**INTRODUCTION TO EXPORT**

**MARKETING – I**

**(Meaning and importance of Exports)**



**1.1 INTRODUCTION**

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Export marketing means exporting goods to other countries of the world. It involves lengthy procedure and formalities. In export marketing, goods are sent abroad as per the procedures framed by the exporting country as well as by the importing country. Export marketing is more complicated to domestic marketing due to international restrictions, global competition, lengthy procedures and formalities and so on. Moreover, when a business crossed the borders of a nation, it becomes infinitely more complex. Along with this, export marketing offers ample opportunities for earning huge profits and valuable foreign exchange.

Export marketing has wider economic significance as it offers various advantages to the national economy. It promotes economic / business / industrial development, to earn foreign exchange and ensures optimum utilization of available resources. Every country takes various policy initiatives for promoting exports and for meaningful participation in global marketing. Global business is a reality and every country has to participate in it for mutual benefits. Every country has to open up its markets to other countries and also try to enter in the markets of other countries in the best possible manner. This is a normal rule which every country has to follow under the present global marketing environment. In the absence of such participation in global marketing, the process of economic development of the country comes in danger.



**1.2 DEFINITIONS OF EXPORT MARKETING**

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1) According to B. S. Rathor

“Export marketing includes the management of marketing activities for products which cross the national boundaries of a country”.

1. “Export marketing means marketing of goods and services beyond the national boundaries”.



**1.3 FEATURES OF EXPORT MARKETING**

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The main important features of export marketing are as follows.

**1) Systematic Process –**

Export marketing is a systematic process of developing and distributing goods and services in overseas markets. The export marketing manager needs to undertake various marketing activities, such as marketing research, product design, branding, packaging, pricing, promotion etc. To undertake the various marketing activities, the export marketing manager should collect the right information from the right source; analyze it properly and then take systematic export marketing decisions.

**2) Large Scale Operations –**

Normally, export marketing is undertaken on a large scale. Emphasis is placed on large orders in order to obtain economies in large sole production and distribution of goods. The economies of large scale help the exporter to quote competitive prices in the overseas markets. Exporting goods in small quantities is costly due to heavy transport cost and other formalities.

**3) Dominance of Multinational Corporations –**

Export marketing is dominated by MNCs, from USA, Europe and Japan. They are in a position to develop world wide contacts through their network and conduct business operations efficiently and economically. They produce quality goods at low cost and also on massive scale.

**4) Customer Focus –**

The focus of export marketing is on the customer. The exporter needs to identify customers‟ needs and wants and accordingly design and develop products to generate and enhance customer satisfaction. The focus on customer will not only bring in higher sales in the overseas markets, but it will also improve and enhance goodwill of the firm.

**5) Trade barriers –**

Export marketing is not free like internal marketing. There are various trade barriers because of the protective policies of different countries. Tariff and non-tariff barriers are used by countries for restricting import. The export marketing manager must have a good knowledge of trade barriers imposed by importing countries.

**6) Trading Blocs –**

Export trade is also affected by trading blocs, certain nations form trading bloc for their mutual benefit and economic development. The non-members face problems in trading with the members of a trading bloc due to common external barriers. Indian exporters should have a good knowledge of important trading blocs such as NAFTA, European Union and ASEAN.

**7) Three – faced competition –**

In export markets, exporters have to face three-faced competition, i.e., competition from the three angles – from the other suppliers of the exporter‟s country, from the local producers of importing country and from the exporters of competing nations.

**8) Documentation –**

Export marketing is subject to various documentation formalities. Exporters require various documents to submit them to

various authorities such as customs, port trust etc. The documents include – Shipping Bill, Consular Invoice, Certificate of Origin etc.

**9) Foreign exchange regulations –**

Export trade is subject to foreign exchange regulations imposed by different countries. These regulations relate to payments and collection of export proceeds. Such restrictions affect free movement of goods among the countries of the world.

**10) Marketing – mix**

Export marketing requires the right marketing mix for the target markets, i.e. exporting the right product, at the right price, at the right place and with the right promotion. The exporter can adopt different marketing – mixes for different export markets, so as to maximize exports and earn higher returns.

**11) International marketing Research –**

Export marketing requires the support of marketing research in the form of market survey, product survey, product research and development as it is highly competitive. Various challenges, identification of needs and wants of foreign buyer in export marketing can be dealt with through international marketing research.

**12) Spreading of Risks –**

Export marketing helps to spread risks of business. Normally export firms sell in a number of overseas markets. If they are affected by risks (losses) in one market, they may be able to spread business risks due to good return from some other markets.

