MODEL ANSWER

MBA III SEMESTER

AS-2426

SUBJECT : INTERNATIONAL MARKETING

SECTION A(Short answer type)

Answer the following question :

1. what do you mean by international marketing? State its importance.

Ans: International marketing

International marketing is the export, franchising, joint venture or full direct entry of a marketing organization into another country. This can be achieved by exporting a company's product into another location, entry through a joint venture with another firm in the target country, or foreign direct investment into the target country. The development of the marketing mix for that country is then required - international marketing. It can be as straightforward as using existing marketing strategies, mix and tools for export on the one side, to a highly complex relationship strategy including localization, local product offerings, pricing, production and distribution with customized promotions, offers, website, social media and leadership. Internationalization and international marketing meets the needs of selected foreign countries where a company's value can be exported and there is inter-firm and firm learning, optimization and efficiency in economies of scale and scope.. The firm does not need to export or enter all world markets to be considered an international marketer.

International marketing involves recognising that people all over the world have different needs. Companies like Gillette, Coca-Cola, BIC, and Cadbury Schweppes have brands that are recognised across the globe. While many of the products that these businesses sell are targeted at a global audience using a consistent marketing mix, it is also necessary to understand regional differences, hence the importance of international marketing. Organisations must accept that differences in values, customs, languages and currencies will mean that some products will only suit certain countries and that as well as there being global markets e.g. for BIC and Gillette razors, and for Coca-Cola drinks, there are important regional differences - for example advertising in China and India need to focus on local languages. Just as the marketing environment has to be assessed at home, the overseas potential of markets has to be carefully scrutinised. Finding relevant information takes longer because of the unfamiliarity of some locations. The potential market size, degree and type of competition, price, promotional differences, product differences as well as barriers to trade have to be analysed alongside the cost-effectiveness of various types of transport. The organisation then has to assess the scale of the investment and consider both short- and long-term targets for an adequate return.

WHY IS GLOBAL MARKETING IMPORTANT?

Global marketing is when a company views all of their markets as one and decisions are no longer limited by borders. Because this level of of marketing is reached through much time, effort and growth, one may wonder why it is important at all. So,

WHY is Global Marketing Important?

It affects us all. First and foremost, I understand that not everyone works at a huge corporation or industry-leading company. This is not to say you shouldn't pay attention to what key players and countries are up to. Everything they do has an effect on other businesses and consumers at one point or another. It may either help or hurt you, so familiarizing yourself with their strategies can help you to adapt to changes (whether that be from a buying or selling standpoint). If nothing else, being aware of what's going on globally is never a bad thing. For example, take a look at the auto industry in America. Thirty years back, the industry-leading manufacturers were General Motors, Ford and Chrysler. Today, companies like Toyota, Honda, and BMW have really changed the game. As a consumer, you now have many more options, and with more competition you are likely to get a better deal on a vehicle.

You don't want to miss a good opportunity.

For many, the ability to market products and services globally also brings a huge business opportunity. When domestic markets become saturated in developed areas of the world, extending beyond national borders allows a firm to capitalize upon countries experiencing economic and population growth. This trend can prove true in both b2b and b2c business models. One instance where this can be easily observed is in the IT and telecommunications industries. As emerging markets such as the BRIC countries (Brazil, Russia, India, China) become more industrialized, their need for technology and connectivity increases. As a result, many major US and western European companies are able to expand through international marketing efforts.

Work to promote global cooperation.

Along with the threat of global competition comes global cooperation. Organizations are making much greater efforts to communicate effectively and understand one another's cultures in order to achieve greater business success. When companies expand to foreign markets, they must study the values, attitudes, customs, beliefs and language of the native people. This education extends beyond business and is causing people to familiarize and accept people and areas of the world that are much different than them. Companies are also pursuing partnerships with foreign competitors for mutual benefit. Globalization is effecting the interdependence of all nations, which has been argued to promote global cooperation. If we all rely on each other for economic resources, working together to promote peace in political and social issues is more likely as well.

Advantages

The advantages of global market we can introduce our product by using advertising:

- Economies of scale in production and distribution
- Lower marketing costs
- Power and scope
- Consistency in brand image
- Ability to leverage good ideas quickly and efficiently
- Uniformity of marketing practices
- Helps to establish relationships outside of the "political arena"
- Helps to encourage ancillary industries to be set up to cater for the needs of the global player
- Benefits of marketing over traditional marketing

2. Discuss the PLC (product life cycle) theory and natural resource theory of trade?

Ans:

The Three Stages of the International Product Life Cycle Theory

Product life cycle theory divides the marketing of a product into four stages: introduction, growth, maturity and decline. When product life cycle is based on sales volume, introduction and growth often become one stage. For internationally available products, these three remaining stages include the effects of outsourcing and foreign production. When a product grows rapidly in a home market, it experiences saturation when low-wage countries imitate it and flood the international markets. Afterward, a product declines as new, better products or products with new features repeat the cycle

General Theory

When a product is first introduced in a particular country, it sees rapid growth in sales volume because market demand is unsatisfied. As more people who want the product buy it, demand and sales level off. When demand has been satisfied, product sales decline to the level required for product replacement. In international markets, the product life cycle accelerates due to the presence of "follower" economies that rarely introduce new innovations but quickly imitate the successes of others. They introduce low-cost versions of the new product and precipitate a faster market saturation and decline.

Growth

An effectively marketed product meets a need in its target market. The supplier of the product has conducted market surveys and has established estimates for market size and composition. He introduces the product, and the identified need creates immediate demand that the supplier is ready to satisfy. Competition is low. Sales volume grows rapidly. This initial stage of the product life cycle is characterized by high prices, high profits and wide promotion of the product. International followers have not had time to develop imitations. The supplier of the product may export it, even into follower economies.

Maturity

In the maturity phase of the product life cycle, demand levels off and sales volume increases at a slower rate. Imitations appear in foreign markets and export sales decline. The original supplier may reduce prices to maintain market share and support sales. Profit margins decrease, but the business remains attractive because volume is high and costs, such as those related to development and promotion, are also lower.

Decline

In the final phase of the product life cycle, sales volume decreases and many such products are eventually phased out and discontinued. The follower economies have developed imitations as good as the original product and are able to export them to the original supplier's home market, further depressing sales and prices. The original supplier can no longer produce the product competitively but can generate some return by cleaning out inventory and selling the remaining products at discontinued-items prices.

Natural resource theory of trade

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The tension between rising demand for natural resources and their scarcity is one of the challenges that most modern societies must address. Indeed, the resulting tensions seem likely to increase, especially as the global economy recovers from recession. Fears of insufficient access to supplies in resource-scarce countries and of inappropriate exploitation in resource-rich regions could lead to trade conflict or worse.

Natural resources have a number of distinctive features, i.e. uneven geographical distribution, exhaustibility (hence the large rents associated to their scarcity), environmental externalities deriving from their extraction and consumption, dominance in some economies, and high price volatility. Keeping these characteristics in mind is essential for recognising the effects of international trade, the rationale and consequences of trade policy measures, and hence the efficient design of rules governing resources trade

Standard trade theory suggests that shifting resources from regions of relative abundance to regions of relative scarcity has the potential to improve efficiency and increase welfare. Yet welfare comparisons are complicated by dynamic factors – the exhaustibility of natural resources – and pervasive market failures such as imperfectly competitive markets. For instance, faster depletion can result from free trade of fish that suffers from an open access problem and poorly defined property rights. In this case, the standard result of welfare gains from open trade may break down, at least for one country (Brander and Taylor 2010). The theory emphasises that policy interventions in natural resource sectors can be justified on welfare grounds by the specific features of natural resources.

3. How does WTO differ from GATT?

Ans:

Definition of 'General Agreement On Tariffs And Trade - GATT'

A treaty created following the conclusion of World War II. The General Agreement on Tariffs and Trade (GATT) was implemented to further regulate world trade to aide in the economic recovery following the war. GATT's main objective was to reduce the barriers of international trade through the reduction of tariffs, quotas and subsidies

Formed in 1947 and signed into international law on January 1, 1948, GATT remained one of the focal features of international trade agreements until it was replaced by the creation of the World Trade Organization on January 1, 1995. The foundation for GATT was laid by the proposal of the International Trade Organization in 1945, however the ITO was never completed.

