UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL

LIMITED
ST/ECLA/Conf.37/L.6
27 May 1971
ORIGINAL: ENGLISH

MEETING OF EXPERTS ON THE FORMULATION
AND IMPLEMENTATION OF STRATEGIES FOR
THE EXPORT OF MANUFACTURES

Santiago, Chile, 26 July to 4 August 1971

CONCEPTUAL MODELS FOR EXPORT PROMOTION STRATEGY AT THE NATIONAL AND ENTERPRISE LEVELS

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Working paper

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71-5-1613

This paper offers two conceptual models for export promotion strategy at the national and enterprise levels, respectively. These models seek to identify the elements of export promotion strategy and indicate their major relationships.

Strategy involves the determination of objectives, the design and mobilization of resources to attain them, and the excercise of control to insure that actual operations conform to objectives. Strategy, therefore, is a plan for action.

The two conceptual models presented in this paper are planning models; their fundamental purpose is to guide the development and operation of programmes for the promotion of manufactured exports at national and enterprise levels.

Aside from their planning function, these models may suggest subjects for research and may also help in the design of training courses in export promotion.

This paper emphasizes the structure of the conceptual models rather than their individual elements. In some instances, the elements are simply identified and placed in relationship to other elements. Although this presentation may strike some readers as abstract and empty of real content, any effort to order the complex phenomena that relate to export promotion in Latin America or in other developing countries is necessarily an effort at abstraction. It is looking at the forest, not the individual trees. But if this effort is successful, one can then know better which trees to look at and how to look at them.

Basically, then this paper puts forth two perspectives on export promotion, one at the macro or governmental level, the other at the micro or enterprise level. The latter may be regarded as an element of the former. Alternatively, the dominant function of a national export strategy may be viewed as the stimulation and support of enterprise export marketing strategies.

The strategy models are normative and logical rather than behavioural. They indicate what should be done rather than how it should be done. They ignore political and cultural factors as well as the conflicts, loyalties and inertia that are found in all human organizations. Inevitably, a national export promotion strategy will be affected by the political, social and behavioural features of the nation and its people. Frequently, the "economic logic" of a national export strategy will have to be accomodated to these forces, with a resulting compromise of its objectives and or programmes. At worse, the strategy may be so badly crippled by hostile or negative forces that it loses any true effectiveness.

The national strategy model, then, is a map that indicates the route from point A to point B but it would be academic to presume that every developing country will want to use that map or to use it without alterations that conform to its own situation. In any event, what happens at the enterprise level will spell the success or failure of a national export strategy.

The model for national export strategy assumes that a nation gives exports the top priority in its national development planning. The reason for this assumption is to make the model as comprehensive as possible. It is not suggested however, that every developing country should mount an export drive at this priority level. Similarly, the export marketing strategy model assumes that enterprise management wants to push exports aggressively. If nations or enterprises are not interested in the active creation of exports, there is obviously no need for export promotion models of any kind.

/I. STRUCTURE AND

I. STRUCTURE AND ELEMENTS OF A NATIONAL EXPORT PROMOTION STRATEGY

The structure and elements of a national export promotion strategy are set forth in figure 1.

A national export promotion strategy (NEPS) is a comprehensive plan conceived and initiated at the highest levels to attain specific export targets over a period of 5 to 10 years. NEPS has four functional aspects: (1) objectives, (2) design and mobilization of resources (policy), (3) programme (operations), and (4) control.

Setting objectives

The export target objectives of NEPS should be expressed in quantitative terms, and they should represent goals that are reasonably attainable by industries and firms in the manufacturing sector of the economy. Objectives should be future-oriented; they should not merely reflect the current manufacturing and export situation. The primary function of objectives in NEPS is to establish goals that will inspire the commitment of resources to export development at both the national and enterprise levels.

It is important that the NEPS objectives be reasonably attainable; objectives that are set too high cannot serve as performance standards and they are likely to create frustrations that undermine the entire export drive.

Since the micro-elements of NEPS objectives are the export objectives of many manufacturers, it is highly desirable to have those manufacturers participate in the determination of export objectives for their particular industries. This also has an important psychological advantage: manufacturers are much more likely to believe in the attainability of objectives they have helped to establish. This credibility factor is highly significant because the success of NEPS is ultimately dependent on enterprise performance.

