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MARKETING AND EXPORT TRADE 1/

by

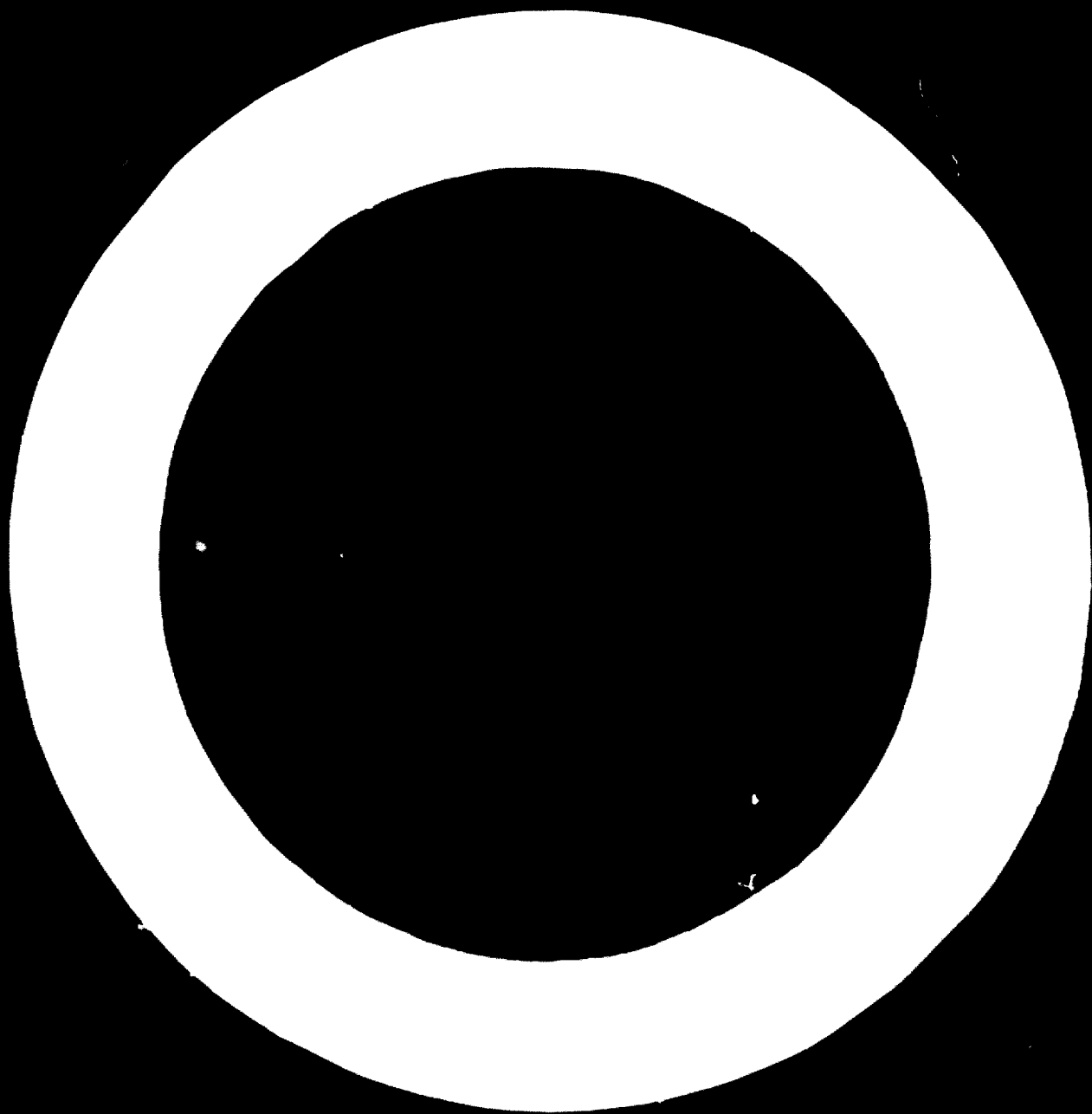
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## BASIC CONCEPTS AND CONSIDERATIONS IN MARKETING

The two basic functions of any business enterprise have often been defined as innovation and marketing, or, in different terms, production and marketing. By the same token, a firm's effectiveness depends on its ability to compete through innovation on one hand, and on its skill in marketing a product or service on the other; these prerequisites should be understood as complementary to each other and not as supplementary. Thus far this seminar has covered the production part quite thoroughly, and now my task is to discuss the ideas, principles and functions in marketing.

Marketing consists of the activities in the creation of markets and the satisfaction of customers through the distribution of goods and services. It includes the business activities that are required to develop and transfer a flow of goods and services from production to consumption. The American Marketing Association has defined marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user". As an alternative for this condensed definition, marketing could be defined on the basis of the crucial functions involved, in which case it might read e.g. as follows: "Marketing is the performance of all business activities required to develop, promote and distribute products and services to satisfy the existing and potential customers' demand". No matter which of existing numerous marketing definitions is used, the main elements still are customer orientation, creation of customer satisfaction and integrated marketing.

