as well.

2. Learn about your country exporting sectors

Every country has its own export sectors and import sectors. You should learn what your country is exporting.

If your country exports something, then it means that your country has a relative advantage with this type of products.

In case your country exports something, then this means, that the companies in your country what are exporting, are also making a good profit. If they can make profit and export, then it means you can do the same.

It's important to learn about export sectors in your country because you should choose the products for export from these sectors. There are many ways, to make sure the export sectors.

3. Product must be suitable for you

Only choose this kind of products and items about what you personally know a lot or have experiences with. You should not choose the product about what you don't know anything. At least you should have interest in the product, so you are motivated to learn about it.

Choose the product(s) what are well suited for your personal background or education. Example, if you are a technical person, let say, engineer, then you can deal with electronics, machines, equipment, raw materials.

4.Select products what has biggest profit potential

Now, after you have a sub list of the products that best fit for you, it's time to select the most promising ones out from there. You should make sure what the potential profit margins for your products are.

You need to compare the selling prices (export prices) and the local prices what potential suppliers can give to you in your country. Selling prices you can easily check in Alibaba, just type the product name there and compare the prices of gold suppliers.

Then ask quotations from your suppliers in your country. Ask quotations from many suppliers, so you have many offers and you can easily make sure the local price.

4. **ESTABLISH COMPANY, APPLY EXPORT LICENSE ETC**

Now, after you have a profitable product(s) selected for your future business, it's time to establish the real company and all acquire other relevant things.

You can choose the name for your export-import company and register the company. Also, you need to organize and apply following for your business:

- Register private limited company
- Open bank account for your business
- apply for export-import licenses
- Create a website for your business
- Make visit cards

It's often easier to hire someone to do the registration and license applications for you, same with the website and design.

5. **Decide your target market(s)**

After you have been selected product(s) for your export business, it's time to also make sure the right target markets for you. If you are from India or from another developing country, then you should consider exporting to the developed countries and especially to the European Union.

It's good to use the Google to find information about your country greatest export markets.

6. Choose your suppliers

Hopefully, you have found sincere buyers and made sure all the requirements for the product(s). You need to know delivery terms and target prices, packing, requested documents.

Your next step for starting an import-export business is to source the best possible supplier for you.

You can use the same methods, like for finding the buyers, but you can also use your connections. It is necessary to introduce the terms and requirements for your country suppliers and ask the quotation from them. Also, you need to be sure, that the product what they offer are same, what your buyer is looking for.

It is wise to ask several quotations from different suppliers and then compare the offers. You should not only compare the prices, but also the delivery terms, payment terms etc.

It's important, you are convinced, that your supplier is supplying exactly the same thing, what your buyer is looking for.

Finally, you should be able to choose what supplier is best for you.

8. Choose how you start the business

Now, you have a profitable product(s), buyers for this and you also sourced the supplier for this product. Hopefully, you have made the calculations and are convinced, that you can make enough profit. Now it's time to decide, how you are going to start an import-export business.

You can participate as a direct exporter, then you need to buy products and export. You can also participate as an export agent, then you need to sign commission agreement. Also, you can participate as a sourcing agent. As a sourcing agent, you will ask one-time fee form the supplier or buyer, before bringing them together.

9. Get freight forwarder and custom broker

Regardless what form you choose, you should find yourself a freight forwarder and custom broker. Even you don't need their service, it's good that you have them ready. You may need them if you have custom or delivery related questions.

10. Sign contracts and execute

After you decided, how you are going to work, then based on that, you should sign the deal.

- If you are a direct exporter, then start with signing the foreign buyer and wait for the advance payment. After payment, you buy products from your local supplier. Organize all the docs and take product ready to the port. Wait for the balance payment against the BL and ship the products wit required docs to the buyer.
- If you are an import-export agent, then sign commission agreement with your country supplier or buyer. After commission contract signed, then bring sided together. After buyer paid to the supplier, then you will get your agreed fee.

Remember, if you are working as an agent, then your commission agreement is very important. Be ready to pay for the lawyers to help you with this.

11. Give customer support

After the initial deal is done, then be ready to also support your customer, in case he has some further questions. Maybe he needs some extra docs for his import custom. You should be helpful for him, this will make the next deal most probably taking place.

Many fresh exporters make the mistake, to not pay enough attention to the already existing clients. But bear in mind, that it's always easier to sell to the already existing clients that finding new ones and sell to them.