At the same time, it is not to be expected that manufacturers will have the motivation, knowledge or capacity to establish national export objectives. This can be done only through the concerted efforts of all those government agencies that will play an important role in national export strategy: Development, Planning, Commerce and Industry, Finance, Agriculture, Transportation, Foreign Affairs, and so on. For most countries, it will be necessary to establish a high-level Export Development Committee to obtain an intimate degree of co-operation among the many interested government agencies. The Committee will define the government's commitment to export development in terms of both policies and programs. These definitions, will in turn, guide manufacturers and their organizations in determining industry and enterprise objectives. Through a process of communication within government and between government and enterprise groups, a set of export objectives can be established that will have the support of all those who will actually participate in the export drive.

What is suggested, therefore, is a form of indicative planning in which the government first sets the parameters and scope of the export drive, and then invites the participation of private industry representatives in working out specific export objectives within the overall national framework.

Design and Mobilization of Resources (Policies)

National export promotion policies close the gap between objectives and actual performance by directing the design and mobilization of resources that are necessary to achieve objectives.

The first step is an evaluation of resource limitations at the enterprise level that will constrain the attainment of specific export objectives. Several kinds of limitations will become evident upon investigation: limitations of time, information, management, production, marketing organization, capital, and so on.

Although these limitations will vary in their relative importance by industry and individual enterprise, some will be more critical than others to export performance.

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The second step is to ask: what can government agencies do to remove or moderate these limitations? Putting the question somewhat differently, what <u>support requirements</u> can government agencies offer private manufacturers to enable them to reach their export targets? The answer to this question will serve as the basis for the design and scope of national export promotion programmes. This approach to the design of official export promotion programmes differs significantly from an <u>autonomous</u> determination of export promotion programmes by government agencies. The support-requirements approach utilizes the wisdom of the marketing concept which states: Find out what your customers want, and then give it to them. The "customers" of official export promotion programmes are the individual exporting firms. Hence these programmes should be designed to solve problems for exporting manufacturers (both in the short and long run) through the efforts of public officials.

The mobilization of resources involves the actual commitment of manpower, funds and leadership to official export promotion programmes and agencies. This commitment should extend over the entire national planning period, subject to periodic reviews.

<u>Export Promotion Programmes (Operations)</u>

National export objectives and policies guide the creation and performance of national export promotion programmes that will provide support to manufacturers for the achievement of specific export targets. Official export promotion programmes transform national export strategy into sets of activities that are essential to its implementation. Within the guiding lines laid down by export promotion policies, it must be decided how each activity should be performed, who should perform it, and how it relates in function and in time to other export promotion activities.

The programme aspect of NEPS requires, therefore, that the government <u>organize</u> for national export promotion. Since new export promotion programmes are almost certain to cut across existing agency jurisdictions, their organization must overcome bureaucratic traditions and rivalries. Only determined effort supported by the highest government leadership can achieve an organization of export promotion activities that best actually responds to the needs of manufacturers as determined by intimate

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co-operation between them and public officials. The staffing of export promotion programmes with competent technical and administrative personnel is also of signal importance. Export promotion programmes should be headed by people who command respect both in government and in industry.

Control

Control is an essential function of a national export promotion strategy, but it is easy to neglect because the world abounds with people who, immersed in a daily round of activities, never ask what these activities are intended to accomplish and whether they are in fact doing so.

In business management, control refers to a system that detects and measures "variances" between actual and planned operational results.1/ When variances occur (as they certainly will) it is the job of managers to find out why they are occurring and then to take remedial action. Variances may arise out of operational inadequacies (such as poor management or insufficient resources) or out of external changes in "environmental parameters" (including market demand and competition) that are among the assumptions of the strategic plan, or out of both.

A control system, then, provides feedback information that tells managers whether they are indeed achieving planned objectives. Control variances can lead to changes in operations and/or changes in objectives and policies. Control provides, therefore, an indispensable link between objectives and policies, on the one hand, and operations (programmes), on the other.

