

EXPORT MARKETING AND FINANCE

WEEK 1 OVERVIEW OF EXPORT MARKETING AND FINANCE

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1.1 Introduction

Welcome to export marketing and finance class! It is my joy to have you in this class. Export marketing is the new trend gaining great significance especially in developing countries. Governments and private sector are turning to export business for survival in the era of information technology and globalization and in a world characterized by stiff competition in business world. Export go hand in hand with importation and in this course, we will focus on export marketing strategies. In this first lesson we will define export marketing, discuss its characteristics and the benefits of engaging in it. Welcome on board and I hope the course will be exciting.

1.2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

1. Define export marketing.
2. Discuss feature of export marketing
3. Analyze functions of export marketing
4. Discuss the importance of export marketing.
5. Evaluate special problems in export marketing.
6. Examine characteristics of export marketing executives

1.2 What is export marketing?

Export marketing is a branch of international marketing that focuses on the movement of goods and services from one country to another. Various definitions of export marketing have been advanced. For instance Rathor (2015) defined 'export marketing as one that includes the management of marketing activities for products, which cross the national boundaries of a country while Cateora and Hess (1975) holds that 'export marketing is the performance of business activities that direct the flow of company's goods and services to the consumers or users in more than one nation.. Similarly, Acharya (2009) leads to conclusion that export marketing is the process of exchanging goods and services between the residents of one country to the residents of another country. From these definitions we can conclude that export marketing is about:

- a) Marketing of goods and services
- b) Goods and services are exchanged between countries/nations.
- c) Process well organized and managed
- d) Export may be carried out by companies and even governments.

1.3 Features of export marketing

Before we embark on core issues of export marketing, it is important that we discuss features and characteristics of export marketing. Acharya (2009) has outlined lengthy procedures, large-scale operations, dominances of MNCs and TNCs from developed countries, trade barriers, trade blocs,

importance of advanced technology, foreign exchange regulations, three-faced competition and involvement of international organizations as key characteristics of export marketing. Each of these characteristics is briefly discussed.

Export marketing is characterized by lengthy procedures that involve packaging, shipping, registration and realization of sales proceeds and incentives all of which may be attributed to government regulations and procedures. As an export marketer we need to familiarize with these procedures to be able to perform our tasks effectively. In many instances export marketing requires large scale operations because of economies of scale to be realized. Small scale operations are often not viable because of huge costs involved. Small scale business may not have financial and even personnel required to carry out export business.

Though small-scale business in developing countries are make headway in export markets, generally the field is dominated by multinational and transnational companies especially from developed world. In Kenya for instance, majority of cars in the roads are from Japanese multinational such as Toyota or Nissan. Electronic items are from firms such as Samsung and LG who are global players. Export marketing is also face by many trade barriers. These barriers consist of what is called tariff and non-tariff barriers. Tariff barriers are put in place by governments to protects interests of their citizens and business while non-tariff barriers are due to environmental constraints. Presence of trade blocks is the other feature of export marketing. In Kenyan market the activities of trading blocks such as East African community, COMESA, African union and world trade organization impact heavily on activities of export marketing.

The development of advanced technology has also greatly influenced export marketing. On one side communication technologies have eased the export procedures making it easier for many small firms to participate in export marketing. on the other hand, advanced technology have open floodgates of competition making it difficult for many business to survive. The export marketer therefore cannot ignore the role of technology as it is a major determinant of his success or failure. The payment of export proceeding is often done by major world currencies such as Euro, Dollar, Sterling pound among others. These currencies are regulated not only by market forces but also by their governments and the export must keep on determining exchange rates and how that affects his business.

1.4 Benefits of export marketing

There are many benefits that accrues to a company and the host country due to export marketing. In many cases governments will encourage export marketing and even offer incentives to companies so that they can engage in export marketing. We will summarize these in a Table 1.1

Table 1.1 Benefits of export marketing

Benefit	Explanation
Balance of payment	Improves countries balance of payment making the country's economy more stable
Foreign exchange reserves	The country can earn foreign exchange through export business which enable it to facilitate import of goods and services
Financing Development Plans	Nations can finance their development plans through resources earned from foreign markets thereby improving their citizens welfare.