**13) Reputation –**

Export marketing brings name and goodwill to the export firm. Also, the country of its origin the gets reputation. The reputation enables the export firm to command good sales in the domestic market as well as export market.



**1.4 IMPORTANCE OF EXPORT MARKETING**

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Exports are important for all countries whether developed or underdeveloped. The need / importance / advantages of export marketing can be explained from the viewpoint of a country and that of business organization.

**1.4.1 Need / Importance / Advantages of Export Marketing at the National Level:**

**1) Earning foreign exchange –**

Exports bring valuable foreign exchange to the exporting country, which is mainly required to pay for import of capital goods,

**ra**w materials, spares and components as well as importing advance technical knowledge.

**2) International Relations –**

Almost all countries of the world want to prosper in a peaceful environment. One way to maintain political and cultural ties with other countries is through international trade.

**3) Balance of payment –**

Large – scale exports solve balance of payments problem and enable countries to have favourable balance of payment position. The deficit in the balance of trade and balance of payments can be removed through large-scale exports.

**4) Reputation in the world –**

A country which is foremost in the field of exports, commands a lot of respect, goodwill and reputation from other countries. For example, Japan commands international reputation due to its high quality products in the export markets.

**5) Employment Opportunities –**

Export trade calls for more production. More production opens the doors for more employment. Opportunities, not only in export sector but also in allied sector like banking, insurance etc.

**6) Promoting economic development –**

Exports are needed for promoting economic and industrial development. The business grows rapidly if it has access to international markets. Large-sole exports bring rapid economic development of a nation.

**7) Optimum Utilization of Resources –**

There can be optimum use of resources. For example, the supply of oil and petroleum products in Gulf countries is in excess of home demand. So the excess production is exported, thereby making optimum use of available resources.

**8) Spread Effect –**

Because of the export industry, other sectors also expand such as banking, transport, insurance etc. and at the same time number of ancillary industries comes into existence to suppo0rt the export sector.

**9) Higher standard of Living –**

Export trade calls for more productions, which in turn increase employment opportunities. More employment means more purchasing power, as a result of which people can enjoy new and better goods, which in turn improves standard of living of the people.

**1.4.2 Need / Importance / Advantages of export marketing at Business / Firm / Enterprise Level**

**1) Reputation –**

An organization which undertakes exports can bring fame to its name not only in the export markets, but also in the home market. For example, firms like Phillips, HLL, Glaxo, Sony, coca cola, Pepsi, enjoy international reputation.

**2) Optimum Production –**

A company can export its excess production after meeting domestic demand. Thus, the production can be carried on up to the optimum production capacity. This will result in economies of large scale production.

**3) Spreading of Risk –**

A firm engaged in domestic as well as export marketing can spread its marketing risk in two parts. The loss is one part (i.e. in one area of marketing) can be compensated by the profit earned in the other part / area.

**4) Export obligation –**

Some export organization are given certain concessions and facilities only when they accept certain export obligations Large-scale exports are needed to honour such export obligations in India, units operating in the SEZs / FTZs are expected to honour such export obligations against special concessions offered to them.

**5) Improvement in organizational efficiency**

Research, training and the experience in dealing with foreign markets, enable the exporters to improve the overall organizational efficiency.

**6) Improvement in product standards**

An export firm has to maintain and improve standards in quality in order to meet international standards. As a result, the consumers in the home market as well as in the international market can enjoy better quality of goods.

**7) Liberal Imports**

Organizations exporting on a large-scale collect more foreign exchange which can be utilized for liberal import of new technology, machinery and components. This raises the competitive capacity of export organizations.

**8) Financial and non-Financial benefits**

In India, exporters can avail of a number of facilities from the government. For example, exporters can get DBK, tax exemption

etc. They also can get assistance from export promotion organizations such as EPCs IIP, etc.

**9) Higher profits –**

Exports enable a business enterprise to earn higher prices for goods. If the exporters offer quality products, they can charge higher prices than those charged in the home market and thereby raise the profit margin.