The output of a national export promotion strategy is the actual export performance of manufacturers. The control system, therefore, must start with feedback flows of information on enterprise performance (in production and marketing for export) to the appropriate programme agencies. Variances between planned and actual export performance should stimulate those agencies to investigate the cause or causes, and then to mount remedial action in so far as they are capable of doing so. Some cause of variances may be traceable to factors that are so endogenous to the individual manufacturer (such as poor management) that government agencies can do little to improve the situation. In other cases, however, official remedial support can be highly effective.

1/ Variances may be positive or negative. The discussion here is concerned with negative variances primarily.

The control system starts with information flows from manufacturers (and their organizations) to the government agencies that directly serve them. From these agencies, in turn, control information flows to higher levels of government that are responsible for setting national export objectives and policies. Officials at these higher levels should identify the causes of performance variances and decide whether remedial action is demanded in objectives, policies or programmes. The key point to keep in mind is that the performance of national export programmes should be evaluated against the actual export performance of manufacturers. However well administered they may be, official promotion agencies that do not achieve their expected contribution to the attainment of established export targets are failing in their respective missions.

National Export Promotion Strategy as Depicted in Figure 1

Figure 1 depicts the major activities that constitute the elements of a national export strategy and the gross relationships among them. Figure 1 is not an organization chart; it does not indicate which government agencies should perform these activities or any other administrative arrangements. Here we focus our attention only on activities at a high conceptual level, leaving others to work out the organizational implications of NEPS and to break down the activity categories into their specific constituents.

NEPS starts with a public commitment to a national export drive by high government leadership. Why and how this leadership makes its export commitment is not our present concern, but it is the indispensable basis for a comprehensive national effort in export promotion. Government leaders must inspire the public, the business community, and government agencies to a pitch of enthusiasm that will sustain the export drive over the difficult years ahead. Mere lip service is not enough. Government leaders must understand what is required to mount a national export drive; they must fully support necessary adaptations in general macro policies as well as export promotion policies and programmes. Only a strong government can maintain its commitment to a national export drive in the face of conflicting political, economic and social forces.

Many macro-economic policies may hinder an export drive, notably inflationary fiscal/monetary policies and over-valued exchange rates. Unless macro policies are adjusted and adapted so as to provide support to export promotion programmes, the success of any export drive is doubtful, to say the least. For governments that have traditionally pursued inward oriented policies, any shift to export-oriented policies will be a painful though necessary experience.

National development planning must also be oriented towards exports if a national export drive is to be successful, especially over the longer run. The developed, industrial countries are able to concentrate official export promotion activities on the marketing or demand side. But the developing countries must do much more than that; their official export promotion activities should also direct and encourage the development of manufacturing export capacity or the supply side. Over the longer run, therefore, export promotion becomes a key element of national economic development and development planning.

The goals, priorities, and resource allocations of national development plans should, at the very least, be consistent with export promotion objectives and programmes. When a nation is fully committed to an export drive (the assumption of this paper), then long-run export objectives become the dominant objectives of national development plans.

As Figure 1 indicates, national export objectives and policies are determined within the constraints laid down by macro government policies and national development planning. Within those constraints, the choice of export objectives and policies will be largely determined by a comprehensive evaluation of national production capability, on the one hand, and an evaluation of foreign market opportunity, on the other. Conceptually, the task of export promotion at this stage is a matching of capability against market opportunity at different levels of aggregation (enterprise, industry, region, national) and over different planning periods (short-run, intermediate, long-run).

Programme activities fall naturally into two major categories; industrial export promotion services on the production and supply side, and commercial export promotion services on the market or demand side. However,

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these two sets of activities are not mutually exclusive; on the contrary, they are highly interdependent at the enterprise level. Over the longer run, production capacity should be created in response to market forces; R and D, production and marketing need to work hand in hand to achieve that result. It follows, therefore, that any government agency responsible for industrial export promotion should co-operate intimately with those responsible for commercial export promotion, and conversely.

NEPS ends with the manufacturer and his export markets. In the aggregate, his performance will determine the effectiveness of all the government policies and programmes in the field of export promotion.