In the next chapter the focus will be on the marketing concept considered in the light of specific marketing functions or activities. At this point it must be emphasized that although the modern marketing techniques have been

developed in the industrially advanced countries and are based on their competitive conditions, modern marketing will become more important and applicable also in the developing countries among other things for the following reasons. Firstly, in many developing countries the competition within industries is getting keener, but at the same time different kinds of consumer goods compete for a limited purchasing power. Secondly, domestic firms have to compete against foreign companies operating or selling in the developing countries and applying modern marketing methods. Thirdly, economic development offers more business opportunities, but, on the other hand, many marketers believe that marketing, in turn, is an essential contribution to the economic development, and therefore marketing orientation, marketing planning and implementation should be given sufficient weight.

#### MARKETING ACTIVITIES

Marketing functions or activities have in different connections quite generally been classified under various headings. Since it is more of a matter of choice, the following presentation of marketing activities is based on the structural classification of "Creating a Market" published by <sup>the</sup> International Labour Office, which book has been distributed to the members of the seminar. Some of the most common divergencies in the definitions will be dealt with at the end of this chapter.

#### MARKET RESEARCH

Market or marketing research is the systematic collection and analysis of marketing information. It includes various types of research, of which market analysis is a study of the size, location and characteristics of markets; sales analysis is largely an analysis of sales data; and consumer research is concerned with consumer attitudes, motives and preferences.

Before starting the production of a new product the management should obtain information on the potential market, its size and location, competitors, expected market share and sales volume, customers' needs and preferences and so on. The same requirements apply also to existing products if the sales volume or market share is to be increased. Some of the basic market information may be obtained from statistics, previous studies, publications, journals etc. The data on customers, their wishes and preferences, and competition may to some extent be gathered through the company's own salesmen and retailers. Consumer surveys, such as personal interviews, mail questionnaires and

motivation research are more difficult to be conducted without expert help. Instead, product tests, when new products are given to some selected customers, or test marketing, when a product is actually offered for sale in certain locations only, may be applicable for studying the customer. It must be emphasized that the use of outside market research experts, if at all possible, normally gives the best results but is very costly in the first place, and even in such a case many problems cannot be researched and have to be resolved by subjective judgment.

### PRODUCT PLANNING

Product planning is the process of developing new products, or modifying or abandoning existing ones so as to meet customer needs and to utilize the capabilities of the firm. The ultimate aim of product planning is to develop a product that sells, and therefore it requires the participation of marketing in addition to research and engineering. In fact, in marketing-minded companies product planning is largely based on an analysis of market requirements and future opportunities. An evaluation of the effects of technology and technological change on market needs and competitive conditions is also necessary. Especially in the case of small companies and markets, new-product development is mainly dependent<sup>n</sup> on the suitability of the company's existing technical and marketing experience.

Product modification is any physical alteration of an existing product or its packaging. It may become necessary due to new technological developments, competitive conditions, changes in customers' needs and preferences and so on. The most important product-modification strategies are quality improvement through better materials and engineering, feature improvement aiming at increased user benefits, real or imaginary, and style improvement aiming at better aesthetic appeal.

Compared to new-product development and product modification, the importance of product elimination is often neglected. For this reason, many marginal or losing products may consume considerable company resources which could be employed productively elsewhere, and as a result, reduce the firm's profitability and its ability to take the advantage of new opportunities. In order to avoid losses or financial setbacks, the company should have a periodic product review system especially for products which yield less than a company average.

In regard to product planning there are two basic marketing strategies, product differentiation and market segmentation. Product differentiation is a method of control over the demand for a product by advertising or promoting real or imaginary differences between that product and competitors' products.

It is basically a firm's strategy to establish its market position and counter-balance existing or potential price competition; in fact, the prices of differentiated products tend to exceed the average level. Market segmentation, on the other hand is based on considering a heterogeneous market as a number of smaller homogeneous markets in response to differing product preferences among important market segments. Also market segmentation often relies on substantial use of advertising and sales promotion in order to inform market segments of the availability of products meeting their special needs. Successful marketing generally requires careful application of both product strategies.

### PRICING

Pricing is the process of determining the price of a product on the basis of the type of the product, customer demand, costs, competition and the company objectives. In most cases the starting point in developing a price is the character of the product, i.e. its physical and market qualities, production aspects, its degree of differentiation, and whether it is new or established. In the case of durable consumer goods there is normally some leeway for price differentials between competing products. For so-called shopping goods this depends largely on the use of brands, special features, styling and the like, whereas specialty goods permit considerable variation in setting the price. As I mentioned previously, differentiated products may generally command somewhat higher prices. Product differentiation would give the best results, if the company's product has a distinctive advantage over the competing ones, but even if this is not the case, differentiation can be developed in other aspects of sale, such as delivery terms, service and credit conditions.

The pricing of a new product depends on whether it is completely new or similar to existing products. In the latter case the price is determined by the price range of the existing substitutes. If the product is completely new, there are basically two better known pricing approaches, market-skimming and market penetration. The former refers to setting a high price accompanied by considerable promotional expenditures during the early phases of market development and then followed by lower prices during later phases. The latter consists of setting a relatively low price in order to stimulate the growth of the market and to capture a large share of it in the early stages.



