

EXPORT MARKETING AND FINANCE

WEEK 3 DEVELOPING EXPORT MARKETING STRATEGY

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3.1 Introduction

Welcome to lecture three on developing export marketing strategy. It is my pleasure to have you in this class! After conducting export marketing research, determining the appropriate market to enter and the products to take to those customers abroad, the next step is developing an export marketing strategy. In this lesson we will examine the process of strategy development implementation and evaluation. We will further delve into challenges of strategy development and how to ensure the strategy works.

3.2 Intended Learning Outcomes

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

1. Describe export marketing strategy.
2. Explain the export marketing planning process
3. Discuss export marketing strategy development process
4. Evaluate entry modes in export marketing
5. Examine obstacles to export marketing

3.3 Description of export marketing strategy

An export marketing strategy will constitute a series of plans and activities used by a marketer in exporting his goods and services to other countries. More specifically export marketing strategy will constitute goals, programs, and organizations the firms wish to engage in export business (Albaum, 2016).

- Goal. These are objectives which the firm wishes to achieve, and which will serve as criteria for assessment of progress. Exporting firms will have many kinds of objectives depending on the identified markets.
- Program. This involves developing the marketing mix at both strategic and tactical levels.
- Organization: this implies bringing together the plan and resources required to make the plan work. The issue of appropriate structure comes into play when this is being implemented.

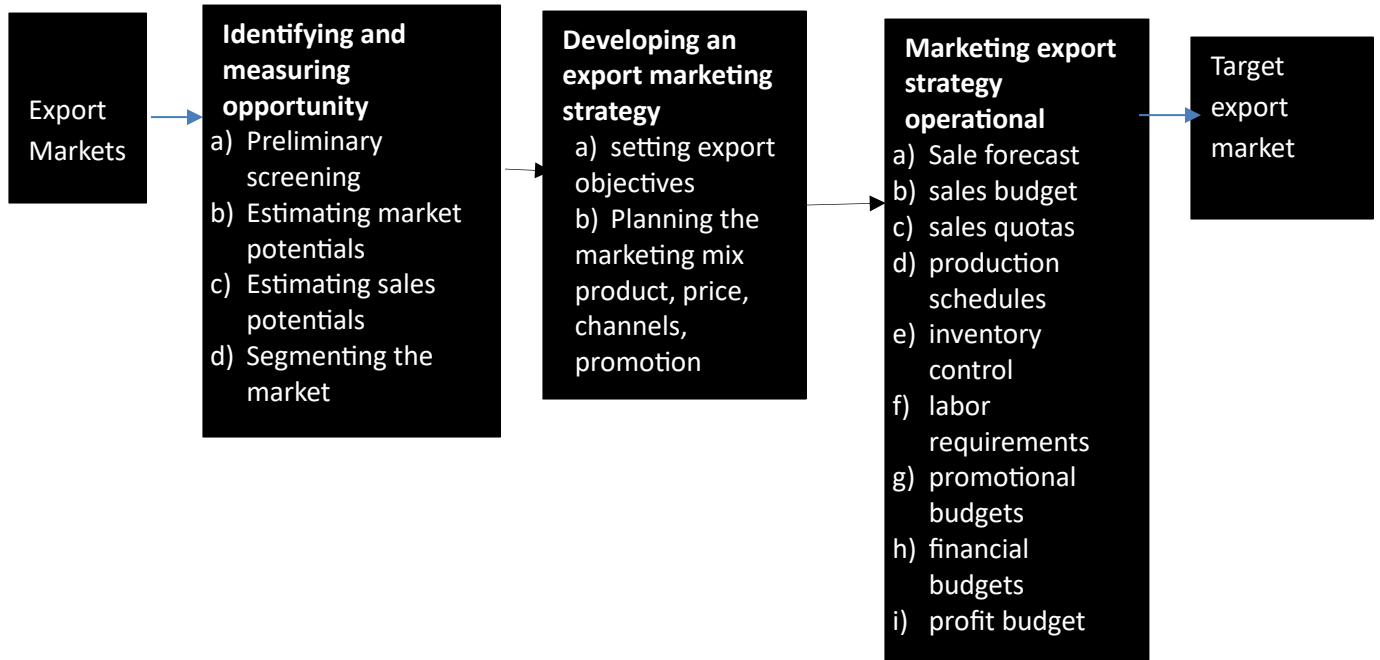
Strategy is especially important in overcoming trade barriers and enabling the firm to expand and reach its current and potential customer in other countries. Strategy forms the basis upon which a firm can determine its performance and if there are gaps the corrective measures to be taken. Strategy is also significant in allocation of resources and in giving the firm overall direction so that all efforts may be put towards the same. Strategy helps the firm to identify its strengths and weaknesses and choose how to address the environmental challenges that an exporting firm may face.