Short-run, Intermediate and Long-run Strategies

A national export promotion strategy employs different planning periods that generate sub-strategies with their own objectives and resource mixes.

Short-run strategy (running up to one year) focuses on the export marketing of manufactured products that are suitable for sale abroad with no, or only modest, adjustments on the supply side. Programme activities to carry out short-run strategy fall mainly in the category of commercial export promotion services. The over-riding objective of short-run strategy is immediate export sales.

Intermediate strategy (running up to two years or so) is principally concerned with the mobilization of existing manufacturing facilities for product adaptation (volume design, size, material, package, etc.) to the requirements of foreign markets. The emphasis in intermediate strategy is on the adaptation of existing products rather than on the creation of new products. Although some product adaptations may require considerable assistance by government agencies on the supply side, commercial export promotion servicew continue to have a major role in intermediate strategy programmes.

Long-run export promotion strategy is directed towards the creation of new export products that ordinarily require investment in new manufacturing plan or the expansion of existing plant. Investment in research and development activities may also be necessary when technology is not available from external sources. One result of this export promotion strategy may be the establishment of entirely new industries.

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For its implementation at the programme stage, long-run strategy depends mainly on industrial export promotion services. The determination of long-run export promotion objectives and policies is intimately related to national development planning and especially industrial planning and programming.

All strategic planning - short-run, intermediate and long-run - should have a marketing orientation. That is to say, objectives, policies and programmes should always be directed towards the immediate or ultimate satisfaction of customers in export markets. This orientation is as necessary for industrial export promotion services as for commercial export promotion services.

Interdependence of National Export Promotion Elements

The solid and dashed lines in Figure 1 suggest, but understate, the interdependence among the elements of a national export promotion strategy. It should be kept in mind that Figure 1 is a logical flow model rather than a critical path or chronological model. Actually, a national export promotion strategy is an on-going, dynamic process that involves interactions among all its elements. For example, although the setting of national export objectives and policies is constrained by macro-government policies and national development planning, the former activity can certainly start before macro policies and development planning are fully adapted to the requirements of national export promotion. Indeed, there should be a continuing interaction among these three elements that fosters a harmonization of macro policies, development planning and export promotion objectives and policies. Similar remarks may be made about other elements of Figure 1.

In brief, the creation of a national export strategy is an evolutionary process over time that ultimately involves all the elements depicted in Figure 1. The important thing is to get started, to begin a movement that will culminate in a national export drive.

An illustrative case of a national export promotion strategy (The Korean Experience)

Lest the foregoing discussion of national export promotion strategy appear to be a merely intellectual exercise, it is instructive to end this part of the paper with a brief review of the Korean export drive in the 1960s.[2/]

2/ This section draws heavily on Amicus Most, Expanding Exports, A Case Study of the Korean Experience (Washington, D.C.: United States Agency for International Development, June 1969).

/The development

The development strategy adopted by the Korean Government emphasized export expansion starting in 1963. A stabilization programme was announced in May of that year and the currency was devalued in May 1964 (in February 1965, the exchange rate was allowed to float up to 270 to the dollar as compared to a pre-1964 rate of 130 to the dollar). Import restrictions were also reduced. The adjustments in macro policies created an economic environment favourable to exports.

In January 1965, front-page headlines in Korean newspapers announced President Park's export goal of $ 1 billion a year. The formulation of the first overall export programme began in early 1965. Although inadequate in some respects, this programme (or rather strategy) brought together all the many elements necessary to an export drive and also led to the establishment of a Joint Export Committee.

The Joint Export Committee was officially established in March 1965 with the following membership: (1) Vice-Ministers of Commerce and Industry, Agriculture and Forestry, Economic Planning, Finance, Transportation, and Foreign Affairs; (2) the Directors of other governmental and quasi-government agencies such as Customs, Monopoly, Korean Export Promotion Corporation, Bureau of Standards, agricultural and industrial research centres; (3) the officials of the Bank of Korea and of private banks; and (4) the Presidents of the Korean Chamber of Commerce, Korean Businessmen Association, Korean Traders Association, Small and Medium Business Co-operatives Association, and other trade associations.

