Introduction

Export Selling vs. Export Marketing
- Export selling involves selling the same product, at the same price, with the same promotional tools in a different place
- Export marketing tailors the marketing mix to international customers

Introduction

Requirements for Export Marketing
- An understanding of the target market environment
- The use of market research and identification of market potential
- Decisions concerning product design, pricing, distribution and channels, advertising, and communications
Organizational Export Activities

- The firm is unwilling to export; it will not even fill an unsolicited export order.
- The firm fills unsolicited export orders but does not pursue unsolicited orders. Such a firm is an export seller.
- The firm explores the feasibility of exporting (this stage may bypass Stage 2).
- The firm exports to one or more markets on a trial basis.

Organizational Export Activities

- The firm is an experienced exporter to one or more markets.
- After this success, the firm pursues country- or region-focused marketing based on certain criteria.
- The firm evaluates global market potential before screening for the "best" target markets to include in its marketing strategy and plan.

National Policies Governing Exports and Imports

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports (S billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>9.70</td>
</tr>
<tr>
<td>China</td>
<td>64.52</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>4.73</td>
</tr>
<tr>
<td>Canada</td>
<td>3.30</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.00</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2.73</td>
</tr>
<tr>
<td>Singapore Republic</td>
<td>3.44</td>
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<tr>
<td>Thailand</td>
<td>2.44</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.38</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2.22</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.20</td>
</tr>
<tr>
<td>Italy</td>
<td>2.10</td>
</tr>
<tr>
<td>Palau</td>
<td>1.83</td>
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</tbody>
</table>

Top 15 Apparel and Textile Exporting Countries to the United States, 2000
(5 S billions)
Government programs that support Exports
- Tax incentives
- Subsidies
- Governmental assistance

Governmental Actions to Discourage Imports and Block Market Access
- Tariffs (Rules, rates, regulations)
  - Harmonized Tariff System
- Nontariff barriers
  - Quotas
  - Discriminatory procurement policies
  - Customs procedures
  - Arbitrary monetary policies
  - Restrictive regulations

Tariff Systems
- Single-column tariff
  - Simplest type of tariff
  - Schedule of duties in which rate applies to imports from all countries on the same basis
- Two-column tariff
  - General duties plus special duties apply
**Preferential Tariff**

- Reduced tariff rate applied to imports from certain countries
- GATT prohibits the use, with 3 exceptions:
  - Historical preference arrangements already existed
  - Preference is part of formal economic integration treaty
  - Industrial countries are permitted to grant preferential market access to LDCs

**Customs Duties**

- **Ad valorem duty**
  - Expressed as percentage of value of goods
- **Specific duty**
  - Expressed as specific amount of currency per unit of weight, volume, length, or other units of measurement
- **Compound or mixed duties**
  - Apply both ad valorem and specific on the same items

**Other Duties and Import Charges**

- **Anti-dumping Duties**
  - Dumping is the sale of merchandise in export markets at unfair prices
  - Special import charges equal to the dumping margin
- **Countervailing duties**
- **Variable Import Levies**
- **Temporary Surcharges**
- **An example →**
### Trade Barriers in Major Current and Potential Importers of US Wine

<table>
<thead>
<tr>
<th>Countries/Regions</th>
<th>Quantitative Barriers</th>
<th>Qualitative Barriers</th>
</tr>
</thead>
</table>
| **European Union (58% of US Wine Exports)** | • Average tariff – 50% higher than the average US tariff  
• Value Added Taxes (VATs) – imposed by individual countries  
• Subsidies for domestic wine production | • Labeling regulations, marketing regulations (prevention of use of terms such as ‘reserve’)  
• Rejection of oenological practices not specifically recognized in EU regulations  
• Certification regulations – vague |
| **Canada (17%)** | • Additional taxes levied by provinces (e.g., mark-ups, sales taxes, bottle taxes, environmental fees)  
• Controlled service mark-ups  
• Minimum pricing requirements | • Discriminatory delivery systems  
• Warehousing restrictions |
| **Japan (12%)** | • Tariff – 15% ad valorem (high for a developed country)  
• Import tax | • Food sanitation law |
| **Latin America & the Caribbean (4%)** | • High tariff plus VATs (preferential treatment to MERCOSUR countries)  
• Processing tax (Brazil)  
• Laboratory fees (Chile) | • Mandated special import licensing  
• Certification process (Brazil) |
| **China* (<1% potential market)** | • 17% VATs (in addition to import duty)  
• 10% Consumption tax  
• Minimum invoice value ($2.70 per bottle) | • Government monopoly  
• Labeling requirements  
• Prohibition on US importing and distribution companies |

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### Key Export Participants

- Foreign purchasing agents
- Export brokers
- Export merchants
- Export management companies
- Export distributor
- Export commission representative
- Cooperative exporter
- Freight forwarders
- Manufacturer’s export representatives

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### Organizing for Exporting in the Manufacturer’s Country

- Exports can be handled
  - As a part-time activity performed by domestic employees
  - Through an export partner
  - Through an export department
  - Through an export department within an international division
  - For multi-divisional companies, each possibility exists for each division

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Source: Adapted from Wine Institute (2004).
Organizing for Exporting in the Market Country

- Direct market representation
  - Advantages: control and communications
- Representation by independent intermediaries
  - Advantages: best for situations with small sales volume

Export Financing and Methods of Payment

- Documentary credits (letter of credit)
- Documentary collections (bill of exchange)
- Cash in advance
- Sales on open account
- Sales on consignment basis

Flow Chart of Documentary Credit
Sourcing

Must emphasize benefits of sourcing from a country other than home country

Must assess vision and values of company leadership

Advantage can be gained by
- Concentrating some of the marketing activities in a single location
- Leveraging company’s know-how
- Tapping opportunities for product development and R&D

Factors that Affect Sourcing

- Management Vision
- Factor costs and conditions
- Customer Needs
- Logistics
- Country infrastructure
- Political risk
- Exchange rate, availability, and convertibility of local money