WHAT ARE EXPORT PRICING?

Price fixed for the export products or services which the exporter intends to sell in the overseas market is called export pricing. Export price of a given product is determined by many factors. There are a number of methods used for the purpose of costing in exports. These methods are divided into three groups.

Objectives of Export Pricing

Export pricing is a technique of fixing the prices of goods and services which are intended to be exported and sold in the overseas markets. Export pricing is much more difficult than domestic pricing, because the exporter has to take into account not only the cost of production but also the influence and impact of the conditions prevailing in the international markets.

Therefore export pricing is not just an arithmetical calculation, but a practical proposition based on market situation. The success of an export firm largely depends on its effective pricing policy.

The principal objectives of export pricing are as follows.

1. Survival

An exporter faces competition not only from his fellow-exporters, but also from other country exporters. In much competitive markets, one of the marketing tools which can make the exporter survive the competition is pricing.

Making price competitive, thereby earning less profit in order to survive, could be one of the objectives of pricing. Keeping prices competitive and maintaining low prices is a short-term objective, as every exporter aims at increasing profits at a later stage.

2. Maximum Sales Growth

As an exporter survives the competition, the objective shifts to having maximum sales growth. Depending upon competition and sensitivity of market to price, the final pricing decision needs to be taken. There are two alternatives available for this purpose.

1. Setting lower prices to overseas buyers leads to higher sales volume, thereby earning more profits. For this purpose, market should be highly price sensitive. Such low prices discourage competition, thereby further increasing sales.

2. Setting higher prices to indicate the superior quality of the product. Such indications lead consumers to rate products higher compared to that of competitors. Due to this perception, sales volume of the product increases.

3. Maximum Current Profit

An exporter may determine his object of securing maximum Profits. A price which would generate such a profit is to be established. For this purpose, it is necessary to have complete information of cost and demand. A price which can generate maximum cash flows or a higher rate of return is determined. But this objective is more of a short term nature and bases its performance on profits which may turn out to be dangerous in export markets.

4. Establishing Leadership

Another objective behind pricing is to establish not only a superior quality image, but also emphasize on leadership or number one position in the export markets. By charging a higher price and making a noticeable difference in the price as compared to that of competitors, this objective can be fulfilled.

Importance of Export Pricing

Price is one of the important elements in marketing mix and this is a delicate area of export marketing. It is rightly treated as an important factor in successful export strategy. The importance of export pricing can be summarized as follows:

1. Consumers are extremely sensitive about quality and price of the product. If the price is not properly set, success of the firm in the international market becomes doubtful.

2. The volume of sales and market demand depends on pricing policy.
3. Competitive capacity in foreign market depends on the price fixed.
4. It decides the success and failure of export efforts.
5. Export pricing builds goodwill in the market.
6. Export pricing helps in capturing foreign market.
7. Develops brand image and product differentiation.
8. Pricing helps in penetration of market by keeping them low initially and gradually raising them.
9. Pricing not only helps in increasing profit and raising revenue, but also in enhancing market share of the product.
10. Pricing helps by having good profitability to undertake diversification, research and development etc.

EXPORT FINANCE

Export Finance is the term to describe the specialist range of finance focussed on the export market.

Export financing aims to support businesses reaching an international market. Once a shipment has left domestic customs, there can be a significant time period while the goods are in transit, and are then collected by the importer.

Especially where emerging markets are concerned, the ability to extend attractive payment terms to the importer is often a huge part of winning an order.

Export finance aims to maintain positive cash-flow cycle during the gap.

How Does Export Finance Work?

Export finance is a finance agreement similar to factoring, whereby money is advanced against the value of unpaid invoices.

It's a form of asset based finance, specifically tailored to businesses insolved with exporting to international markets.

Effectively, it's a loan whereby invoices (in this case those held by a foreign debtor) are used as collateral for an advance.

What are the Potential Credit Problems for Exporters?

Typically, companies asked to send their goods and services overseas can't charge 100% payment upfront. While this would be the best scenario, competitive markets mean the availability of preferential credit terms has become a key factor in choosing multi-national trade partnerships.

Many buyers prefer to arrange trading relationships whereby they can pay for goods once they have received them through customs, for example. In this scenario, the exporter has an immediate cash-flow impact, as well as being held hostage to the speed with which something can clear customs.

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