Although the Joint Export Committee was not a government agency, it was successful in "mobilizing, uniting and activating" all areas of the private and public economic sectors that related to export. Each month the Committee reported personally to President Park. Within two years the Korean government was able to take over the entire job of export development, and the Committee passed out of existence.

It is not possible to describe here the many programmes that carried forward export promotion in Korea. Backed by the public commitment and continuing support of President Park, the adaptation of macro policies, the establishment of export expansion as the top priority in development planning, and the creation of an organization to determine export targets

/and policies,

and policies, it became a comparatively simple matter to set up programmes to provide both industrial and commercial export promotion services. A simple listing of these programme activities suggests their comprehensive scope: cost accounting, productivity centre, quality improvement and control, product design and packaging, elimination of red tape (export procedures and paperwork, passports and visas, samples), exporter-importer relations, mediation and arbitration of commercial disputes, reputation study, shipping information and rates, export insurance, trade missions, a broad range of export marketing services via the Korea Trade Promotion Corporation (KOTRA), industrial parks, technical assistance, incentives (credit, tax, free entry of raw materials used in export products, etc.), vocational training, and others.

The Korean export drive involved short-run, intermediate and long-run planning. The major thrust, however was the creation of new export products in processed foods and particularly in manufactured goods.

The Korean export drive recorded an outstanding success. Annual exports rose from less than $ 85 million in 1963 to almost $ 500 millon in 1968. (These figures do not include sales to the United States Armed Forces in Korea.) Manufactured goods as a percentage of total exports rose from 18.2 in 1960 to 69 in 1967. The number of export markets increased from 20 countries in 1960 to 76 only five years later. Most spectacularly, the number of export products jumped from 65 in 1960 to 621 in 1966.

In concluding, we quote from Most: "The Korean success was not an accident, but was the result of planned programmes and activities by the Korean Government ..."[3/]

3/ Ibid., p. 1.

II. STRUCTURE AND ELEMENTS OF ENTERPRISE EXPORT MARKETING STRATEGY

As stated in Section I, the dominant function of a national export promotion strategy is the stimulation and support of enterprise export marketing strategies. The present section now looks at the structure and elements of enterprise export strategy.[4/]

The Export Marketing Strategy Model

Figure 2 portrays the structure and elements of enterprise export marketing strategy. This model assumes that the top management of a business enterprise (in particular, a manufacturing enterprise) has decided to develop actively its export sales and to commit financial, managerial and other resources to that end.

Although we shall speak of a simple export marketing strategy, it is actually the end result of several individual strategies. Basically export management should plan for each product in each export market. Then individual strategies can be brought together to form the overall export strategy. Each of these constituent strategies defines a course of action over the next three to five years to achieve explicit objectives in the export of a product to a foreign market whose sales potential and other characteristics have been measured by market research.

Export marketing strategy may be viewed both as a sequence of activities and a series of decisions about objectives and the means to obtain them. As a sequence of activities, export marketing strategy breaks down into three phases that are shown in Figure 2.

Export marketing strategy begins and ends with the export market because the continuing purpose of the enterprise is to create export markets for its products. Export marketing strategy emphasizes the importance of knowing the market and giving consumers the satisfactions they expect to get from the company's product.

4/ For a more extensive treatment of this subject see: Franklin R. Root, Strategic Planning for Export Marketing (Scranton, Pennsylvania: International Textbook Company, 1966).

/The first

The first activity phase is <u>identifying and measuring export market</u> opportunity. This involves preliminary screening, estimating market and sales potentials, and segmenting the export market. That segment of the foreign market offering the highest sales potency becomes the <u>target</u> export market. Then management is ready to develop an export marketing strategy to exploit its sales potential in the target market.

Formulating export strategy calls for determination of export objectives over the planning period and the design of a <u>marketing mix</u> (a blend of product pricing, channel of distribution and promotional policies) to achieve them. Strategic planning must observe the constraints imposed on export management by company-wide policies and the resources available to export marketing.

The third phase is putting export strategy to work, that is, making it operational. The first year (or other period) of the strategic plan is transformed into a series of budgets and working policies which will direct export operations. This activity differs from the usual one-year budgetary planning because it is guided by an export strategy that extends much further into the future.