The **General Agreement on Tariffs and Trade** (**GATT**) was a multilateral agreement regulating international trade. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis." It was negotiated during the United Nations Conference on Trade and Employment and was the outcome of the failure of negotiating governments to create the International Trade Organization (ITO). GATT was signed in 1947 and lasted until 1994, when it was replaced by theWorld Trade Organization in 1995.

The original GATT text (GATT 1947) is still in effect under the WTO framework, subject to the modifications of GATT 1994.

Difference between GATT and WTO

Key Difference: **The General Agreement on Tariffs and Trade (GATT) was a multilateral agreement regulating international trade. It was created in 1948 and lasted until 1993. World Trade Organization (WTO) was formed as a replacement for GATT in 1995 with the purpose of supervising and liberalizing international trade. WTO has a more permanent structure compared to GATT. WTO also monitors trade in services and trade-related aspects of intellectual property rights, in addition to trade in goods.**

There are various bodies or agreements that have been made around the world in order to maintain peace and justice among the different countries. The main purpose of such bodies is to regulate talks, trade and other rules and regulations among the different countries of the World. The most popular bodies are the United Nations and the World Trade Organization. Though there are a few similarities between the GATT and the WTO, they are distinctly different from each other.

The General Agreement on Tariffs and Trade (GATT) was a multilateral agreement regulating international trade. It was created in 1948 with a purpose of “substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.” It was originally placed under the ITO (International Trade Organization), which was supported by the United Nations (UN). When the ITO failed to ratify, GATT evolved into the World Trade Organization (WTO). There a few major flaws in the GATT structure such as not enough enforcing power, which led to many disputes among the members. Also, the rules and regulations that were created under GATT were temporary in nature.

World Trade Organization (WTO) was formed as a replacement for GATT in 1995 with the purpose of supervising and liberalizing international trade. The organization deals with regulation of trade between participating countries, it also provides a framework for negotiations and formalizations of trade agreements. It is also responsible for enforcing trade laws, agreements and resolving disputes. The WTO was created with the purpose of being a stronger and having a more permanent framework compared to the previous GATT. It also monitors trade in services and trade-related aspects of intellectual property rights, in addition to trade in goods. The WTO has a total of 157 member countries.

	GATT	**WTO**
Full form	General Agreement on Tariffs and Trade	World Trade Organization
Year of creation	1948	1995
Purpose	To strengthen international trade.	To govern GATT and international trade practices.
Framework	No permanent structure or framework.	Has a permanent structure with a

		permanent framework.
Scope	Trade in goods.	Trade in goods; trade in services and trade-related aspects of intellectual property rights.
Dispute resolution	Has a permanent appellate body to review findings and settle disputes.	Disputes are resolved faster as settlement system has a select time frame.

4. Discuss any four objectives of IMF?

ANS:

I to promote exchange stability and orderly exchange arrangements and to avoid competitive devaluation.

II to help re-establish multilateral system of trade and payments and to eliminate foreign exchange restrictions.

III To provide international adjustment, superior to deflation , by making available increased international reserves.

IV To facilitate the expansion and balanced growth of international trade.

5. State any five functions of export promotion councils?

Ans: The basic objective of Export Promotion Councils is to promote and develop the exports of the country. Each Council is responsible for the promotion of a particular group of products, projects and services. The main role of the EPCs is to project India's image abroad as a reliable supplier of high quality goods and services. In particular, the EPCs shall encourage and monitor the observance of international standards and specifications by exporters. The EPCs shall keep abreast of the trends and opportunities in international markets for goods and services and assist their members in taking advantage of such opportunities in order to expand and diversify exports.

FUNCTIONS/ROLES OF Export Promotion Councils

1. **Providing information**: To assist exporters to understand, interpret and implement the export policies and export assistance schemes of Government.
2. **Providing assistance**: To provide assistance in export promotional activities such as external publicity, participation in fairs and exhibitions, promotion of exclusive exhibitions and trade fairs of specific products.
3. **Collecting data:** To collect complete data on export growth, the problems faced by exporters, the specific help needed by the manufacturers and present the same to the Government in order to enable it to evolve appropriate export policies.
4. **Acting as liaison:** To carry on an effective liaison with industry and trade in order to identify the problems in export activities.
5. **Sending trade delegations:** To make arrangements for sending trade delegations and study teams to one or more countries for promoting the export of specific products and to circulate the reports of specific products and diversifying to new products.
6. **Opening office abroad:** To open offices abroad to help exporters in consolidating the existing exports and diversifying to new products.

7. **Registering authority:** To ct as registering authority under the import policy for registered exporters and to help them in expanding overseas market for their products.
8. **Motivating exporters:** To create consciousness among exporters through seminars, discussion and to motivate them for export promotion.
9. **Co-operation with EIC:** To provide co operation to the export inspection council on quality control and preshipment inspection of export goods.
10. **Disposing applications:** To provide assistance to members for speedy disposal of export assistance applications
11. **Offering guidance:** To offer guidance to member on various matters like utilization of GSP, export finance, insurance of goods and joint ventures aboard.
12. **Indicating export opportunities:** To collect and supply market information to exporter and thereby to help them to take benefits to take benefits of export opportunities available abroad.
13. **Settling disputes:** To help the member in settling their trade disputes through peaceful negotiations.
14. **Solving transport problems:** To help members to resolve their transport problems.
15. **Concessions:** To assist members in getting freight and other concessions for shipping conferences.
16. **Issuing certificate of origin:** To issue certificate of origin to Indian exporters certifying the origin of goods.

The EPCs helps Indian exporters through these functions in direct or indirect ways. They provide various services to Indian exporting communities. Each EPC has its working committee which elected by the members

EPCs do not provide financial or other type of direct assistance. They are purely advisory in character. All exporters of products, coming under the purview of council, are entitled to become member of the council. The members have to pay an annual subscription fee for the services rendered to them by the council. All members are given Registrations-Cum-Membership Certificate (RCMC) for the respective EPC. This certificate is useful for securing the benefits of various concessions and incentives offered by the government for export promotions.

1) To provide commercially useful information and assistance to their members in developing and increasing their exports;

2) To offer professional advice to their members in areas such as technology up gradation, quality and design improvement, standards and specifications, product development, innovation etc.

3) To organize visits of delegations of its members abroad to explore overseas market opportunities;

4) To organize participation in trade fairs, exhibitions and buyer-seller meets in India and abroad;

5) To promote interaction between the exporting community and the Government both at the central and state levels; and

6) To build a statistical base and provide data on the export and import on the country. Exports and imports of their members as well as other relevant international trade data.

6. Discuss the factors affecting choice of export market?

Factors linked to the company

The choice of a distribution method (controlled export, sub-contracted export, joint export) is, to a large extent, dependant on the export audit that the company performs, which enables it to identify its strong and weak points in the market concerned :

- **international experience**. The more experience the company has in exporting, (logistical and administrative operations, prospecting, commercial management, etc.), the more it can consider controlled export, which gives it complete control over the development and implementation of its commercial policy. By contrast, inexperienced newcomers look for partners or intermediaries, hoping to benefit from their market experience ;

- **available time**. The extra administrative burden (producing legal documents, administrative formalities, invoicing, etc.) resulting from exporting vary as a function of the chosen penetration method. Indirect exporting andlicences, for instance, imply very few extra management tasks ;

- **human resources**. The availability - or lack -of specialised export personnel determines a company's ability to take complete control of foreign sales, or manage a commercial network. Further, if it has the required cultural, linguistic and legal skills, it can consider direct methods. In the opposite case, it would be preferable to look for partners or intermediaries ;

- **financial resources**. Each penetration method has its **own price**, in terms of investment in structure and operating costs. The company should, therefore, carefully consider its capacity to support the **long-term investment**as well as the **cash requirements** that will be needed to finance the commercial management (promotional budgets, supporting the commercial network, stock finance, credit terms, etc.). Creating a local subsidiary has the advantage that it gives complete control, but the drawback that significant long-term investment is required. SMEs with limited financial and human resources will normally opt for intermediaries or partners ;

- **global objectives** in the market. The exporting method chosen by the company will depend on, in particular, the **degree of control** that it wishes to maintain over its commercial policy, the **speed of penetration** sought, the **level of market knowledge** (consumers, competition, etc., etc.) that it wishes to acquire, **risk avoidance,** etc. A company that wishes to keep control of its commercial policy, gain market knowledge and have the greatest insight into market development, will opt for direct exporting methods (e.g. salaried representatives). A company wanting to penetrate a market rapidly will avoid the subsidiary route, preferring licensees, agents ordistributors ;

- **development possibilities**. On a new, unknown market, for a certain length of time, the company will prefer selling through sales agents or non-exclusive importers, to check market developments. If sales grow, the company can then install higher fixed cost alternatives, which will allow it to better control its commercialisation policy (subsidiary, branch, etc.).

