

EXPORT MARKETING



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Chapter 1

INTRODUCTION TO EXPORT MARKETING

Export Marketing refers to the application of marketing principles in more than one nation, across national borders. It involves establishing production facilities overseas and coordinating marketing strategies across the world.

It involves business activities that directs the flow of goods or services to consumers or users in more than one nation in order to achieve organizational objectives.

Concepts:

- ▶ CONCEPT AND FEATURES
- ▶ IMPORTANCE OF EXPORT MARKETING
- ▶ DOMESTIC MARKETING v/s EXPORT MARKETING
- ▶ FACTORS INFLUENCING EXPORT MARKETING
- ▶ RISKS INVOLVED IN EXPORT MARKETING
- ▶ PROBLEMS OF INDIA'S EXPORT SECTOR
- ▶ MAJOR MERCHANDISE(COMMODITIES) EXPORTS OF INDIA
- ▶ REGION-WISE INDIA'S EXPORT TRADE
- ▶ SERVICES EXPORTS OF INDIA

CONCEPT AND FEATURES

DEFINITIONS

- ▶ According to **B. S. Rathor**, “Export Marketing includes the management of marketing activities for products which cross the national boundaries of a country”.
- ▶ According to **R.L. Cramer**, “Export Marketing involves export business with individuals, firms, organizations and/or government entities in other countries”.
- ▶ Export Marketing can thus be defined as, “A systematic process of designing and delivering products to satisfy overseas customers and to achieve objectives of an organization”

FEATURES

1. Systematic Process
2. Large Scale Operation
3. Customer Focus
4. Dominance Of Multinational Corporations
5. Trade Barriers
6. Trading Blocs
7. Documentation
8. Three Faced Competition
9. Foreign Exchange Regulation
10. Marketing-mix
11. International Marketing Research
12. Spreading Of Risks

1. Systematic Process

- ▶ Export marketing is a systematic process of production and distribution of goods and services in overseas markets.
- ▶ Activities such as marketing research, product design, branding, packaging, pricing, promotion, etc. are to be undertaken.

2. Large Scale Operations

- ▶ Emphasis is placed on large orders in order to obtain economies of large scale production and distribution of goods.
- ▶ This enables the exporter to quote competitive prices in the overseas markets.

3. Customer Focus

- ▶ The products should be developed as per the needs and requirements of the overseas customers.
- ▶ This will generate customer satisfaction thereby leading to increase in sales.

4. Dominance of MNC's

- ▶ Export marketing is dominated by MNCs or large corporations.
- ▶ At present MNCs from USA, Europe and Japan play a dominant role in foreign trade.

5. Trade Barriers

- ▶ Export trade is subject to trade barriers – tariff and non-tariff barriers. The trade barriers restrict the free movement of goods between countries.



6. Trading Blocs

- ▶ Export trade is also affected by trading blocs. Trading blocs bring in trading benefits to the member nations.
- ▶ Example: EU, NAFTA, SAARC, ASEAN are the major trading blocs.

7. Documentation

The documents include:

- ▶ Shipping Bill
- ▶ Consular Invoice
- ▶ Certificate of Origin, etc.

8. Three Faced Competition

- ▶ From the other suppliers of the exporter's country.
- ▶ From the local producers of importing country, and
- ▶ From the exporters of competing nations.

9. Foreign Exchange Regulation

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



10. Marketing Mix

- ▶ Exporting the right product; at the right price; at the right place and with the right promotion. Different strategies can be adopted depending on the nature of the overseas market.

11. International Marketing Research

- ▶ Marketing research is a must in export business due to various factors, such as diversities in social, cultural, economic, and political environments of distant markets.

12. Spreading of Risk

- ▶ Catering to different overseas markets enables the exporter to spread the risk of loss.
- ▶ Profits in one market can overcome the loss from another market.

Importance of Export Marketing to the Nation

1. Employment
2. Economic Growth
3. Foreign Exchange
4. Balance of Payment
5. International Relations
6. Reputation
7. Optimum Utilization of resources
8. Higher Standard of Living

1. Employment

- ▶ An important source of full-time employment, especially in industrial regions. In recent years, exports have become more diversified with a greater reliance on service sector based exports.