There are several approached in developing an appropriate strategy that the firm may ride on to meets its objective. In the next section we evaluate the process of developing a strategy

3.4 Export marketing planning process

Export marketing planning process may be depicted through a diagram as in figure 3.1 below.

Fig 3.1 Export Marketing planning process



Adopted from: Albaum G., Duerr E. & Josiassen A (2016), International Marketing and Export Management

1. Identifying and measuring opportunity

The first step in export marketing strategy involves identifying and measuring opportunities in export markets. The marketer will conduct marketing research to be able to determine the most viable segments and leave out the ones with the least potential. Preliminary screening may involve sending salespeople to those markets just to have a feel for the market or even conduct desk-top research. Once the marketer is convinced that there is real potential in the market, he may now do formal research to estimate market potential or the total number of people who may use the product now and in future. It is not everyone who may wish to use the marketer's product that may have the ability to buy hence the need to estimate sales potential. Determination of sales potential in different markets leads to segmentation of the markets and the marketer will choose the most viable segments that have the highest potential of growth and focus on them.

2. Developing an export marketing strategy

This is the second step in strategy planning and development whereby the marketer focuses on two issues in strategy development. First the marketer sets export marketing objectives. These must be

aligned with the firm's overall marketing strategy. The objectives could focus on market development, market growth, market concentration or whatever the overall strategy of the firm is. The objectives give a specific estimate of what the firm expects to achieve within a given period. The second consideration is determining the necessary changes to be made in the marketing mix variable to suit the identifying market segment. The marketer may have to market standardized product or may have to do product adaptation. He also has to customize the promotion strategies as well as determine appropriate prices for different products or services. The issues of distribution will be decided where the marketer may use existing channels or set up new ones. By studying every segment of the market, the marketer will develop the most feasible marketing mix that enables him to realize his marketing objectives.

3. Marketing export strategy operational

The third step in the marketing planning process is making the export strategy operational. In this case the marketer will have to make accurate Sale forecast and accompanying sales budget. Similarly, he will have to recruit the appropriate number of salespeople and set sales quotas. To ensure an adequate supply of resources the marketer will work with the production department to ensure production schedules are adhered to and that there are sufficient inventory controls. Making the strategy operational will also require the export marketer to meet labor requirements, set promotional budgets, financial budgets as well as expected profits.

3.5 Export marketing expansion strategy

Once the firm has identified an export market with potential growth, starts exporting, it may go a little further and develop an export expansion strategy. This is a strategy that may enable the firm to realize its full potential in that segment. The expansion strategy will involve the following steps.

1. Set up expansion program: this will require the firm to come up with export team, appoint team leader to guide the project. The team will be assigned the appropriate tasks and resources as well as goals to be achieved within specified time.
2. identify firms' products with highest export potential: not all firms products will do well in different export markets. The firm must identify products preferred in different markets and customize them so that they can be absorbed easily. Selections of export promotion organizations must also be done to ensure awareness of the products is created in those markets.
3. Determine entry modes into selected markets: The firm must then determine the best entry modes into the selected markets. The topic on entry modes will be discussed in the next sub-topic. However, understanding competitor offering will be essential to enable the marketer to position himself appropriately in the market. The marketer must present a more competitive mix to enable him to succeed in his endeavor.
4. Set an export organization: an organizational structure that will allow a firm to operate export business effectively is critical for the success of this business strategy. The marketer must compare

different structures such as functional, regional, product and even matrix structure and select the one that would increase profits and minimize costs. Upon selection of structure, the marketer must hire the right people, train them, and develop appropriate policies to support export business. He must secure necessary approvals and also develop communication strategies both inside and outside organization for the business to thrive.

5. Develop a distribution network: export marketing requires the marketer to find appropriate middlemen to support his activities in foreign markets. There are thousands of distributors in importing countries especially for consumer products. The marketer must decide in advance the criteria for selecting distributors as they have the potential of making or breaking a business. He must determine their resource capabilities, agree terms, and sign distribution contracts.

6. Commence exporting: this is the stage in which the marketer prepares his first consignment of goods and sends them to foreign markets. All export documentation process must be followed, and customs duties paid. Payment modes will be agreed upon and all inspections of goods by both the importer and exporter agents are carried out.

7. Monitoring and evaluation: the export marketer must monitor the market reaction quickly especially in the initial stages and take any corrective measures soonest. This will ensure that the product finds acceptance in the market and that distributors are doing a good job in promoting the product.