In practise there are basically three different pricing policies, cost-oriented, demand-oriented and competition-oriented. In cost-oriented pricing the firm sets its prices largely or wholly on the basis of its costs. The most common methods are markup or cost-plus pricing, where the price is determined by adding some fixed percentage to the unit cost, and target pricing, in which the price is determined on the basis of a specified target rate of return on the investment required for the product. Demand-oriented pricing is based on the differences in the intensity of demand, in other words, a high price is charged when or where demand is intense, and a low price is charged when or where demand is weak, even though unit costs may be the same in both cases. A common form of demand-oriented pricing is price discrimination, in which a particular product is sold at two or more prices. Price discrimination may take various forms depending on whether its basis is the customer, the product version, the place or the time. Competition-oriented pricing is a policy of setting prices chiefly on the basis of what the competitors charge, and not on the basis of own costs or demand. The most common type is the so-called going-rate or imitative pricing, where a firm tries to keep its price at the average level of the industry. Especially in fairly homogeneous product markets or in cases where there are close substitutes a firm should take the competitive prices as a starting point for its price decisions, and costs should be regarded as setting the lower limits on price. Even in the case of product differentiation the presumably higher price must be set in some realistic and feasible relation to the competitive non-differentiated products.

If a firm wants to change its established price, it has to consider carefully customers' and competitors' possible reactions. The probable reaction of customers can be expressed in terms of price elasticity of demand, whereas competitors' reactions depend very much on the market structure and the degree of product homogeneity. If, on the other hand, a price change is initiated by a competitor, a firm must try to understand the competitor's intent and the likely duration of the change. By and large, price as a competitive weapon may be rather dangerous unless the firm has a distinct cost advantage. Instead, in many cases when faced with competition, other marketing techniques, such as product differentiation, advertising, sales promotion, improved distribution and the like, may be more appropriate.

## ADVERTISING

Advertising is defined as any paid form of impersonal presentation and promotion of idea, goods or services by an identified sponsor through mass media, such as newspapers, magazines and journals; radio and television, motion pictures, posters, signs and billboards, direct mail, catalogues, leaflets, and so on. The purpose of advertising is to make potential buyers respond more favorably to the firm's offering. This is aimed at by providing information to customers, by arousing customers' interest, by trying to influence their desires and buying decisions, and by giving real or emotional reasons to prefer the particular company's product. These, in turn, usually involve finding various points of advantage to distinguish the product from competitive ones. When successful, such efforts partially protect the product from direct price competition. An important factor in this respect is a brand or trademark, a name or symbol by which the product can be identified and distinguished. By means of advertising and other promotional methods a company should try to create brand preference and brand loyalty, which can also refer to the name of the company and not the product only.

The most important elements in planning an advertising program are the size of the advertising budget, selection of media, message design, timing of advertising and measurement of effectiveness. The size of advertising budget is commonly determined in many ways - according to what the company can afford, or as a regular percentage of the company's sales, or to correspond to competitors' expenditures, or by defining the cost of accomplishing specified communication goals, which actually amounts to estimating marginal revenues and costs of specific advertising projects. The selection of media must be based on the following factors: the availability of various media, the geographical range of particular media, the habits of the target audience or segment, the nature of the product, and the cost of different media. The effectiveness of advertising depends largely on the development of good message content and presentation, which are the elements of message design. These aspects are influenced by local characteristics, and therefore they should be preceded by marketing research covering the buying process and buyer motives, attitudes and behavior. The timing of advertising should be determined on the basis of the nature of the product, target customers, competitive distribution channels and other marketing factors. As a few examples, when introducing a new product, a company may try to create brand preference by advertising heavily in the initial phase and to a lesser extent later on, or in t

case of some special product, instead of repetition, it may be necessary to just try to reach most of the knowingly interested people, and then the advertising effort would be fairly evenly distributed over a period of time. One of the most difficult tasks related to advertising is the measurement of its effectiveness. Nevertheless, a continuous effort should be made to evaluate the likely communication effect, i.e. the effect of given advertising on buyers' knowledge, feelings and decisions, and the likely sales effect, in other words, the effect of given advertising on sales

### SALES PROMOTION

Sales promotion consists of those marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness. Some of the most common techniques are such as displays, shows and exhibitions, demonstrations, samples, premiums, contests, manuals and other promotional literature, special customer service and so on. In contrast to advertising, sales promotion involves non-repetitive, onetime communications efforts, and it is mostly accomplished by carrying the selling message to the actual point of sale. Sales promotion is basically a direct method of influencing the customers and therefore it can stimulate demand fairly quickly compared to advertising. Furthermore, it can be applied to some particular market segments or areas more easily.

The satisfactory selection of various methods of sales promotion requires continuous study of the market and the competitive situation. As there are no optimum rules, the company should experiment with different methods and use them in various combinations. The extent of necessary sales promotion depends on the company's other promotional efforts, advertising, personal selling and publicity. By its nature, sales promotion is a fairly close substitute to advertising and therefore any factors restricting the use of advertising normally increase the relative importance of sales promotion.

As stated in the definition, sales promotion also refers to stimulating dealer effectiveness. This can also be achieved partly by applying some of the aforementioned general techniques to the dealers but also through financial inducements, such as allowances, credit extensions etc., through training and consulting, good co-operation and personal relationships, and so on.

## DISTRIBUTION

Distribution is the marketing activity covering all the aspects of the movement and flow of goods and services from producer to consumer or user. By the same token, a channel of distribution is the set of marketing intermediaries, agents and wholesale and retail dealers, through which the goods and services are marketed.