**Check your progress**

1. Define Export Marketing.
2. “Export is important for all the countries whether developed or underdeveloped.” Explain.



**1.5 DIFFERENCE BETWEEN DOMESTIC MARKETING AND EXPORT MARKETING.**

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| **Domestic / Home marketing** | | | | | | **Export / International marketing** | | |
|  | | |  |  |  |  | | |
| 1) Meaning – | | |  |  |  | International marketing covers all | | |
| Domestic |  | marketing | | | is | countries for | marketing | purpose. |
|  | It involves buying and selling | | |
| restricted to political boundaries | | | | | |
| activities at the global level. | | |
| of a country. It involves buying | | | | | |
|  |  |  |
| and selling activities within one | | | | | |  |  |  |
| country only | |  |  |  |  |  |  |  |
|  | |  |  |  |  |  | | |
| 2) Nature – | |  |  |  |  | International marketing is difficult | | |
| Domestic | marketing | | | is | easy | and complicated due to reasons | | |
| such as | use of | different |
| and simple | | due | to | several | |
| currencies, trade restrictions long | | |
| reasons | such | | as | uniform | |
| distances and absence of uniform | | |
| currency system, | | | limited | | trade |
| trade practices. | |  |
| restrictions, | | uniform | | | trade |  |
|  |  |  |
| practices | and short distances | | | | |  |  |  |
| for transport of goods. | | | |  |  |  |  |  |
|  | | |  |  |  |  | | |
| 3) Trading Blocs – | | |  |  |  | Trading blocs and tariff and non- | | |
| Absence of | | trading blocs and | | | | tariff barriers exist in international | | |
| marketing and they restrict free | | |
| tariff and |  | non-tariff | | barriers | |
|  | trade among the countries of the | | |
| provide | ample | | scope | | for |
| world. |  |  |
| expansion |  | in |  | domestic | |  |  |
|  |  |  |  |  |
| marketing activities. | | | |  |  |  |  |  |
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| 4) Licensing and procedures | | | | | | | | | | | It involves licensing, permissions | | | | | | |
| It is | | free | | from | | licensing | | | | and | and | lengthy | | procedures. | | | This |
| makes | | marketing | | operations | | |
| lengthy | | |  | procedures | | | | |  | and |
|  |  | complicated, time-consuming and | | | | | | |
| formalities. This | | | | | | brings simple | | | | |
| difficult. | |  |  |  |  |  |
| in trading operation | | | | | | | |  |  |  |  |  |  |  |  |
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| 5) environmental changes | | | | | | | | |  |  | Changes | | in the | | economic, | | |
| Changes | | | | in | the | | economic, | | | | political | | or | social | environment | | |
| create far-reaching effects on | | | | | | |
| political | | | or social | | | | environment | | | |
| international marketing scenario | | | | | | |
| create | | | limited | | |  | effects | |  | on |
|  |  |  |  |  |  |  |  |  |
| domestic marketing | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  | | | | |  |  |  |  |  |  |  | | | | | | |
| 6) Risk in trade | | | | |  |  |  |  |  |  | The risk involves is heavy due to | | | | | | |
| The risk involves is limited due | | | | | | | | | | | vast | area of operations, highly | | | | | |
| sensitive nature of markets and | | | | | | |
| to | limited | | | area | | of | operations, | | | |
| political factors. | | | |  |  |  |
| political | | | stability | | | and | | uniform | | |  |  |  |
|  |  |  |  |  |  |  |
| rules and laws | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | | | |  |  |  |  |  |  | | | | | | |
| 7) Competition – | | | | | |  |  |  |  |  | It is highly competitive as different | | | | | | |
| It is not highly competitive. The | | | | | | | | | | | countries involved are in different | | | | | | |
| stages of economic and industrial | | | | | | |
| scope | |  | for | | competition | | | | | is |
|  | growth. | |  |  |  |  |  |
| restricted | | | | due | |  | to | uniform | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| business environment | | | | | | | |  |  |  |  |  |  |  |  |  |  |
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| 8) Government Interference – | | | | | | | | | | | Maximum | | | interference | | | is |
| Least | |  | interference | | | | | in |  | the | observed | |  | in | international | | |
|  |  | marketing activities. | | | |  |  |  |
| domestic marketing activities. | | | | | | | | | | |  |  |  |
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| 9) Division – | | | | |  |  |  |  |  |  | It has two broad divisions. | | | | | | |
| It has | | no | | division | | | as | it is | | one | Foreign | |  | marketing | |  | and |
| multinational marketing. | | | | |  |  |
| integrated marketing activity. | | | | | | | | | | |  |  |
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|  | | | | | | | | |  |  |  | | |  | |  | |
| 10) Quantities involved – | | | | | | | | |  |  | International | | | marketing | | activities | |
| Domestic | | | | marketing | | | | activities | | | are always in large quantities and | | | | | | |
| profit potentials are also more. | | | | | | |
| are |  | conducted | | | | | in |  | small | |
|  |  |  |  |  |  |  |  |  |
| quantities | | | | with | | limited | | | profit | |  |  |  |  |  |  |  |
| potentials. | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | | |  |  |  |  |  |  |  |  | |  | |  | |
| 11) Incentives | | | | |  |  |  |  |  |  | In | export | | marketing, | | special | |
| In | home | | | marketing, | | | | special | | | incentives, | | | facilities | |  | and |
| concessions | | | are | offered | | to |
| concessions, | | | | | facilities | | | |  | and |
|  | manufacturers of export oriented | | | | | | |
| incentives | | | | are | | normally | | |  | not |
|  | goods and exporters. | | | |  |  |  |
| offered | | |  | to |  | traders | | |  | and |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| manufacturers. | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 12) Agencies Involved – | | |  | Agencies | in | export | | marketing | | |
| Agencies | involved in | | home | include manufacturer – exporters, | | | | | | |
| merchant |  | exporters, | | | export | |
| marketing include wholesalers, | | | |  |
| houses and trading houses. | | | | | |  |
| retailers | and | other trading | |  |
|  |  |  |  |  |  |  |
| organizations. | |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  |  | | | |
| 13) Method of payment – | | |  | Payment |  | in | international | | | |
| In domestic marketing payment | | | | marketing | is | through | | | letter | of |
| credit and | documentary bills | | | | | of |
| is through cash or cheque | | | |
| exchange. |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | |  |  |  | |
| 14) Use of currency | | |  | It involves | the | | use | of | multiple | |
| It involves the use of one | | | | currencies particularly US $. | | | | | |  |
|  |  |  |  |  |  |  |
| currency. For | | example | Rupee |  |  |  |  |  |  |  |
| in India. |  |  |  |  |  |  |  |  |  |  |
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**1.6 MOTIVATIONS FOR EXPORT MARKETING**