2. Economic Growth.

- ▶ Exports are a component of aggregate demand (AD). Rising exports will help increase AD and cause higher economic growth. Growth in exports can also have a knock on effect to related 'service industries.'

3. Foreign Exchange

- ▶ The nation earns valuable foreign exchange on account of export marketing.
- ▶ The foreign exchange can be utilized for import of factors of production.

4. Balance of Payment

- ▶ The foreign exchange earned through export marketing helps the nation to improve its balance of payment position.
- ▶ Thus the nation can have a favorable balance of payment position .

5. International Relations

- ▶ International ties are strengthened due to overseas marketing as a result of trade talks that take place amongst nations.
- ▶ The cultural exchange between nations also flourish through trade agreements.

6. Reputation

- ▶ The exporting firm enjoys reputation in overseas market on account of continuous supply of goods and services.

7. Optimum Utilization of Resources

- ▶ The resources available in abundance can be effectively utilized by servicing the needs of overseas customers.

8. Standard of Living

- ▶ Efforts are made by the exporting firm to provide quality products at competitive prices. The customers thus enjoy better quality products at less price.
- ▶ Also, increase in employment opportunities raises the purchasing power of people.

Importance of Export Marketing to the Business Firm

1. Reputation
2. Optimum Production
3. Increase in Sales Potential
4. Increase in Profits
5. Spreading of Risk
6. Extension of Product Life Cycle
7. Economies of Scale
8. Research and Development

1. Reputation

- ▶ Exporting firms are considered to provide quality goods and services.
- ▶ The firm thus enjoys reputation not only in overseas market but also in domestic market.

2. Optimum Production

- ▶ Export marketing enables the firms to make optimum utilization of their production capacity.
- ▶ Excess produce is exported after satisfying the needs of domestic customers.

3. Increasing Sales Potential

- ▶ Exports can ensure increase in sales and sales potential in general.
- ▶ Businesses focus on discovering new opportunities to present their work abroad.

4. Increasing Profits

- ▶ Exporting products can largely contribute to increasing profits.
- ▶ This is mainly due to the foreign orders, as they are usually larger than those placed by the local buyers.

5. Spreading of Risk

- ▶ The loss in one area of marketing can be compensated can be compensated by the profits earned in the other part.

6. Extension of Product Life Cycle

- ▶ The products that are in the decline stage or become obsolete in the domestic market may have demand in the overseas market.

7. Economies of Scale

- ▶ Discount on bulk purchase of materials (economies of large scale production).
- ▶ Concession on bulk shipment (economies of large scale distribution).

8. Research and Development

- ▶ The exporting firms undertake research and development to provide quality goods and services to its customers.
- ▶ This not only benefits the customers but also bring in higher sales and profits to the firm.

Domestic Marketing v/s Export Marketing

	Domestic Marketing	Export Marketing
1. Meaning	Domestic marketing refers to marketing within the geographical boundaries of the nation.	International marketing means the activities of production, promotion, distribution, advertisement and selling are extend over the geographical limits of the country.
2. Government interference	Less government control.	Comparatively high government interference.
3. Languages & Cultures	One language and culture.	Many languages and differences in cultures.

	Domestic Marketing	Export Marketing
4. Financial Climate	Uniform financial climate.	Variety of financial climate.
5. Risk Involved	Normal risk is involved.	Higher risks of different nature are involved.
6. Payment	Payment is done using single currency.	It involves multiple currencies.
7. Product Planning and Development	Product planning and development according to domestic market.	Product planning and development according to foreign market.

	Domestic Marketing	Export Marketing
8. Market Aspect	Market is much more homogeneous and different segments.	Different or diverse markets fragmented in nature.
9. Influence of trading blocs	No influence of trading blocs.	Influenced largely by trading blocs.
10. Taxes and levies	It is subject to local taxes and duties.	It is subject to tariff and non-tariff barriers.