Factors linked to the product

The choice of appropriate method of entering a market is, in part, governed by the technical and commercial characteristics of the product to be exported :

- **technical level**. The high-technology features of a product could compel a local presence, to simplify organising the **after sales service** (on-the-spot repair and servicing) ;

- **level of added value**. To a great extent, this determines the potential returns. It dictates the finance available for the structure created, and also pays for partners and intermediaries ;

- **warehousing.** If it is necessary to hold extensive local stocks of the product, the company should favour certain penetration methods over the others (branch, subsidiary, concessionnaire, etc.) ;

- **product image**. A strategy of strong product image, normally allied to branded products, requires a high degree of control over commercial policy (selection of sales outlets, pricing policy, communication policy, etc.), led by the distribution network. Exporting via partners or intermediaries can only guarantee limited control over commercial aspects. Further, if the product is not well known by the consumers, the company should commercialise it using local intermediaries (e.g. distributors), rather than by direct sales.

Factors linked to the market

The company should also consider factors linked to the market when selecting the most appropriate market penetration method :

- **market potential**. Certain routes, particularly those that involve high costs of creation (subsidiary, joint-venture, etc), are only valid in markets with high potential and sales opportunities. Other routes can be used in small and large markets alike. The preferred strategy in small markets is indirect exporting. Market potential has a twin effect on the choice of penetration method: not only is it fundamental - it determines the sales forecast - but also, it influences the degree of control the company wishes to have, and hence the penetration method ;

- **legal and legislative accessibility**. If, for instance, there are significant local import tariffs, the company could prefer a local presence. Some countries forbid working with agents, or will not allow 100% foreign-owned companies. In this case, penetrating the market means working with a local partner (joint venture). In any market, if the company is unsure of local regulations, it could need a local partner ;

- **political constraints**. If political stability cannot be guaranteed, the company should avoid export strategies that impose long-term commitment (subsidiary, branch, franchise, etc.), opting for indirect exporting methods ;

- **competition**. In markets where there are high levels of competition, the commercial policy must be changed as needed (competitive prices, communication, etc.) and consequently requires a high degree of rapid reaction capability, sound knowledge of market developments, and control over commercial policy. In this case, the preferred option is a method of direct exporting, or a partnership ;

- **consumers**. Consumers can influence the choice of preferred penetration method, particularly the number of potential clients - and pinpointing them - the level of after sales service required, their socio-cultural characteristics, etc. ;

- **distribution**. The distribution structure is all-important in choosing an exporting method. If a market's distribution network is weak, fragmented, and consists of long circuits, the company should avoid creating its own local presence, as it will encounter problems establishing contact with the many local distributors. Better, it should opt for selling through a number of local commercial intermediaries (sales agents, importers, etc.). The availability, skills and cost of intermediaries in such markets should not be forgotten. If there are no intermediaries of sufficient quality in the market, or those who exist are busy commercialising competitors' products, the company could choose a more direct method of exporting. In some cases, the lack of suitable intermediaries could cause a company to walk away from a market.

7. Write a brief description on product packaging for export market.

Ans: The packaging component of a product includes elements such as packaging, labelling, trademarks, brand names, quality, and price. As is the case with the physical product, packaging is subject to influences favouring standardisation on the one hand and adaptation to specific market needs on the other. In deciding whether to standardise or diversify the packaging, there is again a need to take into account mandatory requirements (especially in respect of product labelling), as well as both protection and promotional considerations.

Packaging

Whether or not the same package can be used for a product in both the domestic and foreign markets will depend on a number of factors:

- The kind of product protection needed in one market may differ from that required in another, e.g. a hot, humid climate will probably necessitate a different type of packaging from that which would be suitable in a cooler, drier climate. The kind of transportation and handling the product is subjected to can also influence the design of the packaging. Package ought to provide greater protection if the product is likely to be subjected to poor road conditions, long distances, and frequent or rough handling.
- Furthermore, the length of time the product is likely to spend within the distribution chain will increase the demands on the packaging, as will the way in which the ultimate buyer uses the product. If the buyer uses the product at a relatively slow rate and the product is likely to be stored for a considerable length of time, a more durable form of packaging will be required.
- The promotional aspects of packaging also tend to vary from market to market, e.g. a country with a large number of very small retail outlets will probably require a type of packaging that is different from that which is suitable in a country where large supermarkets are common.
- Packaging size is also likely to be a key factor, e.g., a high level of car ownership and a developed supermarket/hypermarket retail system will normally signify the use of relatively large packages, whereas a low per capita income might suggest the use of small, or even individual, packages for items such as cigarettes, chewing gum, razor blades, etc.
- Similarly, the cost of packaging is likely to vary according to the purchasing power of a market's population - an elaborate package can add on a significant amount to the price of the contents.
- Cultural factors will have a considerable influence on the types of packaging that are likely to attract consumers, particularly in respect of features such as colour, shape, material used, and so on. If it is the intention that a product should be recognised throughout the world, universally recognisable standard packaging must be used.
- The widespread concern about pollution has also become an important consideration - more and more consumers are now avoiding products sold in 'non-environment friendly' aerosol cans because of the publicity surrounding the contribution made by aerosols to the deterioration of the ozone layer.
- Mandatory packaging requirements are increasingly being imposed in some countries, where specific bottle, can and package sizes are stipulated by law as are certain units of measure. In many countries laws exist that require packaging to be environmentally friendly. Packaging material may also have to be removed and recycled by the manufacturer or distributor. Facilities and additional costs must be catered for.

Que. 8 What is the importance of price and non-price factors in International Marketing?
Ans: Role of Price and Non price Factors in International Marketing

Very often, importers in developed countries do not have adequate confidence in the quality of goods produced in India and developing countries. For example, Indians had to sell their storage batteries 10 per cent cheaper in Saudi Arabia than US and European batteries even though the quality was comparable. Lower price may become inevitable to make our products acceptable in foreign markets. However, in some cases Indians have established themselves well e.g. transmission line towers, sugar mill machinery, textile mill machinery etc.
If products are well differentiated and they have built up a brand image for themselves, manufacturers are in a position to charge comparatively higher process. Brand names like Dunlop, HMT, Bata, GKW, Lucas, L&T, Kirloskar etc., have already built up a good image and these products are able to realize much higher price. It may be pointed out here that 75 per cent of German imports and 75 per cent of US exports are attributable to some degree of product differentiation.
The price a purchaser is willing to pay often depends upon the frequency of purchase. In the case of durable consumer goods, products having a snob value and gift items is not the material factor. People may be willing to pay a very high price if the particular goods catch their fancy. This applies particularly to handicrafts manufactured by developing countries.
There appears to be close association in the consumer minds between price and quality; the higher priced goods