The planning activities shown in Figure 2 are parts of a single planning process. Each phase is closely related to the others and is not finally completed until the completion of the entire process. This mutual interdependence is further heightened by the need to control operations in conformity with export strategy, and the need to review strategy in the light of changing conditions. To control operations export management must receive a feedback of information reporting on operations. In addition to its control function, this feedback information is bound to affect export strategy in one way or another. Strategy review may call for new market research, revision of export objectives, or adjustments in the marketing mix. Finally, export management must periodically extend the current planning period further into the future because of the passage of time.

Planning itself requires decision-making of two kinds: decisions about objectives and decisions about the means to attain those objectives. The export manager gets at least the broad objectives of his strategic

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plan from his management superiors; he is expected to translate them into more specific export objectives. Subject to this guidance from his management superiors, the export manager can and should make decisions on the export marketing mix.

Undoubtedly, the most creative step in decision-making is recognizing alternative courses of action to reach desired goals. Planning export strategy offers management a chance to think up new and better ways of creating customers in export markets; it appeals to the imagination.

Identifying and Measuring Export Market Opportunities

The distance between an exporter and his customers is ordinarily much wider than at home.

By distance we do not mean only - or even primarily - physical distance. More important is the marketing distance created by intermediaries standing between the exporter and the ultimate consumers of his products, and the cultural distance arising out of the fact that these consumers are members of another culture and society.

All these distances conspire to produce an information gap that must be overcome if a company is to plan its export sales rationally. The way to close this gap is through a systematic study of foreign markets directed towards identifying and measuring export market opportunities.

Export market research can answer three basic questions that must be answered if export management is to plan effectively for the years ahead: (1) What is the market potential of a specific export market? (2) What is the company's sales potential in that market? (3) On what specific segment of the chosen market should export management concentrate its marketing effort? Answer to these questions lead to the selection of a target market for the strategic export plan. Further research is focused on this target market to learn more about buyer behaviour, marketing structure, and competition.

Briefly defined, market potential is the maximum total sales of a generic product by all sellers in a designated market over a specified future period. On the other hand, sales potential is the maximum sales that the exporter can reasonably plan for in the foreign market. It is usually derived from an estimate of the company's maximum share of the market potential over the planning period, that is, its maximum penetration ratio. A simple equation explains this approach: SP = (PR) x (MP), where SP is sales potential, PR is penetration ratio, and MP is market potential.

The export manager should also look inside the foreign national market to identify the group or groups of consumers which offer the highest sales potential to the exporting enterprise. We call this market segment analysis. Segment analysis is necessary because market demand for products is heterogeneous. Consumers differ (often markedly) in incomes, wealth, education, social class, age, sex, occupation, race and in innumerable other ways. Any one or set of these differences may have a decisive bearing on consumer's willingness and ability to buy an exporter's products.

Segment analysis is also important to the marketing of industrial products. Often the manufacturer does not know which business firms can use his product or, if they use it, why they use it and how they use it.

Planning the export Marketing Mix

Once management has clearly defined strategic export goals, it must make decisions on the product, price, channel and promotion policies that will accomplish those goals. Collectively those policies, or instruments of marketing action, make up the company's export marketing mix. By striving to improve the marketing mix in the face of many uncertainties. Export planners can reasonably expect to develop a more effective set of export policies than a company whose policies are not grounded on factual analysis and conscious deliberation. And this advantage can be decisive in competing for export markets.

Where should export management start in planning the strategic marketing mix? There is a strong argument for starting with an evaluation of the product or product line intended for the export market. If the product does not provide those satisfactions the market demands, all other marketing efforts will come to nought. Next, it is fruitful to consider price policy, especially the prices that will be paid by final consumers and users in the export market. A sound price policy extends all the way from the exporter to the final buyers of his products even though middlemen may actually service those final buyers.

A third step involves decisions on the appropriate channel or channels of distribution to use in getting the exporter's product to his target market. Export planners may then turn to the last major element of the market mix: promotion. Here they must decide policies on personal selling, sales promotion and advertising.