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Companies have to take several decisions to participate in export marketing. There are same basic economic reasons which influence a company decision regarding participation in export business. Such reasons can be treated as motivators for export marketing. These motivational factors for export marketing are as follows.

**a) Rate of profit –**

The rate of profit in export business is normally higher as compare to rate of profit in domestic marketing. The unit value realization of export products normally increases. Such progressive improvement in the unit value of realization is one reason which acts as a motivator for exporting.

**b) Sales and production stability –**

Export marketing may enable a firm to maintain sales and production stability. For example, in the case of seasonal products, exporting may help to achieve sales stability, because the seasons may be opposite in certain export markets. For example woolen clothing.

**c) Inadequate domestic demand –**

The level of domestic demand may be insufficient for utilizing the available production capacity fall, i.e. at the optimum level. Here, the company enters in export marketing so that the available production capacity will be utilized fully for meeting domestic demand and demand from abroad. This is one motivational factor for export marketing.

**d) Economic growth –**

Growth is another major reason for internationalization. The growth potential of many foreign markets is a very strong attraction for foreign companies. Several developing countries, like China, and India, have been growing at a much faster rate than the developed countries. Many multinational companies are eager to establish their foothold in such countries, considering future potential.

**e) Reducing business risks –**

Geographical diversification facilitates distribution of business risks among different export markets. Even the risks in internal marketing can be reduced by undertaking export marketing. A diversified business spreads business risks among different markets.

**f) Information and media Revolution –**

There has been tremendous growth in the field of information and media. For example, internet facility has given a big boost to a global trade. Now, business firms can conduct global operations with much investment in setting up elaborate offices. Business activities in other countries can be conducted through information network.

**g) Strategic vision –**

Some firms have a strategic vision to enter in export markets. The business strategy of such firms includes systematic international growth. Therefore, the stimulus for export marketing comes from desire to grow and expand, need to become more competitive.

**h) Accepting social responsibility –**

Export promotion is a collective responsibility of all social groups including business enterprises. Some large enterprises accept this social obligation and participate in export marketing. Here, social responsibility acts as a motivation for export marketing.

**i) Government policies –**

Government policies and Regulations may also encourage the companies for international marketing. Some companies export and invest in foreign countries to avail economic incentives, and benefits provided by the government. Also some companies internationalize due to government‟s emphasis on import development and foreign investment. In India, certain companies export in order to fulfill their export obligation.

**j) W. T. O.**

Due to WTO, member nations have reduced a number of restrictions on foreign investment, and trade in goods and services. For example, the custom duties have been reduced world wide. This has motivated business firms to enter in the global markets to a greater extent.