Employment opportunities	When firms engage in export business, they increase their production capacity which ultimately leads to increase in employment opportunities for citizens of the country
Optimum Utilization of Resources	Many firms usually have higher installed capacity than the domestic market would demand. Export markets creates room for disposal of extra products making the production facility more efficient.
Increase in National and Per-capita Income	Increase in per capita income implies that the citizens of a country are wealthier. This often gives the country a better standing on international rating and can easily access international funding for development.
International peace	Export marketing brings peoples and governments together for transactions. This fosters international peace as no trade can be carried out in times of war.
Research and development	A lot of collaboration usually takes place between exporting firms and their markets. This shows need for research which eventually results in better products and services.
Profit Advantage	Firms that engage in export marketing often make higher sales which results in higher profits for them
Goodwill and Reputation	Firms in the export business will often develop good will and reputation from their customers and governments. This gives them advantage in introducing new products or services in the international markets.
Spreading risk	All businesses must address risks that may affect their wellbeing. One of the risk mitigation strategies is spreading it across markets. Export marketing provides this opportunity.
Improves Organizational Efficiency	The mere fact that the export marketing firm will be competing in a global arena makes it realize that it has to do everything to become an effective firm
Financial benefits and incentives	The firm will often get financial benefits and incentives from the government due to its involvement in export business. The firm might be exempted from certain taxes if it operates in export promotion zones.
Government Policies and Regulations	In some countries like India, the government have policies that requires all firms to internationalize hence export marketing helps them to comply with this requirement.

Adopted from Acharya (2009) and Branch (2006)

1.5 Functions of export department

Many businesses will establish an export department to take care of their interests in dealing with foreign markets. The department may be under export marketing director or may be set as a

strategic business unit with a complete set of management personnel. In this section we discuss the task performed by such a department or a strategic business unit.

Export Marketing Research: the first and the most important task is conducting marketing research. This research is done to identify viable markets and determine the most appropriate offerings to such markets. The research may be done by the department staff or it may hire services from research firms in the host country. Search information will guide the firm in making appropriate export strategy for the firm.

Research and Development: it is not enough to determine what foreign customers want without developing products to meet those needs. This is why the export department is charged with responsibility of ensuring that the research and development team goes ahead and develop products with specification set for different markets. This ensures the firm will have a competitive advantage

Export Financing: fiancé of export business is a huge responsibility of export marketing department. The marketer will have to determine the most viable sources of business credit with most flexible payment period. Financial institution may be hesitant in giving credit especially to new exporters hence the need to be negotiate and find acceptance by the financial institutions.

Export Production: once credit has been secured the export firm will then arrange for production. Sometimes because of the large volumes of exports the firm has to have well stipulated delivery schedules and sometimes look for capacity elsewhere to meet the demands. The production and marketing teams need to work in synch to ensure timely delivery of the products.

Export Packaging: exporting often involves long distance movement of goods to where customers are. This may require specials packaging depending on where the goods are being taken. Consideration of products perishability and delicacy are important factors in this matter as well as the modes of transport to be used. Other important functions carried out by this department include determining export pricing strategy, ensuring adherence to export procedures and taking advantage of export incentives and assistance offered by the state as well as adhering to foreign trade policy.

1.6 Special problems in export marketing

Export marketing is an international business with special problems due to the difference in environment in which the business is carried out. These problems pose certain threat to success of export business and the business marketer needs to be aware of these issues and how to deal with them. First the long distance that goods have to be moved to require the marketer to pay special attention on packaging and meeting regulatory requirements. The modes of transport will also have to be determine and be cost-effective to ensure success of export marketing. The long-distance fact will therefore become an issue of strategic importance to the export marketer. The second problem is the high risk and uncertainties that the marketer will have to deal with. These may arise from dealing with unknown customers in foreign lands where laws governing business conduct could be different from what happens in your own land. Export businesses is considered very risky because of state interference and Changing of regulations all which may not favor the export marketer. Table 1.2 summarizes risks faced by export marketer.