A manufacturer can develop his own marketing channel by owning and operating the intermediate and retail facilities, or select firms already operating in the distributive structure, or use a combination of both. The selection of a channel or a combination of channels depends mainly on the following factors: customer characteristics, such as their number, geographical distribution, purchasing patterns and susceptibility to different selling methods; the nature of the product, bulk, degree of standardization, service requirements and unit value; the characteristics of intermediaries, such as the strengths and weaknesses of different types of middlemen in handling various tasks; the structure of channels used by competitors, either as a target or as an example to be avoided; company characteristics, such as its size, financial strength, product line, past channel experience, and overall marketing policies.

The basic options of distribution channels available to a manufacturer are shown in the figure 25.1.

Option 1 is the case of direct selling, which can happen through the manufacturer's own retail outlets, door-to-door salesmen or through direct contacts to big customers, such as government, institutions and the like. Option 2 is common when a producer has a chance to sell in quantity to such retailers as department stores, chain stores or mail-order houses. Option 3 is a channel typically followed by manufacturers of mass consumption goods, and option 4 is an example of a channel, where the service of an agent middleman, such as sales agent, is used for initial dispersion of goods.

In practice, however, the selection of different channel alternatives is more complicated, in fact, a manufacturer often uses different channels, at different times, for different products, in different markets. The problem of selecting the most satisfactory channel of distribution for a product is complex, and each situation has to be analyzed individually. After spelling out the major feasible channel alternatives, each of these must be evaluated according to economic, control and adaptive criteria, of which the first refers to sales, costs and profits, the second to possible sources of channel conflict, and the third to the firm's

flexibility in regard to new competitive and distributional challenges. After determining its basic channel structure, a company has to select individual intermediaries to work with or find firms willing to work with it. It also has to motivate channel members by special incentives and supervision in addition to normal trade relations. Furthermore, it has to periodically evaluate the performance of individual intermediaries against their own past sales, other intermediaries' sales, and possibly, sales quotas.

In addition to effective channels, a very important role in distribution is played by physical distribution, which covers the actual movement of goods. The functions involved in physical distribution include transportation, warehousing, order handling, and inventory control, which can be an efficient instrument in the demand-stimulation process. A company is able to promote sales by offering more than competitors by means of service or by cutting prices through reduced physical distribution costs. Since physical distribution activities are highly interrelated, the choice of the appropriate system must be preceded by the analysis of the total distribution costs associated with different proposed systems. The optimum physical distribution strategy, then, has to minimize the cost but also provide a given level of customer service.

The managerial functions of marketing, administration of marketing programs and control of marketing management. Instead, the last part of marketing activities will cover briefly the other two major promotional elements in marketing, namely personal selling and publicity, that have not been included in the aforementioned conceptual framework.

#### PERSONAL SELLING

Personal selling is defined as oral presentation in a conversation with one or more prospective purchases for the purpose of making sales. Basically the selling process consists of making the customer aware of the product, developing customer comprehension of the product offer, convincing the customer that the product can satisfy his or her needs, and persuading the customer to the actual purchase.

because salesmen may be very important in the creation of sales and are capable of performing different activities, the company should decide exactly what it tries to accomplish through direct selling. From the strategic point of view, the company has to determine the size and the organization of its sales

force, which is in practice often done on the basis of the estimated territorial productivity or feasible workload of salesmen, and the carefully planned organizational lines by territories, products or customers. The managerial tasks of personal selling are the recruiting and selecting of salesmen, their training, motivation and stimulation, supervision, monetary compensation, and periodic evaluation of salesmen's performance.

## PUBLICITY

Publicity can be defined as impersonal stimulation of demand for a product or service by securing favorable information in communications media about the company or product as part of news or entertainment content and without payment by the sponsor. In practise, publicity may take the form of news releases, articles references, general booklets, pamphlets and so on. The significance of publicity comes from the fact that people tend to be relatively more influenced by a news item or other official-looking information than by direct advertising. For this reason publicity is used to some extent by many companies to supplement their advertising and selling efforts.

## MANAGEMENT IN MARKETING

### PRINCIPLES

The first and most vital principle of marketing management is customer or market orientation, or in other words, the fact that the customer is the most important thing for the firm's survival and growth. Secondly, there must be total company philosophy and commitment and active attitude towards marketing. Thirdly, the marketing function must be intergrated, i e. all company decisions including organization, production, communications, finance and distribution must take into account all marketing elements and all factors influencing marketing effort. Fourthly, the marketing effort must be planned and evaluated continuously.

The main tasks of marketing management consist of assessing marketing opportunity, planning and programming marketing effort, organizing for marketing activity, and controlling marketing effort, which will be dealt with below.

## ASSESSING MARKETING OPPORTUNITY

This function involves identifying company mission and goals, and analyzing profit potentials in order to determine the markets where the company may try to achieve its objectives. In practise, it is essentially a problem of outlining the existing and potential customers. The process of assessing marketing opportunity should be continuous because this would facilitate dynamic marketing and production operations, identification of new challenges and problems facing the company, and taking the advantage of changing market opportunities.

The assessment of marketing opportunity, which should be the factor to determine company activities, must be based on the analysis of the firm's present market position, resources, characteristics and capabilities.

## PLANNING AND PROGRAMMING MARKETING EFFORT

Marketing planning calls for the establishment of objectives, the formulation of strategies, and the development of concrete programs and must basically consist of the anticipation of possible problems and the consideration of alternative solutions to them.