3.6 Export markets entry modes

Export marketing is a complex business strategy that requires the marketer to determine the appropriate modes to enter different markets. One mode may favor one market while another favors a different market yet the same products. There are two major modes of entering into a foreign market: direct entry and indirect entry mode. In this section we examine indirect entry modes into export markets

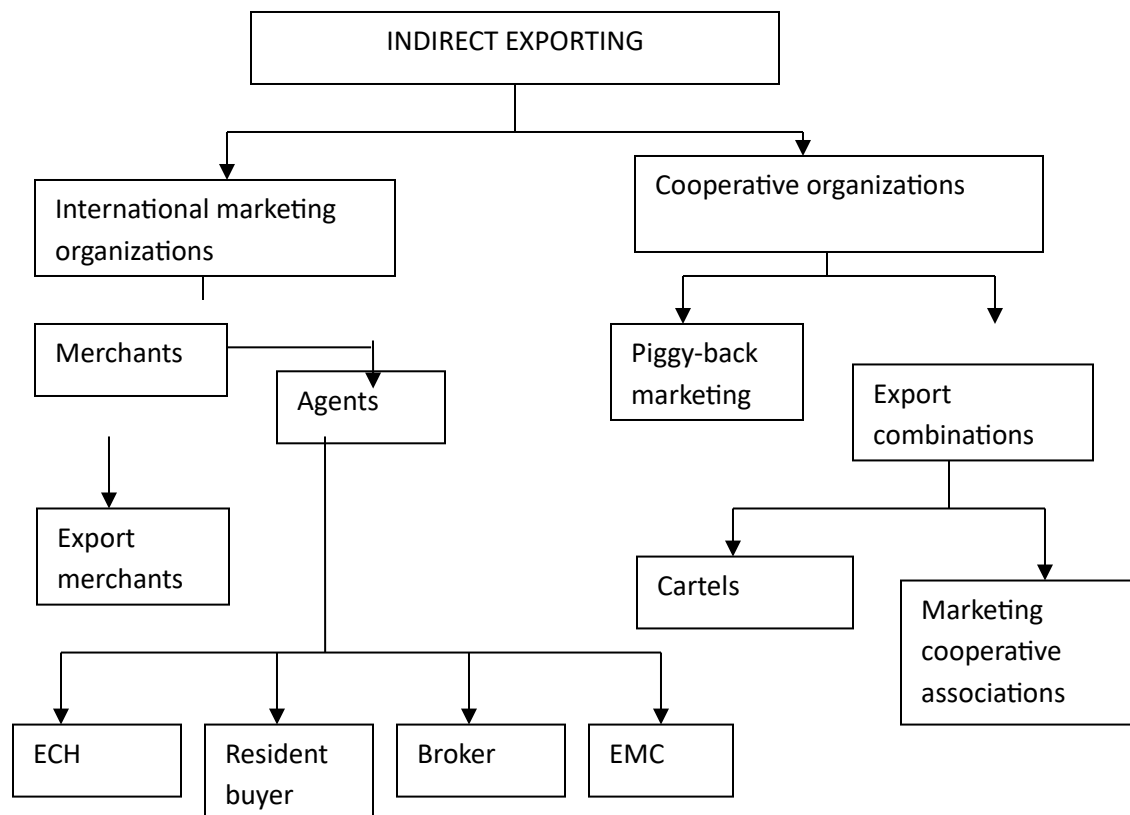
a) Indirect entry mode: this occurs when the exporting manufacturer uses independent organizations located in the producer's country. There are two broad alternatives available to the manufacturer wanting to export indirectly: using international marketing organizations or exporting through a cooperative organization. This mode is summarized in figure 3.2. From this figure the firm may decide to work with international marketing organizations who constitute export merchants' agents.

- Export merchants: - The domestic-based export merchant company buys and sells on its own account. It is generally engaged in both exporting and importing; thus, it operates in a manner like a regular domestic wholesaler.
- Agents: agents could be in either the exporting or importing country. There are various kinds of agents:
 - i. Export commission house (ECH): The ECH (export buying agent) is a representative of foreign buyers who reside in the exporter's home country.

As such, this type of agent is essentially the overseas customer's hired purchasing agent in an exporter's domestic market, operating based on orders.

- ii. Resident buyer: They operate in the same way as ECH. They rep all types of overseas buyers' home domiciled (located) in the exporter's home market. permanently" and is employed representatives of foreign buyers.
- iii. Broker: export-import broker. Whose main function is to bring a buyer and seller together.
- iv. Export Management Company: An EMC is an international sales specialist who functions as an exclusive export department for several allied but not competing manufacturers

Figure 3.2 Indirect entry mode



Adopted from: Albaum G., Duerr E. & Josiassen A (2016), International Marketing and Export Management