carry a much greater conviction about quality than the low priced goods. In this respect, it may be useful to note that it may be easier to sell in developed countries with a higher price tag but in developing countries, lower price may help increase sales. In general, price constitutes a barrier to demand when it is too low just as much as when it is too high. Above a particular price, the article s regarded as too expensive, and below another price as constituting a risk of not giving adequate value. What is stressed here is that lower prices do not necessarily lead to higher sales. And in periods of inflationary price rise, a reduction in price may have an adverse reaction on the consumers and may, in fact, lead to reduction in demand rather than in increase in demand.
In the case of industrial goods, price is not likely to be an indicator of quality. A buyer of industrial goods in more keen to check what he gets for the price he pays than an average consumer. His knowledge of products and their quality is more exact, if not perfect. A technically sound product, steady availability at a reasonable price and comprehensive after sale service, are the more important factors in the case of industrial goods.
In the case of engineering products and equipment, both before and after sales service are very significant factors, and assurance of after sales service particularly is much more important than a lower price. Before sales service in the case of engineering goods include (1) advising the purchaser about the relative suitability of competing products for his requirements and (2) demonstrating the use of his products. For example, TELCO sent their mechanics to Zambia for maintenance of buses and training of the Zambian personnel. After sales service includes i) rectification of genuine technical failures in the product ii) educating the users on the use of the product and providing training for its maintenance, iii) free service during the warranty period, and iv) ensuring supply of spare parts and components after the warranty period.
On the other hand, in the case of consumer goods, service before sales, as for example attractive packaging and good finish tend to be more important. MIGROS, a department store of Switzerland, requires the suppliers to pack the products in such a manner that they can be put immediately on the shelf without further packaging.

9 What is the importance of logistics in international marketing?

Ans: Definition

According to the Council of Logistics Management, **logistics** is the management process of 'planning, implementing, and controlling the physical and information flows concerned with materials and final goods from the point of origin to the point of usage.' **International logistics** involves the management of these resources in a company's supply chain across at least one international border.

It may sound complicated, but logistics is basically the management of stuff, and information regarding the stuff, from one place to another until it reaches the consumer. The logistical management of physical items may include integration of information (such as inventory databases and shipping schedules), material handling, production, packaging, inventory, transportation, distribution, storage, and security for the resources.(describe all) »

10 What is bill of exchange?\

Definition of 'Bill Of Exchange'

A non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date

Bills of exchange are similar to checks and promissory notes. They can be drawn by individuals or banks and are generally transferable by endorsements. The difference between a promissory note and a bill of exchange is that this product is transferable and can bind one party to pay a third party that was not involved in its creation. If these bills are issued by a bank, they can be referred to as bank drafts. If they are issued by individuals, they can be referred to as trade drafts.

How bill of exchange works in export trade. Once after shipping goods, the required documents for import along with bill of exchange is submitted with exporter’s bank to send to foreign buyer through buyer’s bank. The said bill of exchange draws in duplicate as per specified format. Bill of exchange contains the reference details of shipment, amount of invoice to be recievable from overseas buyer, the time of payment to be effected, bank details etc. A sample body structure of a Bill of exchange is as follows:

" On 60 days from the date of bill of lading, please pay an amount of USD 0000 to this first of exchange (second of exchange unpaid), to the order of xyz bank against invoice number 0000. To: xyz bank. "

The bill of exchange is drawn on the letter head of exporter and signs under and sends to buyer through his bank. Once after reaching documents to overseas buyer, he accepts bill of exchange by signing on bill of exchange. On maturity date of bill of exchange, the buyer effects amount of proceeds to the supplier of goods through his bank.

The legal strength of bill of exchange in international trade under DA terms of payment has to be discussed with the exprience of traders, as I personally have no recommendations on this mechanism.

Section B (Long answer type)

Q2. What are the various point that you would consider before entering the export field?

And.

Market analysis

Marketing objectives and goals

Marketing strategy

Marketing action plan

Marketing controls

In other words, before entering a market you must clearly understand what has happened, what's going on, what do you want to achieve, what do you need to do to achieve it, how are you going to do that, and what might happen.

It is essential to set up realistic market goals, distribute them to everyone within the company and constantly control the progress towards these goals.

Develop an export plan for each market

The common confusion within the business community is the view that marketing and selling are the same. That is not quite right. While selling is part of marketing, your export plan has different objectives and focuses on different tasks.

The export plan should include:

Export readiness analysis

Market Research

Product Development

Trade Regulations and Barriers Assessment

Export Strategy

Pricing

Terms of trade and payments

Logistics and distribution

Financing

After-sale strategy

Export sales forecast

Implementation plan

Set up export prices for each market

There are no rules in setting up export prices and nobody can tell you what is the "right" price. Furthermore, the price for the same product may vary significantly in different markets and most likely you would have several prices for the same product depending on the following factors:

Marketing strategy

Product uniqueness, quality and brand recognition

Quantity

Market trends and demand

Target customers and so on.

How a product is priced is crucial in getting the buyer's attention, before the buyer becomes familiar with the quality of the product, delivery and service.

.It is a good idea to start your planning with a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. Having a list of SW and a list of OT would help you to understand which matters require attention.

Develop a problem solving plan

Delays, damages, quality complaints, stealing, non-payments sometimes happen in International Trade. A detailed problem-solving plan is a vital part of business planning.

.Build A Network

Exporting is Teamwork

You are not able to conduct an international transaction on your own. There are always several participants who play an important role in your export operations. You'll be surprised, but usually you can find all you need in your region.

Write down a list of services you need to be provided for your global activities. This list as a matter of fact should be very close to your supply chain plan.

Need insurance cover? Major insurance companies deal through agents. Try to find an insurance broker, who deals with a reliable marine insurance underwriter, in your hometown and build a personal relationship.

A responsible freight forwarder is a key player in your exports. Pay extra attention to selecting a shipper for your goods and again build a personal relationship. Never stop building your network. The more reliable business partners you get, the less troubles you will have.

Do not concentrate on management only, but also on key personnel

A small present to a secretary or to the employee, who is in charge of your bills of lading, may pay you back greatly and unexpectedly in the future.

Develop "Export Inquiries Handling Rules"

Respond in 48 hours

You'll be surprised by your potential buyers expectations in regards to receiving replies to their inquiries. Especially when you are dealing with Asian or Middle Eastern customers. They send you an e-mail and then call you in a couple of hours later demanding a reply.

Make allowances

Learn about cultural differences

You may offend your potential buyers if you fail to learn about cultural differences especially in the Middle East and Asia.

For example, you wouldn't ask about your host's wife if you have been invited to visit your counterpart's home in the Middle East.

All oral agreements must be confirmed in writing

This has to be one of the "golden rules" of your operations. You must have a written confirmation of agreed terms on hand before you act. A promise "to send you a written confirmation tomorrow" is not good enough.

Exclusivity is possible but not before you know your buyer

Lots of potential buyers will ask you for the exclusive rights to represent your products or company in a particular market before they start trading with you. Don't decline this possibility, declare that you are open for a discussion but also get to know each other, establish a relationship, test the market and so on.

When you agree to provide exclusive rights to a foreign company, you should consider which conditions are to be included in the exclusivity agreement.

You may very well secure the payment for your products if you do your homework and select the right terms of payments, but it's much harder to protect your business from the other two.

A good indication that something is not quite right is a request for samples in the very first inquiry. The quantity of samples is another issue to consider. If somebody asks you to send 2 cartons of wine as a sample, it just doesn't sound right, does it?

False complaints are common and very hard to recognise as scams. The best way to protect your company against these problems is to include a very detailed "complaint clause" in the contract.

Win buyers through better service

Remember that the key attributes of every service are

Speed

Cordiality

Knowledge and

Problem solving

Win buyers through exceeding expectations

Philip Kotler, the author of several well known marketing books said: "Meeting customer expectations will only satisfy customers; exceeding their expectation will delight them".

. Be Prepared To Meet Growing Demand

If you take into account all the above issues than most likely your products will be successful internationally and the demand for them will be increasing. If you can't meet the demand you risk losing the whole market. People are not interested in dealing with you if there is no future growth. Be ready to increase production or to outsource similar products elsewhere.

. Be Prepared To Spend Time And Money

Generally, investments in international markets are greater than domestic investments. Furthermore, exploring foreign markets can take longer and cost more than expected.

Make Decisions On A Commercial Ground

Making decisions on a commercial ground does not necessarily mean that your profit has to be the only element to consider. However, you should clearly understand what benefits you get by reducing your profit margin or spending all profit on offshore marketing.