The main components<sup>t</sup> of marketing planning process can in principle be classified under four subsequent phases. The first, the situation analysis and identification of problems and opportunities covers the firm's actual business, product lines, markets, organization, channels of distribution, competition, technological change and profits. The second phase, the determination of specific goals or objectives concentrates on the firm's desired business, product and marketing mix, market share and profits or return on investment. The third, the development of marketing strategies refers to the generation of many different types of strategies on one hand, and the selection of more promising ones on the other. A marketing strategy is composed of two parts: definition of market targets including the types of customers the firm wants to reach, and composition of a marketing mix which is the combination of manpower and other resources and inputs needed in marketing programs to fulfil objectives and plans, in other words,

such elements as product planning, pricing, branding, advertising, sales promotion, personal selling, physical handling, channels of distribution, servicing and so on. The last phase in <sup>the</sup> marketing planning process is the evaluation and adjustment of plans, which calls for established objective performance standards, which, in turn, determine the necessary control activities and the need for any adjustments.

The programming of marketing effort consists of two major functions, the development of operational action schedules for each element in the plan and the establishment of the necessary functional procedures. It should be noted in this connection that marketing planning and programming, if carried out in detail, will also provide a built-in control device.

#### ORGANIZING FOR MARKETING ACTIVITY

In principle, the framework for organization and planning is provided by the company goals and objectives. Traditionally, an organization was dominated by production or financial orientation as clarified in figure 25.2

Along with the development of the marketing concept, sales were removed from the production manager to approximately the same level. In order to avoid conflicts that tend to occur between the logic of customer satisfaction and that of cost minimization in such a case, marketing minded companies have applied the modern marketing concept by centralizing the responsibility for the total marketing task under one executive who establishes, coordinates and integrates all factors necessary to achieve marketing goals, as indicated in figure 25.3.

Although there are differing opinions, from a customer-market oriented company's point of view it is obvious that the marketing executive must be at a high level in the organization so that he can participate in all areas of business policy related to the marketing objectives of the firm.

#### CONTROLLING MARKETING EFFORT

In practice, a company can apply many different types of controls in order to keep marketing effort keyed to areas of profitable opportunity. The basic forms of various controls are managerial controls, financial and cost controls and leadership controls, of which the first is based on clear-cut plans or standards of performance, and operational procedures and policies established



by the management. Financial and cost controls in marketing often consist of distribution cost accounting and cost analysis by function and product, whereas the most commonly used methods of forecasts and quotas essentially involve both managerial and financial control. Leadership controls, through which the two former controls are integrated is exercised through organization and motivation of individuals and groups. The objective of this type of control is to motivate the individuals to achieve and exceed predetermined organizational and individual goals

All effective control systems must include four common elements, of which the first consists of the definition of goals and standards, which should be understood and accepted by the persons involved and stated numerically if possible and feasible. The establishment of numerical standards usually implies also a range of tolerable deviation. The second element consist of the development of a program for achieving these goals, which is a detailed plan on how the resources should be used a specified period of time. The third element consists of the measurement of actual results. The actual performance should be checked against desired performance on the basis of various types of information, both external and internal, and depending on the specific circumstances, the comparisons may be made either continuously as through daily field reports or intermittently as through quarterly reports. The fourth element in a control system consists of making adjustments in the goals, programs, or both, if the goals are not being achieved.

#### FUNDAMENTALS OF EXPORT TRADE

At the national economy level there are basically many reasons for export trade. Some of the typical examples are excessive natural resources of a country, the necessity of paying for imports, balance of payments problems national welfare and profits from exports. From an individual company's point of view, however, the considerations regarding export trade are essentially different, and therefore these will be the basis for the following discussion.

#### ADVANTAGES OF EXPORT TRADE

For a new or potential exporter the advantages are direct or indirect. In the former case they consist of creation of larger market, increased and very often mass production, specialization and concentration in production faster inventory turnover and more sales revenue, better chances for balancing

seasonal differentials, and possibilities for limiting risks caused by changes in any local - including domestic - demand conditions. The indirect advantages may be the following: increased export brings about changes among other things in the firm's technical and managerial structure through competition, contacts and so on; <sup>an</sup> active export company has to follow technical developments and tendencies in foreign countries, which will make it more competitive domestically; export trade often tends to improve co-operation with other domestic companies in the form of rationalisation, specialization and the like; well-known and successful exporters have a better image in the home market and may have better chances to obtain more long-term credits, both domestic and foreign.

### STUDY OF EXPORT POTENTIAL

The first step in studying export potential is to determine the firm's position in the home market, the general trends within the industry and the present exports if any. The firm's own position must be analysed based on such factors as its existing market share, trends of development, and financial position and availability of adequate financial resources. The second step is the study of production, i.e. suitability of products for export, possible patents or other special products, production capacity, and planning capacity for technical modifications etc.

The next factor determining export potential is pricing. In general, a price of a product is fixed by the price level of the existing competitors or substitutes and this price has then to be broken down to see how well it covers the costs. In export pricing however, there are some special features that should be taken into account. In the case of export products, domestic sales tax is normally deductible as well as taxes and duties paid on imported raw-materials and accessories. All domestic selling expenses should also be deducted from export prices. In practice, one of the most common methods of determining the lowest acceptable export price is the so-called breakeven analysis, in which the price has to cover at least all variable costs and then, if possible, to secure some unit contribution to fixed costs. One important cost factor in export trade are the specific <sup>expenses</sup> caused by exporting which may consist of such necessities as market research, advertising, product modification, new packages, travels and so on. These cannot often be addressed to any particular sale and should therefore be covered over a period of time.