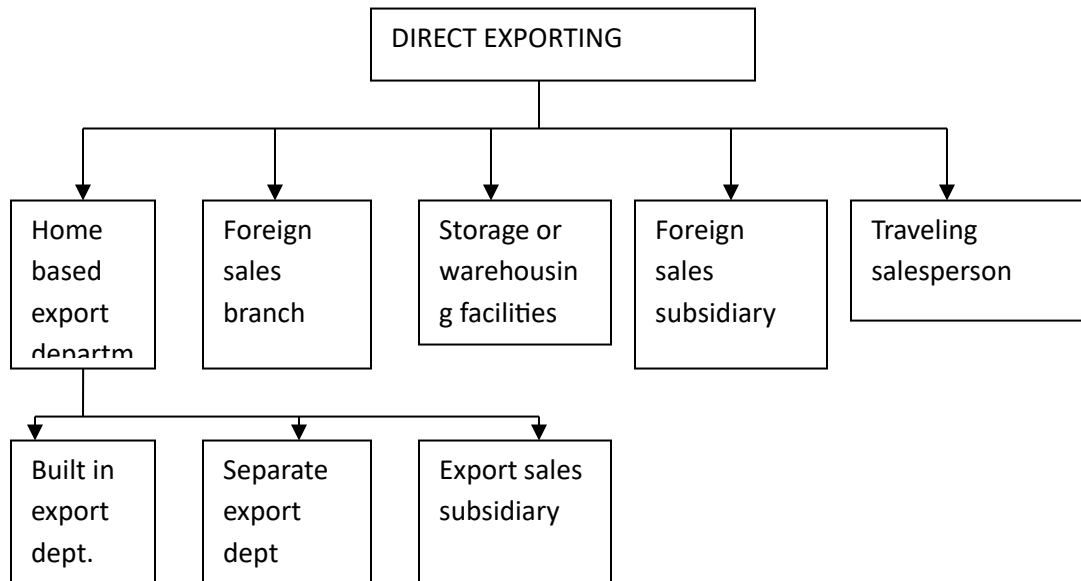
The exporter may also work through cooperative organizations to achieve his marketing objectives. Cooperatives organizations may be classified as piggy-back marketing or export combinations (Abaum, 2016).

- Piggy-back marketing: - occurs when one manufacturer (the carriers) uses its foreign distribution facilities to sell another company's (the "supplier") products alongside its own.
- Export combinations: - Export combination is defined as formal association of independent and competitive business firms with membership being voluntary organized for purposes of selling to foreign markets. (Albaum, 2016). These may take two different forms.
 - i. Marketing cooperatives: Mainly formed by small scale farmers to help in securing markets for their products. In Kenya, thousands of cooperatives have been formed for purpose of exporting agricultural products.
 - ii. Export cartels: occurs when two or more independent business in the same or affiliated fields of economic activity join together for the purpose of exerting control over the market Albaum, 2016). It is a voluntary association of producers of a commodity or product organized for the purpose of coordinated marketing and which is aimed at stabilizing or increasing the members' profits . A cartel may engage in price-fixing, restriction of production, and division of marketing territories, and centralization of sales or pooling of profits.

b) Direct export entry mode

Direct export occurs when a manufacturer or exporter sells directly to an importer or buyer located in a foreign market area The export marketer, may engage with the market through various direct modes as discussed by Albaum (2016) . figure 3.2 is a summary of various direct entry modes

Figure 3.2 Direct export mode



Adopted from: Albaum G., Duerr E. & Josiassen A (2016), International Marketing and Export Management

- i) Home based export department: This is establishment of export department or division in the home country and may take different forms such built-in export department separate or self-contained export department and export sales subsidiary.
- ii) Foreign sales branch: handles all of the sales distribution and promotional work throughout a designated market area and sells primarily to marketing organizations (i.e. wholesalers and dealers) or, under certain conditions, to industrial users.
- iii) Storage or warehousing facilities: this is established a manufacturer want to maintain an inventory in foreign markets, a storage or warehousing branch and may be part of a sales branch.
- iv) Traveling salesperson: A traveling export sales person is one who resides in one country, often the home country of the employer, and travels abroad to perform the sales duties.
- v) Foreign sales subsidiary : variation of the home country based export sales subsidiary. Enjoys greater autonomy and has also greater responsibilities.

Review questions

1. Briefly describe steps followed in developing an export marketing strategy.
2. Discuss the process you would follow in expanding your export marketing strategy.
3. Highlight various indirect export modes used by firms in your country.
4. Critically evaluate direct export entry modes used by firms in your country.
5. Critically examine barrier to export marketing and propose solutions.

References

- Albaum G., Duerr E. & Josiassen A (2016), International Marketing and Export Management Pearson education limited pg 28-35, 271-406
- Shoham, A. and Albaum, G. (1995). Reducing the impact of barriers to exporting: a managerial perspective. *Journal of International Marketing*, 3(4), 85–105.