Exporting factors that should be considered in any international business plan include:

Identification of potential market

Demographic and political environment of potential market

Economic status of potential market

Social and cultural environment of potential market

Access to potential market (includes research on tariffs and other trade barriers, treaties, trade regulations, patent and trademark protection)

Demand for product

Possible competition within potential market

Possible distribution channels

Local distribution and production environment within potential market

Exporting methodology

Any necessary adjustments to product or packaging

Marketing strategy

Cost of exporting operation

Pricing strategy

Projected sales, Projected fortunes of domestic operation

Que. 3 Write a descriptive note on tariff and non-tariff barriers **?**

In simplest terms, a tariff is a tax. It adds to the cost of imported goods and is one of several trade policies that a country can enact. Why Are Tariffs and Trade Barriers Used?

Tariffs are often created to protect infant industries and developing economies, but are also used by more advanced economies with developed industries. Here are five of the top reasons tariffs are used:

Protecting Domestic Employment

The levying of tariffs is often highly politicized. The possibility of increased competition from imported goods can threaten domestic industries. These domestic companies may fire workers or shift production abroad to cut costs, which means higher unemployment and a less happy electorate. The unemployment argument often shifts to domestic industries complaining about cheap foreign labour, and how poor working conditions and lack of regulation allow foreign companies to produce goods more cheaply. In economics, however, countries will continue to produce goods until they no longer have a comparative advantage (not to be confused with an absolute advantage).

Protecting Consumers

A government may levy a tariff on products that it feels could endanger its population. For example, South Korea may place a tariff on imported beef from the United States if it thinks that the goods could be tainted with disease.

Infant Industries

The use of tariffs to protect infant industries can be seen by the Import Substitution Industrialization (ISI) strategy employed by many developing nations. The government of a developing economy will levy tariffs on imported goods in industries in which it wants to foster growth. This increases the prices of imported goods and creates a domestic market for domestically produced goods, while protecting those industries from being forced out by more competitive pricing. It decreases unemployment and allows developing countries to shift from agricultural products to finished goods.

Criticisms of this sort of protectionist strategy revolve around the cost of subsidizing the development of infant industries. If an industry develops without competition, it could wind up producing lower quality goods, and the subsidies required to keep the state-backed industry afloat could sap economic growth.

National Security

Barriers are also employed by developed countries to protect certain industries that are deemed strategically important, such as those supporting national security. Defence industries are often viewed as vital to state interests, and often enjoy significant levels of protection. For example, while both Western Europe and the United States are industrialized, both are very protective of defence-oriented companies.

Retaliation

Countries may also set tariffs as a retaliation technique if they think that a trading partner has not played by the rules. For example, if France believes that the United States has allowed its wine producers to call its domestically produced sparkling wines "Champagne" (a name specific to the Champagne region of France) for too long, it may levy a tariff on imported meat from the United States. If the U.S. agrees to crack down on the improper labelling, France is likely to stop its retaliation. Retaliation can also be employed if a trading partner goes against the government's foreign policy objectives.

Types of Tariffs and Trade Barriers

There are several types of tariffs and barriers that a government can employ:

Specific tariffs

Ad valorem tariffs

Licenses

Import quotas

Voluntary export restraints

Local content requirements

Specific Tariffs

A fixed fee levied on one unit of an imported good is referred to as a specific tariff. This tariff can vary according to the type of good imported. For example, a country could levy a $15 tariff on each pair of shoes imported, but levy a $300 tariff on each computer imported.

Ad Valorem Tariffs

The phrase ad valorem is Latin for "according to value", and this type of tariff is levied on a good based on a percentage of that good's value. An example of an ad valorem tariff would be a 15% tariff levied by Japan on U.S. automobiles. The 15% is a price increase on the value of the automobile, so a $10,000 vehicle now costs $11,500 to Japanese consumers. This price increase protects domestic producers from being undercut, but also keeps prices artificially high for Japanese car shoppers.

Tariffs barriers represent taxes on imports of commodities into a country/region and are among the oldest form of government intervention in the economic activity.

Tariffs are taxes that government imposes on commodities, one of the methods that governments used to control economic activity. There are two identified reasons why would government impose tariffs to imported goods. Firstly, they are an important source of income for the government. Secondly, tariffs can protect the local industries that face competition from imported goods by imposing tariffs on imported goods.

Tariffs are effective and widely used to protect the local industries from foreign competition (Sumner, et. al., 2002). However, this protection comes with an economic cost, where consumers have to pay a higher price to imported goods, which effectively lowering their buying power and leads to inefficient allocation of resources.

Quota is another form of tariffs where the government restricts the quantity of goods that can be imported into the country. It is usually combine with the use of import taxes, whenever a firm imports a certain goods and it exceed the quota amount, higher tax will be imposed on the remaining goods.

Non tariff barriers represent the great variety of mechanisms that countries use in order to restrict the imports. For example:

technical barriers to entry;

import licensing;

domestic content regulations;

Quota

voluntary export restrains etc.

The non tariff barriers are mentioned in GATT 1947, art.37 (1/b):

1. The developed contracting parties shall to the fullest extent possible _ that is, except when compelling reasons, which may include legal reasons, make it impossible _ give effect to the following provisions:

(b) refrain from introducing, or increasing the incidence of, customs duties or non-tariff import barriers on products currently or potentially of particular export interest to less-developed contracting parties;

Non-Tariff Barriers to Trade

Non-tariff trade barriers are other mechanism that is used by the government to further protect the domestic industries. One of the examples of Non-tariff trade barrier is domestic content requirement. The regulations specify that should a MNC wish to sell the products in the domestic market, certain percentage of the product's value must be produced locally. Domestic content requirement not only protect the local industries, it also helps the supporting industries to prosper and gain a larger market share due to MNC has to obtain the supplies domestically and produce them. Other examples of domestic content requirement would be the automobile industry in Malaysia. While the tariffs for imported vehicles are high, foreign firms that assembly their vehicles locally would not have to pay for such high tariffs.

Non-Tariff Barriers to Trade

Non-Tariff Barriers (NTBs) refer to restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly. NTBs also include unjustified and/or improper application of Non-Tariff Measures (NTMs) such as sanitary and phytosanitary (SPS) measures and other technical barriers to Trade (TBT).

NTBs arise from different measures taken by governments and authorities in the form of government laws, regulations, policies, conditions, restrictions or specific requirements, and private sector business practices, or prohibitions that protect the domestic industries from foreign competition.

Examples of Non-Tariff Barriers

Non-Tariff Barriers to trade can arise from:

Import bans

General or product-specific quotas

Complex/discriminatory Rules of Origin

Quality conditions imposed by the importing country on the exporting countries

Unjustified Sanitary and Phyto-sanitary conditions

Unreasonable/unjustified packaging, labelling, product standards

Complex regulatory environment

Determination of eligibility of an exporting country by the importing country

Determination of eligibility of an exporting establishment (firm, company) by the importing country.

Additional trade documents like Certificate of Origin, Certificate of Authenticity etc

Licenses

A license is granted to a business by the government, and allows the business to import a certain type of good into the country. For example, there could be a restriction on imported cheese, and licenses would be granted to certain companies allowing them to act as importers. This creates a restriction on competition, and increases prices faced by consumers.

Import Quotas

An import quota is a restriction placed on the amount of a particular good that can be imported. This sort of barrier is often associated with the issuance of licenses. For example, a country may place a quota on the volume of imported citrus fruit that is allowed.

Voluntary Export Restraints (VER)

This type of trade barrier is "voluntary" in that it is created by the exporting country rather than the importing one. A voluntary export restraint is usually levied at the behest of the importing country, and could be accompanied by a reciprocal VER. For example, Brazil could place a VER on the exportation of sugar to Canada, based on a request by Canada. Canada could then place a VER on the exportation of coal to Brazil. This increases the price of both coal and sugar, but protects the domestic industries.