Factors Influencing Exporting Marketing

1. Growth and Profitability
2. Risk Diversification
3. Recovery of Research and Development Expenses
4. Excess Production Capacity
5. Free Trade Agreements(FTA)
6. Competition in Domestic Market
7. Government Assistance
8. Market Opportunities
9. Proactive Reasons
10. Sales and Production Stability

1. Growth and Profitability

- ▶ Companies turn towards foreign markets for growth, introduction of new products, to increase the customer base and thereby reap higher profits.

2. Risk Diversification

- ▶ Selling products in multiple countries reduces the firms exposure to economic as well as political instability.

3. Recovery of R&D Cost

- ▶ As the market place is spread over various countries, the exporting firm rapidly recovers its R&D costs.
- ▶ This is possible as the firms can charge higher prices in the overseas market.

4. Excess Production Capacity

- ▶ Due to factor abundance, firms enjoy excess production capacity which motivates the firms to enter overseas markets.

5. Free Trade Agreements(FTA)

- ▶ FTA provides opportunities for business firms to enter in overseas markets and take advantage of the market potential.

6. Competition in Domestic Market

- ▶ Firms enter the global markets to take benefits of the overseas market and to eliminate the problem of facing competition in domestic market.

7. Government Assistance

- ▶ Assistance in the form of incentives is provided for the firms to enter global markets.
- ▶ Example: Duty Drawback, Excise Exemption, etc.
- ▶ Benefits are also provided under the Export Promotion of Capital Goods Scheme

8. Market Opportunities

- ▶ The opportunities include demand for a firm's product in foreign markets, trends changing to favor the product in foreign markets, or the absence of competition abroad which would give the firm the first mover advantage.

9. Proactive Reasons

- ▶ Proactive means to act in advance, to anticipate something happening, and plan for the situation.
- ▶ Example: Reduction in trade barriers in overseas market.

10. Sales and Production Stability

- ▶ Export marketing enables the firm to undertake production and distribution on a continuous basis.
- ▶ This also helps to extend the product life cycle.

Risks Involved in Export Marketing

1. Commercial Risk
2. Political Risk
3. Legal Risks
4. Cargo Risk
5. Credit Risk
6. Foreign Exchange Fluctuations Risks
7. Quality Related Risks.
8. Intellectual Property Risk

1. Commercial Risks

- ▶ Lack of knowledge about the foreign markets.
- ▶ Inadaptability of the export product to change to the conditions of the foreign market requirements.
- ▶ Longer transit time.

2. Political Risks

- ▶ Changes in the party in power in the concerned countries.
- ▶ Wars between the countries.

3. Legal Risks

- ▶ Every country has its own commercial law. So, different laws prevail both in exporter and importer countries.
- ▶ Legal proceedings are complex as well as expensive. In every relationship, however cordial and long-standing may be, differences are likely to arise.

4. Cargo Risks

- ▶ Most of the goods are transported by sea. Transit risks are a common hazard for those engaged in export/import business.
- ▶ The cargo is subject to risk of storms, collisions, theft, leakage, explosion, spoilage, fire, and sea robbery.

5. Credit Risks

- ▶ Goods sold on credit are subject to credit risks on account of non-payment by the importer.
- ▶ This implies that possibilities exist that:- (a) a customer will default on payment, and/or (b) the customer's business may fail, and/or (c) there is political or economic volatility.



6. Foreign Exchange Fluctuations Risks

- ▶ Once goods are sold on credit risks arising in realizing the sale proceeds are referred as credit risks. Risk may arise due to inability of the buyers to pay on the due date.

7. Quality Related Risk

- ▶ Exports are often subjected to pre-shipment inspection.
- ▶ The exporter is always exposed to the risk of non-compliance of product standards imposed by importing nations.

8. Intellectual Property Risk

- ▶ Copyrights, patents, design, trademarks are valuable assets of a company. If the intellectual property is protected, it acts as a barrier to the competitor.

Problems of India's Export Sector

- ▶ Technological differences
- ▶ Infrastructural bottlenecks
- ▶ Documentation formalities
- ▶ Problem of subsidies by developed countries
- ▶ Competition
- ▶ Uncertain policies
- ▶ Problem of continuous supply
- ▶ Competition from China
- ▶ Poor Quality Image
- ▶ Unreliability

Technological Differences

- ▶ The developed countries are equipped with sophisticated technologies capable of transforming raw materials into finished goods on a large scale.
- ▶ Indian exporters lack in the latest technology thereby leading to the lopsided development in the international market.