The last step in studying the export potential is to determine the range and scope of the different tools of marketing available to the company. Basically

they are the same as covered previously under marketing activities, but in export trade they have to be adjusted to local conditions in foreign countries, which will increase costs substantially. Also the competition is most likely to be keener, and for these reasons the potential exporter should co-operate closely with domestic or foreign representatives and preferably with other exporters. When planning to export, a firm has to bear in mind that export trade is a long-term activity, it will take years to learn, and the profits will often not be reachable immediately. On the other hand, <sup>the</sup> exporter is required to comply with agreements and commitments in every detail and to have the knowledge of export trade, terms and procedures.

### EXPORT PROCESS

Occasionally a firm may receive inquiries from foreign representatives or importers leading to actual sale later on. More often, however, export process must be initiated by active operation from the potential exporter's part. One possibility of doing this is to carry out market research which also clarifies available distribution channels and their costs. Such a study, however, is often very costly, speculative and useful for a short period so that it can normally be applied by larger companies only. Another way of gaining foothold in foreign markets is to take part in trade fairs and exhibitions, which may serve partly as means of establishing contacts and partly as actual selling situations. Even this type of participation is rather costly and can best be accomplished through co-operation of many smaller firms.

From a small company's point of view, maybe the best way of initiating export process is to contact either importers or some intermediaries directly by letter or through own sales representative. The choice of appropriate channels should depend on the specific circumstances, such as the type of the product, the company's size. The local (foreign) purchasing habits and the price of the product.

The channels of distribution in export trade can basically be divided into two groups, those in the home country and those in foreign countries. In the former case the main intermediaries are export agents and export firms, although occasionally some of the tasks are handled also by wholesalers and department stores. The main difference between an export agent and export firm is that the former sells for and on the account of the manufacturer, while the latter buys the product and sells it on its own account and also assumes all the risks.

In the foreign countries the distribution channels consist typically of export agents, normally located in third countries, import agents, import firms, wholesale firms, department stores, retail stores, and brokers, which are generally sales organization. Sometimes there may be the possibility of selling directly to industries and institutions, occasionally even through a local manufacturer in case the products are supplementary. Due to the high costs involved, establishment of own sales organization is usually realistic for large companies with very profitable products or many small companies working in close co-operation.

In the field of export trade there are often many types of supporting activities at different levels, which are of vital importance for relatively small exporters. If there are government<sup>n</sup> export organizations or even financial support, these should be utilized if possible. On the other hand, there may be foreign trade associations and industrial federations<sup>e</sup> which may be able to furnish some necessary information or support. The export activities may to some extent be promoted through chambers of commerce, local banks carrying on international operations, and through official commercial representations and legations of the respective foreign countries. Unfortunately, the availability of these institutions may be rather limited depending on the local circumstances.

There<sup>are</sup>, however, some important possibilities that can be affected by individual exporters, and these are export and sales associations and export groups and pools, which are based on voluntary co-operation. Export and sales associations may be formed by the line of business or by territory, and their main activity is often concentrated on promotional aspects, such as establishing business connections, arranging exhibitions and joint advertising, but they can also engage in market research and even selling. Export groups and pools, on the other hand are based on smaller groups, in which small manufacturers of different but supplementary products obtain marketing information as a joint effort, use the same channels of distribution and hire joint personnel. In the light of the prevailing keen competition in the international markets, some forms of co-operation between small companies are necessary for increased exports if not even for any exports at all.

### ESSENTIAL INFORMATION

The basic export trade information of any exporter should consist of a fairly <sup>o</sup>through knowledge of terms of delivery

and terms of payment. If an export agent or firm is being used, normally the company does not have to apply these terms in practice. In other cases, however, it must be familiar with delivery clauses, such as fas, fob, c&f and cif and with their effects on pricing and actual export measures, and with methods of payment which include letter of credit, documents against cash or acceptance, and direct payment. Even though the exporter does not handle these functions, it would be useful to have some idea of foreign currency controls and rates of exchange as well as of various shipping documents, such as bill of lading, insurance certificate, commercial invoice, consular invoice and certificate of origin.

One task of increasing significance in export trade is to obtain credit information before selecting a partner in a foreign country. This information is normally provided by local banks carrying on international operations. An exporter should also become familiar with the existing foreign trade agreements with the pertinent countries, as well as with potential regulations concerning patents and trademark registrations. Last but not least, an exporter should know how to find business contacts abroad. One possibility of doing this is through the previously mentioned supporting organization, but there are also many other sources of this type of information, such as special international publications and reference books for different lines of business, foreign trade directories, local professional journals and so on.

As a final point it should be emphasized that export trade is a very difficult and demanding activity, and it calls for effective domestic operation to begin with. On the other hand, once a firm is in a position to start exporting, it may find it very interesting, challenging and profitable in the long run.