Local Content Requirement

Instead of placing a quota on the number of goods that can be imported, the government can require that a certain percentage of a good be made domestically. The restriction can be a percentage of the good itself, or a percentage of the value of the good. For example, a restriction on the import of computers might say that 25% of the pieces used to make the computer are made domestically, or can say that 15% of the value of the good must come from domestically produced components.

Who Benefits?

The benefits of tariffs are uneven. Because a tariff is a tax, the government will see increased revenue as imports enter the domestic market. Domestic industries also benefit from a reduction in competition, since import prices are artificially inflated. Unfortunately for consumers - both individual consumers and businesses - higher import prices mean higher prices for goods. If the price of steel is inflated due to tariffs, individual consumers pay more for products using steel, and businesses pay more for steel that they use to make goods. In short, tariffs and trade barriers tend to be pro-producer and anti-consumer.

The effect of tariffs and trade barriers on businesses, consumers and the government shifts over time. In the short run, higher prices for goods can reduce consumption by individual consumers and by businesses. During this time period, businesses will profit and the government will see an increase in revenue from duties. In the long term, businesses may see a decline in efficiency due to a lack of competition, and may also see a reduction in profits due to the emergence of substitutes for their products. For the government, the long-term effect of subsidies is an increase in the demand for public services, since increased prices, especially in foodstuffs, leave less disposable income.

Q4. How does economic environment affect International Marketing?

The Impact of Economics on International Marketing

The economic situation of your market impacts what you offer and how you present it to your target customers. For international marketing, the economics of the target market as well as the international economy affect your marketing strategy. The local economy influences how you approach consumers, while the international economic framework limits your ability to produce, ship and distribute your products through cost and regulatory constraints. An effective international marketing strategy takes both local and international economic conditions into account.

Economic factors reflect a country's attractiveness as a market

- Industrial structure
- Income distribution

Industrial Structure

- Subsistence economies
- Raw material exporting economies
- Industrializing economies
- Industrial economies

Subsistence economies have a large majority of people engaged in agriculture. They consume most of their output and barter the rest for simple goods and services. They offer few market opportunities.

Raw material exporting economies are rich in one or more natural resources. They are good markets for large equipment, tools, supplies, and trucks. If there is a wealthy upper class, then they are also a market for luxury goods.

Industrializing economies have manufacturing that represents 10 percent to 20 percent of the economy and needs imports of raw textile materials, steel, and heavy machinery and fewer imports of finished textiles, paper products, and automobiles. These economies create a rich upper class and a small but growing middle class that demand new types of imported goods.

Industrial economies are major exporters of manufactured goods, services, and investment funds. They trade among themselves and export to other economies. They represent an attractive market for all types of goods and services.

- Low-income households
- Middle-income households
- High-income households

Political-Legal Environment

- Country's attitude toward international buying
- Government bureaucracy
- Political stability
- Monetary regulations

Country's attitude toward international buying involves the country's receptiveness to foreign business

Monetary regulations involve the stability of exchange rates and currency limitations

Countertrade is a non-cash payment

- **Barter** is the exchange of goods or services
- **Compensation or buyback** is the sale of a plant or equipment and the payment in resulting products
- **Counter purchase** is when the seller receives payment and agrees to spend some of the money in the other country

Cultural Environment
Impact of Culture on Marketing Strategy

- Business norms
- Cultural preferences, traditions, and behaviors

Factors to consider

- Global competition in the home market
- Stagnant or shrinking home market
- Foreign markets with more opportunity
- Expansion of customers to international markets

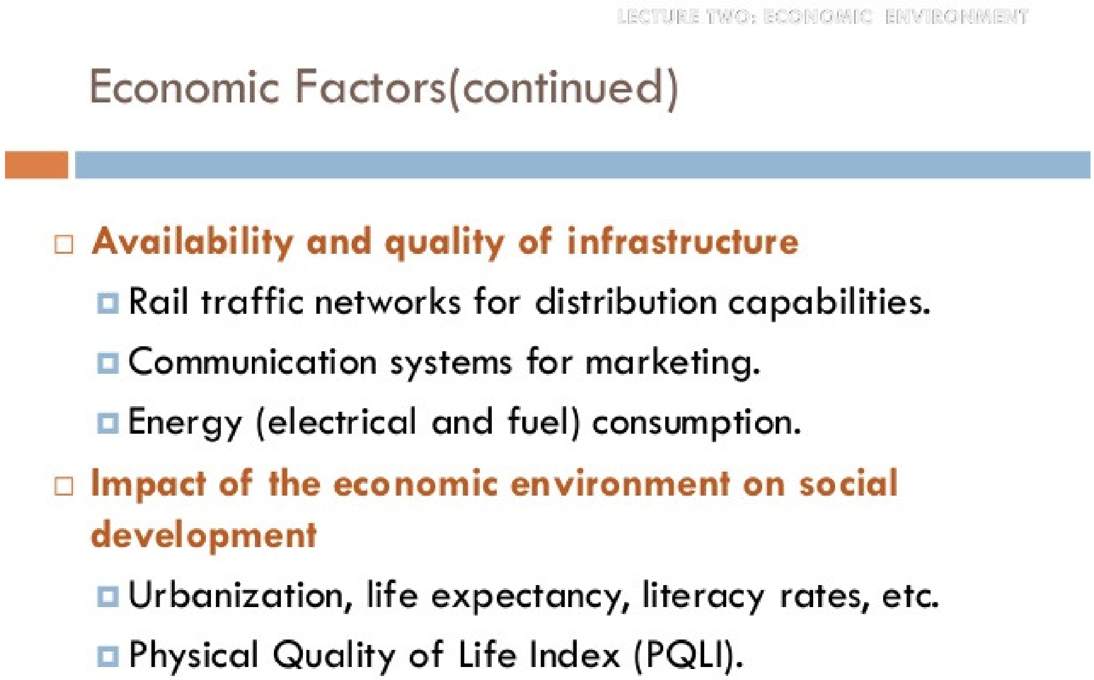
Economic Factors considered in International Marketing

- Size of market- population and demographics
- National Income (GNP)
- Purchasing Power
- Availability of Credit

Importance: it determines the attractiveness of the market in terms of demand and buying power of the local population. An international marketing firm would gravitate towards countries that have high disposable incomes

Economic Factors in Global Markets

- **Population demographics**
  - Age distribution, life expectancies, household size, urbanization.
- **Income**
  - Distribution of low, medium, and high incomes.
  - Gross domestic product per capita.
  - Purchasing power parity.
- **Consumption patterns**
  - Income spent on necessities and luxuries.
  - Product saturation or diffusion.
  - Product form differences.



Q6. What do you understand by Overseas Market Research?

1) OMR basically helps to identify Market Potential for the given product in a region which is outside domestic area .
2) With OMR , One can understand about prevailing Economic and Political Environment in the subject region, which influences the Marketing Strategy and Plans to be adapted suitably .
3) OMR may also help to understand Consumer behaviour , their Tastes / preferences / likes / dislikes / beliefs / customs etc. , which in turn will help the manufacturer OR trader to developed or trade suitable product .
4) Apart from pt no.3 , it is extremely important to understand present Competition Scenario in the subject region.
5) We all understand how important it is to Understand Government Rules and Regulation in the subject region / country , as this will decide the Business prospects at the very first stage.
6) OMR may also give some guidelines as regards selection of effective and efficient Distribution channel.

In the areas of international marketing, market search is the crucial first step for firm which wants to engage itself in international business. Specially, market research is required to take decisions on the following:

Domestic Vs International Market Research:
Market research is to be carried out to help taking proper marketing decisions on the above aspects even while doing purely domestic business But international marketing research has certain additional complexities which arise out of the diverse national characteristics and requirements Basically, the differences between domestic and international marketing research are due to:
1. the complexity of research design, due to operations in a multi-country, multi-cultural and multi-linguistic environment;
2. the lack of secondary data for many countries and product markets;
3. The high costs of collecting primary data, particularly in the developing countries
4. the problems associated with coordinating research and data collection in different countries
5. the difficulties of establishing the comparability and equivalent of data and research conducted in different contexts;
6. the intra functional character of many international marketing decisions;

7. the economies of many international investment and marketing decisions.