**k) Benefit of bulk selling –**

Export business is normally in bulk quantity. Export orders are much larger as compared to orders in domestic marketing. Export business is undertaken in order to take the benefits of selling in bulk i.e. in large quantities. It helps to earn foreign exchange in large.

In brief, export marketing offers many benefits to exporting organization. Such benefits encourage companies to participate in export marketing. The benefits also act as motivators for export marketing.



**1.7 PRESENT PROBLEMS / DIFFICULTIES FACED BY INDIAN EXPORTERS**

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At present, Indian exporters face a number of problems / difficulties. The problem demotivates the business firms to enter into foreign markets. These problem / difficulties are as follows.

**a) Recession in world market**

The world market, faced recession in 2008 and in the first half of 2009. The recession was triggered due to sub-prime crisis of USA in September 2007. Due to recession, the demand for several Indian items such as Gems and Jewellery, Textiles and Clothing and other items were badly hit. During recession, exporters get low orders from overseas markets, and they have to quote lower prices. Therefore, exporter gets law profits or suffers from losses.

**b) Technological differences**

The developed countries are equipped with sophisticated technologies capable of transforming raw materials into finished goods on a large scale. Less developed countries, on the other hand, lack technical knowledge and latest equipments. And therefore they have to use their old and outdated technologies. It leads to the lopsided development in the international market.

**c) Reduction in export Incentives –**

Over the years, the Govt. of India has reduced export incentives such as reduction in DBK rates, withdrawal of income tax benefits for majority of exporters, etc. The reduction in export incentives demotivates exporters to export in the overseas markets.

**d) Several competitions in global marketing –**

Export marketing is highly competitive. This competition relates to price, quality, production cost and sales promotion techniques used. Indian exporters face three-faced competition while exporting. This includes competition from domestic exporters, local producers where the goods are being exported and finally from producers of competing countries at global level. Such competition is one special problem to the exporters.

**e) Problem of product standards –**

Developed countries insist on high product standards from developing countries like India. The products from developing countries like India are subject to product tests in the importing countries. At times, the importing countries do not allow imports of certain items like fruits, textiles and other items on the grounds of excessive toxic content. Therefore Indian exporters lose markets especially in developed countries.

**f) Fluctuations in Exchange Rate –**

Every country has its own currency which is different from international currencies. The dominant international currencies are US dollar or Sterling Pound. From the point of view of Indian exporters we are interested to realize the payment in international currency. Foreign exchange earned by the operators is converted into Indian rupees and paid to the exporters in Indian currency; this exposes the exporters to the dangers of fluctuation in foreign exchange rates.

**g) Problems of Sea Pirates Attacks –**

A major risk faced by international trade is attack by pirates in the Gulf of Aden. More than half of India‟s merchandise trade passes through the piracy infested Gulf of Aden. New exporters and importers are facing problem, because of increased pirate attacks as they find it difficult to get insurance cover.

**h) Problem of subsidies by Developed countries –**

The developed countries like USA provide huge subsidies to their exporters. For example, in case of agriculture exporters, USA, UK and other provide huge subsidies to their exporters. Therefore, the exporters of developing countries like India find it difficult to face competition in the world markets.

**i) Problem in preparing Documents –**

Export involves a large number of documents. The exporter will have to arrange export documents required in his country and also all the documents as mentioned in the documentary letter of credit. In India, there are as many as 25 documents (16 commercial and a regulatory documents) to be filled in.

**j) Government restrictions and foreign exchange regulations –**

The Government restrictions compel the exporters to follow certain rules and regulations in the form of licenses, quotas, and customs formalities. Due to such restrictions, new problems develop before the exporters. Even trade restrictions in foreign countries create problems before exporters. Indian exporters face this difficulty of government restrictions and foreign exchange regulations even when trade policy is now made substantially liberal.

**k) High risk and Uncertainties –**

Export marketing is subject to high risks and uncertainties. The risks may be both political and commercial. Political risks involve government instability, war, civil disturbances, etc. The commercial risks involve insolvency of the buyer, protracted default on the part of the buyer dispute on quality and so on.

**l) Competition from China**

India is facing stiff competition from China in the world markets, especially in the OECD markets. As a result, India‟s share of export of OECD markets has declined from 53% of total exports in 2000-01 to about 38% in 2007-08. Some of the Indian exporters have lost their overseas contracts due to cheap Chinese goods and supplies. This is the major problem of exporters.