Table 1.2 Risks faced by export marketers.

Risk	Explanation
Payment duration	Long period before payment are made
Currency fluctuations	Problems arising from fluctuation interest rates, exchange rates, economic & trade cycles.
Trade barriers	Manipulation of trade barriers to favor some companies
General crimes	Increase in corruption, crime, expropriation and fraud and terrorism and diseases
Skills requirement	New skills required in handling cash and funds management procedures
Product launch	High cost of launching a product in a foreign market.
Nation's alignment	Changing global nations alignments with emergence of BRICKS and other groupings
Climate change	Climate change and its impact on packaging demands and quality of goods

Adopted from Branch (2006)

The third problem is complying customs formalities. These will include the many documentations to be done and payment of several export and import taxes all of which makes the business very cumbersome. In Kenya for instance if you are to export flowers to European market, there are very many bodies that will have to stamp your goods. Some are in importing countries or their agents while others are set up by the government making it extra hard to participate in export business especially if you are newcomer. The fourth special problem related to export marketing is erected trade barriers by the government and trading blocks these could be tariff or non-tariff barriers which make the export of products more expensive and sometimes gives competing firms competitive advantages.

Other special problems include payment difficulties as the customers may be in different financial institutions some of which may be operating locally only, stringent rule put by government institution on funds transfer from one country especially in the day of money laundering as well as dealing with diverse languages, customs and tradition in diverse export markets. These challenges will require the business marketer to be highly knowledgeable and will address them to survive in export markets.

1.7 Essential qualities for export marketers

Export marketing is often carried out through department or strategic business units. These sections of the firm are headed by export marketing directors, export marketing managers and shipping managers depending on the size of exporting firm. If the firm has a export marketing director, he is charged with responsibility of developing overall export strategy and also supervising other export managers. The export marketing managers receives inquiry ascertains its feasibility and whether it complies with set standards, ascertains dispatch dates and modes,

receives order from customers and ascertains it's in line with the quotation, ensure the quotation is sent to production on time and follows up to ensure order is delivered as expected. The export marketing manager liaises with trade associations, develops marketing and sales plan appoint agencies to work with, budget formulation and export marketing research among other functions. On the other hand, the shipping manager links with export sales, ensuring the order complies with import /export controls, issues instructions on packaging and marking, charters or books shipping space, draws up all necessary documents and later collating and cross-checking all documents after shipment as well as passing documents to accounts department for collection of payments (Branch 2006).

To carry out these tasks effective, these managers require to have certain skills and qualifications. First they need to have formal education probably to a degree or diploma level as the work involves a lot of technicalities and procedures that keep on changing. The second essential quality is professional knowledge in a particular field in which they are dealing with. For example, if one is exporting drugs, knowledge in pharmacy and medicine is essential for success of this form of business. The specialized knowledge will support customers in addressing any queries and this is significant for success of export marketing. These marketers will also be required to have managerial capabilities as they will be dealing with diverse players in export chain system.

Apart from essential qualities, export managers need to have certain characteristics that makes them resilient and successful in their work. They need to be very orderly as the work involves a lot of procedures and documentations. They need to be courteous and respectful as they will be dealing with diverse personalities from different parts of the world. They should also be flexible and adaptive to different cultures to market their goods anywhere without being limited by their own traditions and customs. They should also be people who can make sound judgements, have self-confidence and also demonstrate leadership in their interactions with the different players (Acharya 2009).

1.8 Review Questions

1. Define export marketing
2. How would you determine whether you are fit for export marketing job
3. Give a job description and specification for an export manager
4. Discuss major risks faced by export marketer and suggest mitigation strategies
5. Reflection on the cope and magnitude of export marketing as a course.

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