1. Do make sure you understand the marketplace and the customer's needs and wants yourself: If necessary, let professional marketers that know your target market(s) research consumers and the marketplace first and develop structures to manage marketing information beforehand.

2. Do use the internet to search for free reports on your potential markets regularly. If necessary, let professional marketers do this preliminary research.

3. Do research your (potential) competitors thoroughly. In many Western countries companies are open about their strategies and communicate about their markets and performance openly; So, think of the possibility to have professional marketers collect the information available locally: It's a fast and inexpensive way to gain hands-on knowledge.

4. Do talk with your foreign customers openly about your plans if it does not harm their interests: Customers often are a cheap and very reliable source for market information, especially if the relationship is strong.

5. When the internet is a potential medium in marketing communications, do use tools like Google Analytics to retrieve market information.

6. To make sure adequate internet marketing information is gathered, do hire professional internet marketers with access to - or actual native language abilities for your potential target markets.

7. Do narrow the focus of any overseas market research: Prepare for a dominating position in one market or part of a market before conquering the rest of the world.

8. Make sure the outcome of your market research will enable you to make decisions on market segmentation and - targeting and product differentiation and - positioning.

9. Do conduct any overseas market research with respect for - and in mind the local culture, - history and stage of development: Do not think light of prejudices.

10. Do get in-touch with one of our Western consultants in the Strategy & Planning department now: Call 13603091702, send an email or contact us via this website.

Carrying out overseas market research involves a number of steps which are linked in the following order:
Step I
To determine the research objective, for example, feasibility of introducing an existing product in a new market; demand estimation of a new product in the target markets; identification of the most desirable form of export distribution and promotion in a target market or investigation into the cause of buyers complaints / falling market shares etc.
Step II
To determine the areas to be studied and the depth of analysis required.
Step III
A statement on the time and cost related to the market research assignment.
All these steps taken together constitute to research plan.
Once the research plan has been drawn the executive in charge of marketing research has to carry out the assignment. His plan of action would consist of the following elements:
Desk Research:
The activities to be carried out during the desk research phase are:
(1) Collection, processing and analysis of data from all published sources and in-company records.
(2) Discussions with:
(i) Associates /suppliers
(ii) Manufacturers/exporters of the product under research.
(iii) Concerned government departments
(iv) The concerned export promotion council /commodity board:
(v) Chamber of commerce/other trade and industry associations:
(vi) Commercial banks engaged in the financing of foreign trade
(vii) Commercial section of foreign embassies in India.

(3) Preparation of product catalogues promotional literature, price lists in the language of the country to be visited and samples.
(4) Designing and testing of questionnaire;
(5) Drawing up a Checklists for data collection;
(6) Preparation of a list of respondents on the basis of information collected;
(7) Writing to commercial section of Indian Embassy? High Commission in the country to be visited giving details for securing help in meeting relevant organizations.

Field Survey:

The steps involved are:
(1) Contacting the commercial section of Indian Embassy/High Commission.
(2) Fixing up appointment with respondents.
(i) Manufacturers/Importers/distributors wholesaler etc
(ii) Chambers of commerce, industry and trade Association, Association of Commercial Agents etc
(iii) Institutions like Government Department, Import Promotion offices, Commercial Banks, Trade Promotion Organizations.
(iv) Foreign offices of Indian organizations like Export Promotion councils, Commodity boards, branches of Indian banks and firms.
(3) Visit to institutions to collect secondary data which are not available at home.

Problems to be faced in overseas are Research:
1. Problems of numerous market-multiplying the umber of countries in a research project multiples the costs and problems involved, though not in a linear manner.
2. Problems with secondary data Non-availability, lack of reliability and lack of comparability
3. Problems in collecting primary data – People think, feel and generally behave differently from country to country.
4. Different languages create problems of translation and communication. Language and communication difficulties are generally greater in consumer market research than in industrial market research where technical factors are more important.
5. The need for adaptation – The more the research has to be adapted to each market the fewer are the economies of scale
6. Getting responses – People may hesitate suspecting researchers to be a tax officers and information may be passed on to competitors. The respondent may not be able to answer meaningfully due it illiteracy or they may answer without understanding giving a useless response.
7. Infrastructure constraints – Lack of a reliable postal service, non-availability of telephones, lack of commercial infrastructure because of smaller size of foreign markets.

To deal with the problems, it might be necessary to take the help of local nationals and to depend more on individual’s insight and creativity.

Overseas market research is a must for successful export marketing. This is the most effective way of making the company’s operations sensitive to the changing requirements of the international markets. Because of increased availability of published data, many meaningful conclusions on market conditions can now be drawn solely on the basis of desk based research. Only when it becomes impossible to come to a definite conclusion on the basis of secondary data, field search in the overseas market should be embarked upon.

Q7. Discuss the salient features of Export Policy Resolution?

The Export Resolution 1970

Features are:-
1. The government recognized taht to achive national self reliance,the export earning have to be expanded at a high rate.
2. It lays great stress on the development and expansion of export oriented Industries.
3. It acknowledges taht the country has a high export potential in many areas and the adoption of appropriate policies and measures will help to achive this objective.
4. It lays stress on
a) consolidating the position in the export of traditional products.
b) identifying products having a long term export potential.
5. The need to evolve suitable poilicies and measures to encourage export-oriented industries.
6. To assist the industry with a view to:-
a) making their product competitive.
b) moulding machinery.
c) improving quality control.
d) providing marketing aids.
e) providing adequate and timely finance.

f) providing adequate shipping facilities at reasonable freight rates.

Q8. Letter of Credit

Letter of Credit

A written commitment to pay, by a buyer's or importer's bank (called the issuing bank) to the seller's or exporter's bank (called the accepting bank, negotiating bank, or paying bank).

Letters of credit are often used in international transactions to ensure that payment will be received. Due to the nature of international dealings including factors such as distance, differing laws in each country and difficulty in knowing each party personally, the use of letters of credit has become a very important aspect of international trade. The bank also acts on behalf of the buyer (holder of letter of credit) by ensuring that the supplier will not be paid until the bank receives a confirmation that the goods have been shipped.

A letter of credit guarantees payment of a specified sum in a specified currency, provided the seller meets precisely-defined conditions and submits the prescribed documents within a fixed timeframe. These documents almost always include a clean bill of lading or air waybill, commercial invoice, and certificate of origin. To establish a letter of credit in favor of the seller or exporter (called the beneficiary) the buyer (called the applicant or account party) either pays the specified sum (plus service charges) up front to the issuing bank, or negotiates credit. Letters of credit are formal trade instruments and are used usually where the seller is unwilling to extend credit to the buyer. In effect, a letter of credit substitutes the creditworthiness of a bank for the creditworthiness of the buyer. Thus, the international banking system acts as an intermediary between far flung exporters and importers. However, the banking system does not take on any responsibility for the quality of goods, genuineness of documents, or any other provision in the contract of sale. Since the unambiguity of the terminology used in writing a letter of credit is of vital importance, the International Chamber Of Commerce (ICC) has suggested specific terms (called Incoterms) that are now almost universally accepted and used. Unlike a bill of exchange, a letter of credit is a nonnegotiable instrument but may be transferable with the consent of the applicant. Although letters of credit come in numerous types, the two most basic ones are (1) Revocable-credit letter of credit and (2) Irrevocable-credit letter of credit, which comes in two versions (a) Confirmed irrevocable letter of credit and (b) Not-confirmed irrevocable letter of credit.

Export Quotation : explain- EXW, FCA, FAS, FOB, CFR, CIF, CPT, CIP, DAF, DES, DEQ, DDU, DDP etc.

Q9. Write short note on

EXPORT DOCUMENTATION

Export documentation is a tedious but necessary process that all exporters must pay close attention to, as documentation requirements vary considerably by country, commodity, and situation. Although exporters must fill out and submit many different forms for each international shipment, most require similar data elements and can (and should!) be duplicated precisely from one document to the next. Fortunately, there are software products that capture the primary details of the shipment and insert them into the necessary documents without flaw. This Fast Fact will describe many of the documents your business will need in order to export successfully. Shipping documents are the key to international trade, and have been used for thousands of years. Documents outline the sale, shipment, and responsibilities of each party so that the full transaction is understood and complete without delay or additional costs. Documents also ensure compliance with applicable regulations.