Infrastructural Bottlenecks

- ▶ In India, infrastructure deficiencies such as energy shortages, inadequate and unreliable transport and communication facilities have so far hindered growth of exports.

Documentation Formalities

- ▶ 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 to be filled in.

Problem of Subsidies by Developed Countries

- ▶ The developed countries like USA provide huge subsidies to their exporters. Therefore, the exporters of developing countries like India find it difficult to face competition in the world markets.

Competition

- ▶ 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.

Uncertain Policies

- ▶ A basic defect of India's trade policy has been the uncertainty about future policies, incentive schemes, etc.

Problem of Continuous Supply

- ▶ A very severe shortcoming of the Indian export sector is its inability to ensure continuous and smooth supply in sufficient quantities relating to many products.
- ▶ The predisposition is for exporting what is produced rather than producing for export

Competition from China

- ▶ India is facing stiff competition from China in the world markets.
- ▶ Due to factor abundance (low cost of production), Chinese exporters quote low price in overseas markets.

Poor Quality Image

- ▶ Made in India product line does not enjoy a good reputation in markets abroad. Rather it is considered to be a sign of poor quality. The products manufactured in Japan, Korea and China are frequently quoted abroad as examples of dependable quality.
- ▶ There is a general impression that a proper export culture is lacking in India.

Unreliability

- ▶ Indian exporters are looked upon as unreliable on many counts such as going back on a contract or refusing to fulfill it on its original terms.

Direction (Region Wise) of India's Export

- ▶ The integration of domestic economy through the twin channels of trade and capital flows has seen acceleration over the last two decades as India's GDP reached Rs 190.10 trillion (US\$ 2.72 trillion) in 2018-19*. Simultaneously, the per capita income also nearly trebled during these years. India's trade and external sector had a significant impact on the GDP growth as well as expansion in per capita income. India's GDP at current prices in 2019-20 was estimated to reach Rs 203.85 lakh crore (US\$ 2.91 trillion).
- ▶ The estimated value of services export and import for 2019-20 stood at US\$ 214.14 billion and US\$ 131.41 billion, respectively.

Ministry of Commerce & Industry
DEPARTMENT OF COMMERCE

Sr. No.	Region	2018-2019	% Share	2019-2020 (Apr-Jan)	% Share
1.	EU Countries	39,954,382.28	17.3133	32,018,133.58	17.2076
2.	European Free Trade Association (EFTA)	1,072,010.24	0.4645	976,231.41	0.5247
3.	Other European Countries	3,935,066.37	1.7052	3,114,863.61	1.6740
4.	Southern African Customs Union (SACU)	3,051,288.09	1.3222	2,596,052.60	1.3952
5.	Other South African Countries	1,301,887.08	0.5641	1,700,378.21	0.9138

Sr. No.	Region	2018-2019	%Share	2019-2020(Apr-Jan)	%Share
6.	West Africa	5,387,471.01	2.3345	4,832,115.93	2.5969
7.	Central Africa	941,254.86	0.4079	869,573.32	0.4673
8.	East Africa	5,157,552.80	2.2349	3,929,455.14	2.1118
9.	North Africa	4,114,148.62	1.7828	3,190,084.35	1.7145
10.	North America	41,320,228.31	17.9052	35,358,313.99	19.0027

Sr. No.	Region	2018-2019	% Share	2019-2020(Apr-Jan)	% Share
11.	Latin America	6,812,057.63	2.9518	5,983,750.63	3.2159
12.	East Asia (Oceania)	2,808,787.22	1.2171	2,000,378.18	1.0751
13.	ASEAN	26,212,008.68	11.3584	18,629,255.80	10.0120
14.	West Asia-GCC	29,051,295.87	12.5887	23,658,543.76	12.7149
15.	Other West Asia	7,511,222.35	3.2548	6,427,344.59	3.4543