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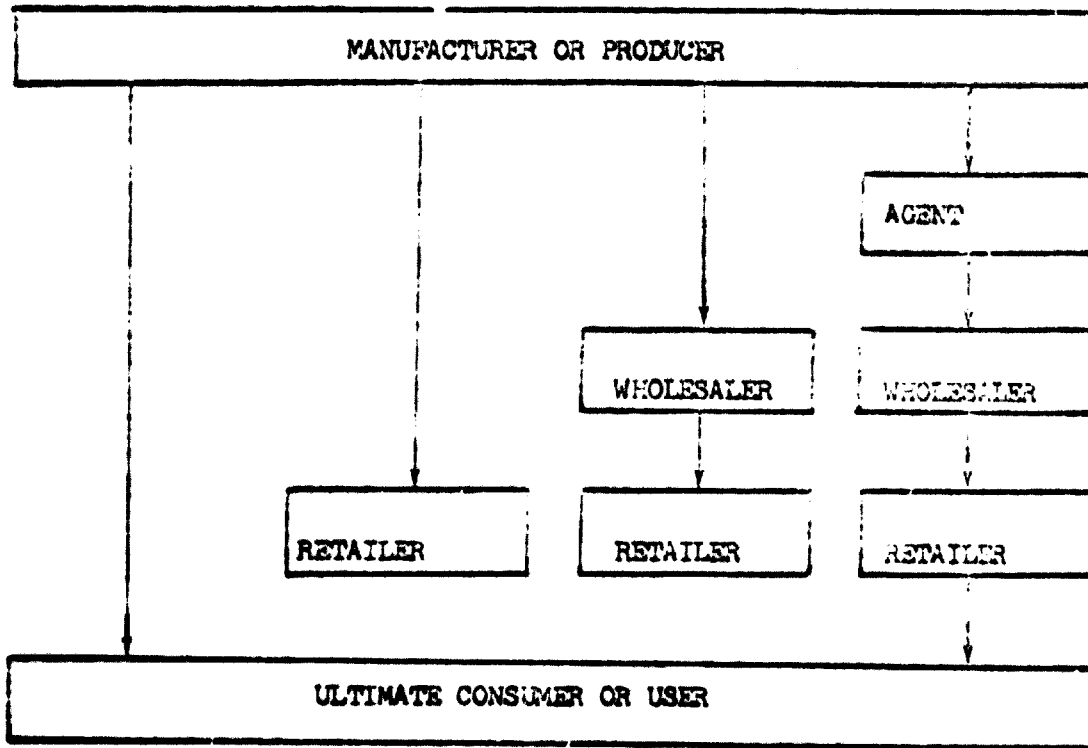