Using an experienced Freight Forwarder will help you to avoid problems and secure your relationship with your customers. Consider providing your Forwarder with a suitable “letter of authorization” to act as your agent on overseas documentation matters. Although not a required or standardized document, preparing a thorough and well organized “Shipper’s Letter of
Instructions” (SLI) is a good practice for your company to establish. You can give your Forwarder limited authorization and initial instructions with an SLI as soon as the shipment details emerge, which allows time to prepare documents, make arrangements, and ask questions. Although a Freight Forwarder is not absolutely required for a successful export shipment, a licensed Customs House Broker is required to clear goods imported into any country, including the United States.

Below are some factors to consider when determining which documents are needed for a particular shipment.
Country of origin and destination, as well as transhipment
Mode of transportation — truck, rail, ocean, air, pipeline
Commodity — agriculture, livestock, safety/security, end-use, intangible- software, service
Size — value, volume, weight, dimensions
Parties to the transaction — shipper, consignee, agents, brokers, banks

Based on these factors, many of the following documents (described in more detail on pages 2-5) may be required for an international shipment. These documents can be prepared by the exporter and then processed or forwarded by a Freight Forwarder.
Invoices — Commercial, Pro-forma, Consular
Packing Lists — Dock, or Warehouse, Receipt
Bills of Lading (B/L) — Ocean B/L, or Motor/Truck or Air Bill, or Way Bill
Electronic Export Information (formerly the Shipper's Export Declaration, or SED) is not an actual document but still a very important part of the export process
Certificates of Origin (C/O), sometimes country-specific — NAFTA C/O, Israel C/O
Declaration of Dangerous Goods (DGD) — Hazmat, placards
Certificates — Insurance, Free Sale, Inspection, Phytosanitary, Authentication (Apostille)
Miscellaneous: Letters of Credit, ATA Carnet, Duty Drawback

b) International Product life cycle:-

The Three Stages of the International Product Life Cycle Theory

Product life cycle theory divides the marketing of a product into four stages: introduction, growth, maturity and decline. When product life cycle is based on sales volume, introduction and growth often become one stage. For internationally available products, these three remaining stages include the effects of outsourcing and foreign production. When a product grows rapidly in a home market, it experiences saturation when low-wage countries imitate it and flood the international markets. Afterward, a product declines as new, better products or products with new features repeat the cycle.

General Theory

When a product is first introduced in a particular country, it sees rapid growth in sales volume because market demand is unsatisfied. As more people who want the product buy it, demand and sales level off. When demand has been satisfied, product sales decline to the level required for product replacement. In international markets, the product life cycle accelerates due to the presence of "follower" economies that rarely introduce new innovations but quickly imitate the successes of others. They introduce low-cost versions of the new product and precipitate a faster market saturation and decline.

Growth

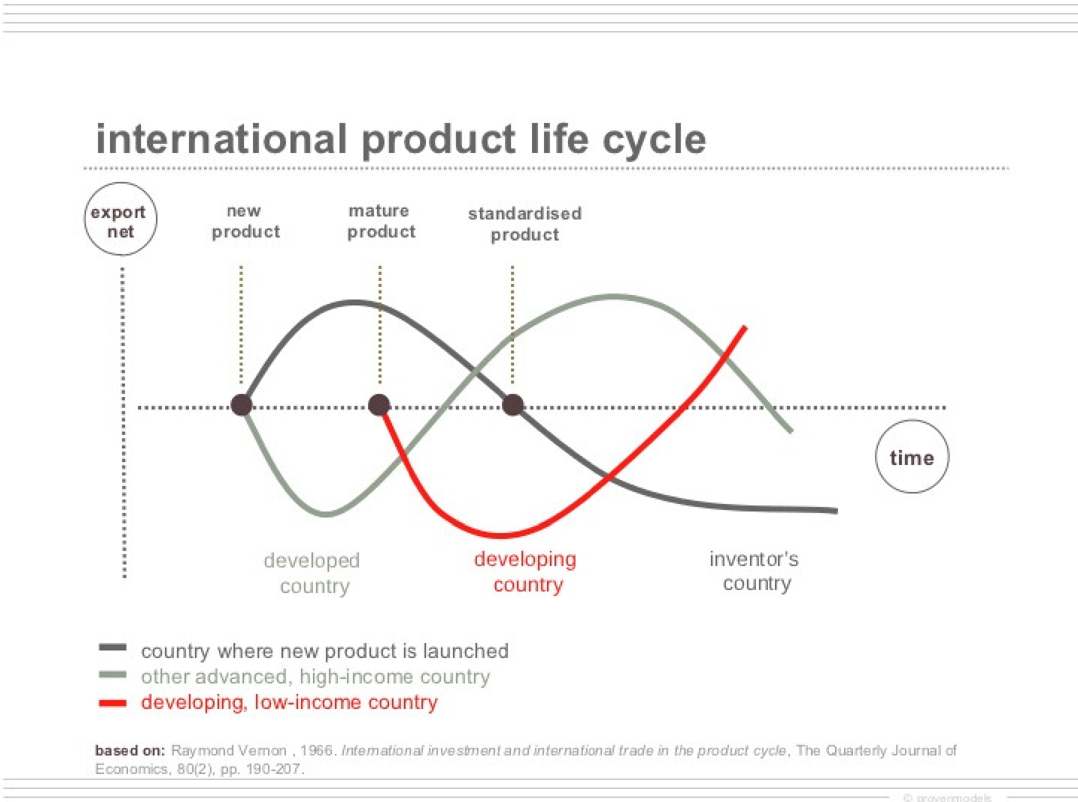
An effectively marketed product meets a need in its target market. The supplier of the product has conducted market surveys and has established estimates for market size and composition. He introduces the product, and the identified need creates immediate demand that the supplier is ready to satisfy. Competition is low. Sales volume grows rapidly. This initial stage of the product life cycle is characterized by high prices, high profits and wide promotion of the product. International followers have not had time to develop imitations. The supplier of the product may export it, even into follower economies.

Maturity

In the maturity phase of the product life cycle, demand levels off and sales volume increases at a slower rate. Imitations appear in foreign markets and export sales decline. The original supplier may reduce prices to maintain market share and support sales. Profit margins decrease, but the business remains attractive because volume is high and costs, such as those related to development and promotion, are also lower.

Decline

In the final phase of the product life cycle, sales volume decreases and many such products are eventually phased out and discontinued. The follower economies have developed imitations as good as the original product and are able to export them to the original supplier's home market, further depressing sales and prices. The original supplier can no longer produce the product competitively but can generate some return by cleaning out inventory and selling the remaining products at discontinued-items prices.



c) International Promotion mix

international promotion mix & pricing decision

PROMOTION

Promotion plays a vital role in providing information of the product to the foreign customers. It also creates the desirability of the product among foreign potential buyers. Foreign companies desire to communicate with their marketing intermediaries and potential buyers to ensure favourable sentiment toward themselves and their products. Promotion is more culture bound than other Ps.

Hence, the foreign companies must take special care in promoting the product in the host country.

The promotion mix include:

1. Advertising
3. Sales Promotion, and
2. Personal Selling
4. Public Relations

1. ADVERTISING

Though advertising is not given due importance in developing countries, it plays crucial role in international marketing and particularly for consumer goods and consumer durables. The international firm while formulating advertising strategy should consider -
(a) Message
(b) Medium
© Extent of global advertising efforts.

SALES PROMOTION

Sales promotion includes specialised marketing efforts like coupons, in-store promotions, sampling, direct mail campaigns, co-operative advertising and trade fair attendance. International companies attend trade shows like Paris Air Show, Tokyo Auto Mart etc. Most of the Airlines companies use sales promotion to lure customers.

PUBLIC RELATIONS

Public relations include efforts aimed at enhancing a firm's reputation and image with the general public. The consequence of public relations is that the firm is a 'good corporate citizen.' This image in its turn enhances company sales.