Sr. No.	Region	2018-2019	% Share	2019-2020(Apr -Jan)	% Share
16.	NE Asia	29,416,898.26	12.7471	23,295,581.75	12.5198
17.	South Asia	17,725,537.92	7.6810	12,957,492.22	6.9638
18.	CARs Countries	310,700.33	0.1346	276,560.63	0.1486
19.	Other CIS Countries	2,117,374.88	0.9175	2,218,075.80	1.1921
20.	Unspecified	2,571,446.58	1.1143	2,037,975.92	1.0953
	India's Total Export	230,772,619.38		186,070,161.43	

MERCHANDISE EXPORTS

EXPORTS (including re-exports) Exports in September 2019 were USD 26.03 billion, as compared to USD 27.87 billion in September 2018, exhibiting a negative growth of 6.57 per cent. In Rupee terms, exports were Rs. 1,85,710.81 crore in September 2019, as compared to Rs. 2,01,234.95 crore in September 2018, registering a negative growth of 7.71 per cent.

Cumulative value of exports for the period April-September 2019-20 was USD 159.57 billion (Rs. 11,16,766.77 crore) as against USD 163.48 billion (Rs. 11,21,474.97 crore) during the period April-September 2018-19, registering a negative growth of 2.39 per cent in Dollar terms (negative growth of 0.42 per cent in Rupee terms).

Non-petroleum and Non Gems and Jewellery exports in September 2019 were USD 19 billion, as compared to USD 19.84 billion in September 2018, exhibiting a negative growth of 4.20 per cent. Non-petroleum and Non Gems and Jewellery exports in April-September 2019-20 were USD 118.41 billion, as compared to USD 119.01 billion for the corresponding period in 2018-19, a decrease of 0.50 per cent

Major Merchandise (Commodities) Exports of India-

Items	2018-19 Percent	2019-20 Percent
Agriculture and allied	11.8	10.6
Ores and Minerals	1.8	2.2
Manufactured Goods	70.2	71.6
Crude and Petroleum Products(including coal)	14.5	13.9
Other & unclassified items	1.7	1.7
Total	100	100

Source: RBI. (Economic survey 2019-20 Vol 2)

Service Exports of India

- ▶ India's services trade has been a major driver of its exports over the past two decades. The country has emerged among the fastest growing nations in global services trade.
- ▶ This sector has not only attracted significant foreign investment flows but also contributed significantly to exports as well as provided large-scale employment.
- ▶ India's services sector covers a wide variety of activities such as trade, hotels and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.

Services Trade Performance by Sub-Sector(in US\$ Billion)

Commodity Group	2017-18	2018-19	Apr-Sep 2019-20 (P)
Travel	28.4	28.4	14.6
Transportation	17.4	19.5	10.5
Insurance	2.5	2.7	1.2
GNIE*	0.7	0.6	0.3
Software Services	77.3	83.5	46.1
Business Services	37.3	39.1	22.4
Financial Services	5.2	4.9	2.5
Communication	2.1	2.6	1.3

Source: RBI.(Economic survey 2019-20 Vol 2)

Note: *GNIE = Government not included elsewhere; P: Preliminary.

Conclusion

- ▶ In the mid-term review of Foreign Trade Policy (FTP) 2015-20, the Ministry of Commerce and Industry enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS), increased MEIS incentive raised for ready-made garments and made-ups by 2 per cent and raised SEIS incentive by 2 per cent and increased the validity of Duty Credit Scrips from 18 months to 24 months. In April 2020, government extended FTP for one more year, up to March 31, 2021.
- ▶ India has the potential to increase its goods and services export to Australia to US\$ 15 billion by 2025 and US\$ 35 billion by 2035.

- ▶ India is presently known as one of the most important players in the global economic landscape. Its trade policies, government reforms and inherent economic strengths has attributed to its standing as one of the most sought-after destination for foreign investments in the world.
- ▶ Also, technological and infrastructural development being carried out across the country augurs well for the trade and economic sector in the years to come.
- ▶ The government of India has been working on striking important deals with the Governments of Japan, Australia and China to increase contribution towards the economic development of the country and growth in the global market.