FIG. 25.1 Distribution Channels

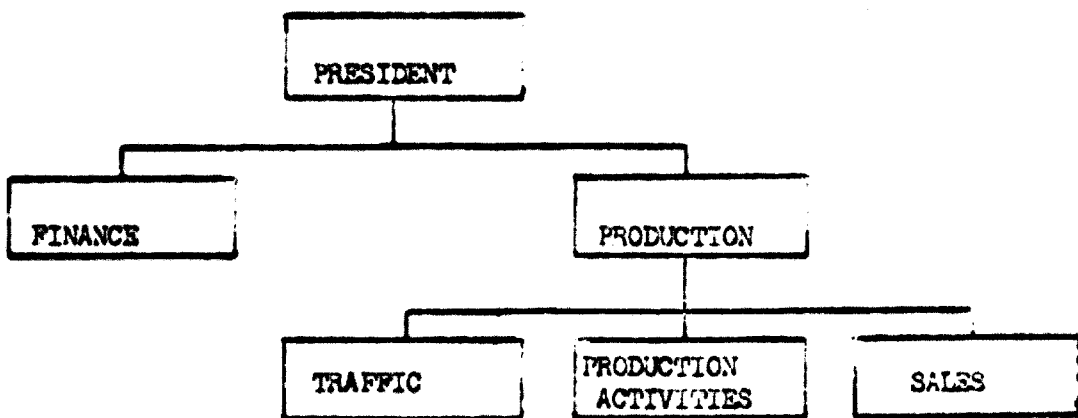


FIG. 25.2 Traditional Organization Model

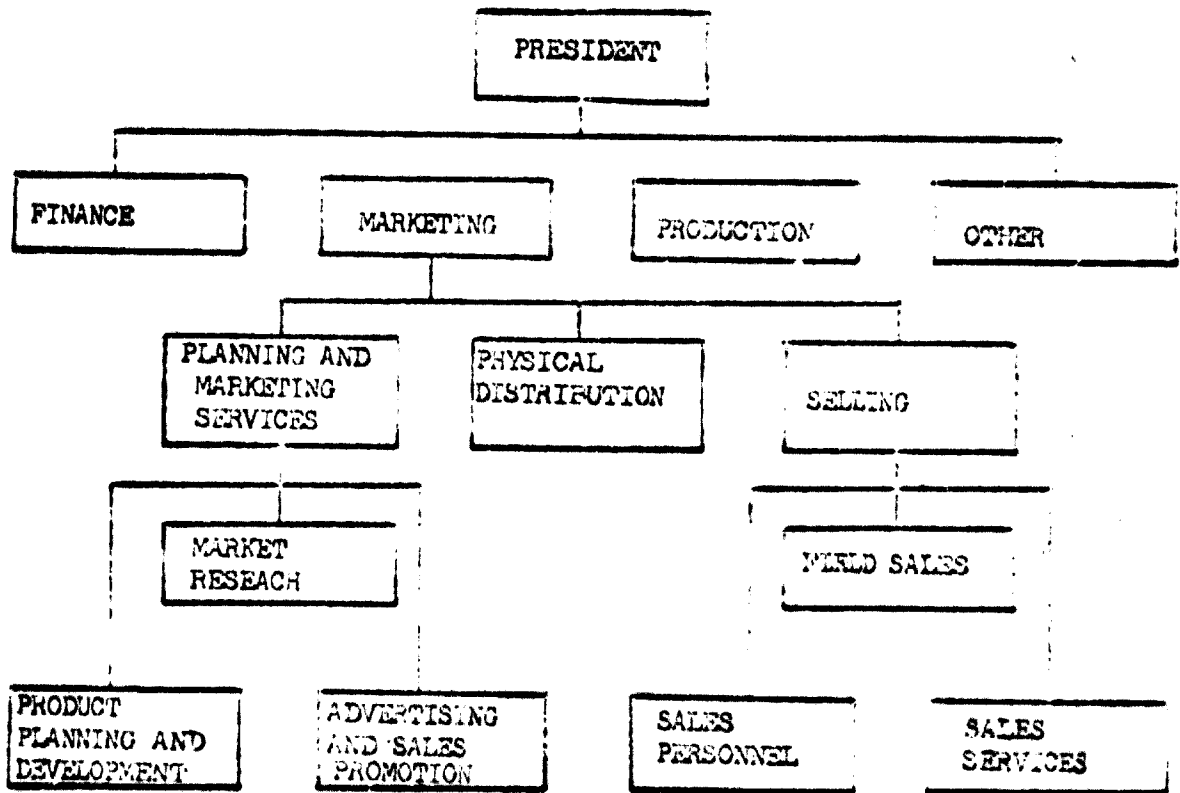
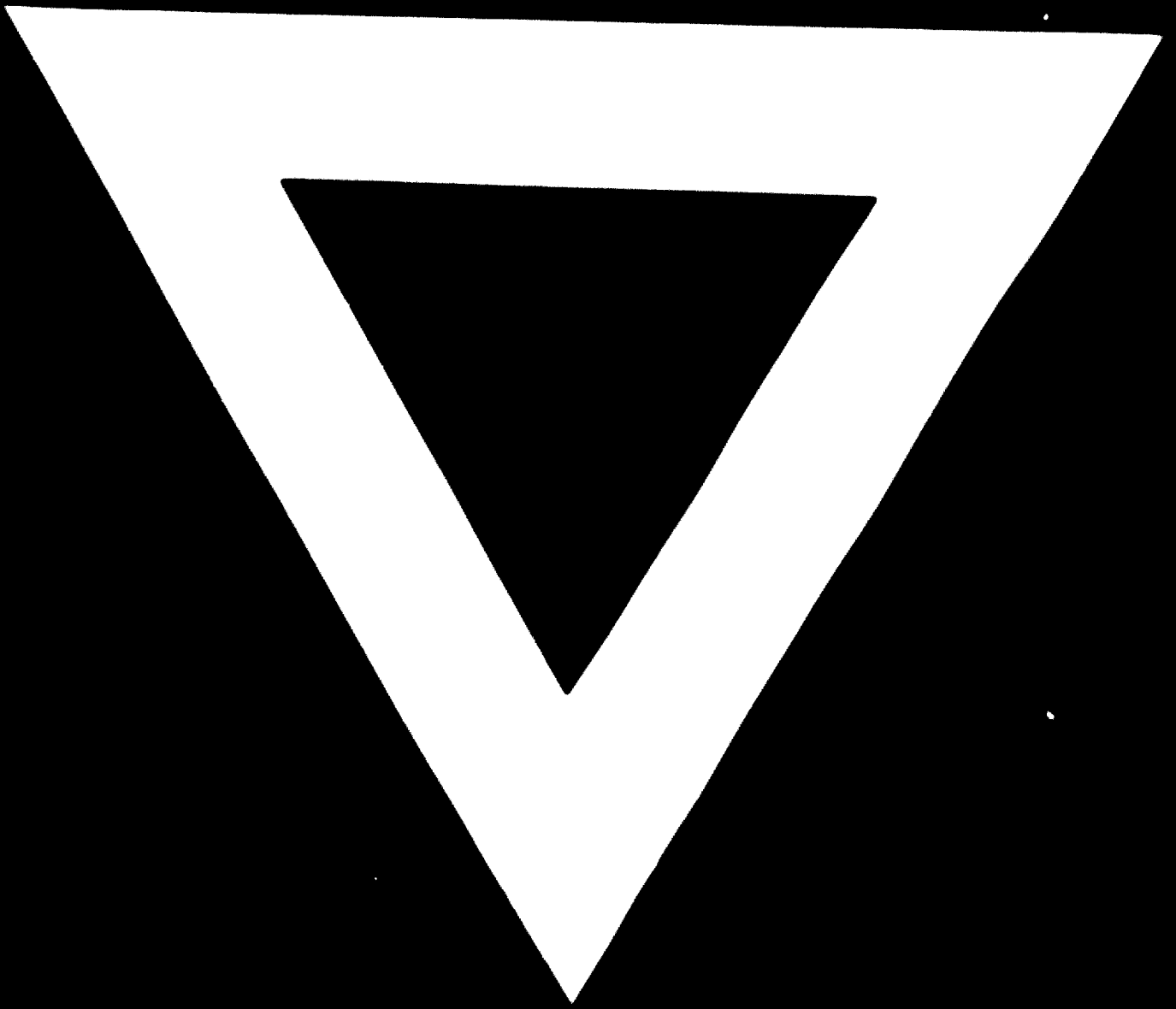


FIG. 25.3 Marketing-Minded Organization







**8 . 4 . 7 4**