It is not possible in this paper to investigate the many aspects of product, price, channels and promotion that enter into the export marketing mix. Instead, some of the key questions that export managers should ask (and answer) about each policy area are identified in the following sub-sections.

Product. Product planning tries to answer two questions: (1) What, if any, products should be added to the company's current export product line? (2) What, if any, products should be dropped from the company's product line? The essence of product planning is summed up by the simple statement: Find out what people want, then try to give it to them. Exporters should conceive their products in broad terms. A product may be viewed as having three aspects: (1) the physical product core, (2) the product package, including brand name and trademark, and (3) auxiliary or product services, such as performance guarantees, use instructions, installation assistance, spare parts availability, etc. Accordingly, product planning involves not only planning the physical product (product core), but also the ways in which it is identified and presented to the consumer (product package), and its consumption is facilitated and made effective (auxiliary services).

Export pricing. A defensible starting point in planning export pricing strategy is the determination of the base or final-buyer price. Three questions are relevant to this determination: (1) What are the demand schedules of final buyers over the strategic planning period? (2) What are the incremental manufacturing and marketing costs to achieve various projected sales volumes? (3) Which price offers the highest profit contribution, that is, sales revenue net of incremental costs? Once determined, the final-buyer price helps guide export management in planning the discount structure and the overall pricing strategy.

/Export Channels

Export Channels of Distribution. An export channel of distribution is the chain of marketing agencies that link the producer to the final buyers of his product in the foreign target market. These agencies negotiate sales transactions and direct the physical movement and storage of the product so as to place it ultimately in the ownership and possession of final buyers where, when and in the quantities they want it. Marketing agencies are distinguished from banks, advertising agencies, transportation companies, public warehouses, forwarders and similar outside agencies. Such agencies are not members of the export channel of distribution; they may be termed facilitating agencies. In planning its export channels, management should first decide what it wants the export channel to accomplish (performance specifications). Several questions are pertinent to this decision: (1) What geographical coverage do we want? How intensive should it be? (2) What selling efforts do we want from channel members? (3) What promotional efforts do we want from channel members? (4) What should be the logistical performance of channel members: the volume and location of inventories, the delivery systems? (5) What auxiliary services should channel members offer final buyers? (6) How and in what ways should we support channel members? After deciding on performance specifications, export managers can then go on to select the most appropriate type of channel and the most suitable channel members.

Export Promotion. Export promotion takes many forms: personal selling, advertising, sales promotion, and publicity. However different they may appear, each is an effort by the exporter to communicate with target consumers, channel members, or the general public. In planning export promotion, two fundamental questions confront management: Whom do we want to communicate with? What do we want our communication to accomplish? Decisions must also be made on the allocation of effort among personal selling, advertsing and sales promotion. The resulting "promotional mix" should offer a profit contribution over the planning period that is higher than the alternative mixes even though export planners can seldom know if it is the optimal mix. After management has made preliminary decisions on specific promotional efforts, it should draw them together to form a harmonious promotional strategy which, in turn needs to be brought together with product, price and channel strategies to make a comprehensive export marketing strategy.

/Organizing for

Organizing for Export Marketing Strategy

Export planning gets started when the man in charge of a business enterprise sets the planning wheels in motion. The chief excentive's necessary contribution to export marketing strategy is his enthusiastic support.

Export management should do its own planning for several reasons. First, export management should have confidence in the strategic plan, if it is to succeed. Second, export management can contribute much to export planning. Third, export management can learn a great deal from participating in export planning. Fourth, export management is in the best position to control operations to conform with export strategy.

Although export management should do its own strategic planning, it needs the full co-operation and assistance of executives in other functional areas of the company, notably production and finance. Approval of the strategic export plan by top management will commit all executives of the enterprise, in one way or another.

It takes a major effort to organize for the kind of export marketing effort so briefly described in this section. But rewards can be great. Given the full backing of company leadership, with the authority to plan, execute and control its marketing strategy, export management can enter international markets prepared to do its best. To repeat an earlier remark, the ultimate goal of national export promotion strategy is to encourage and support business enterprise in the development of aggressive marketing strategies that will build export markets for the future. In the final analysis, this is what export promotion is all about.

APPENDIX

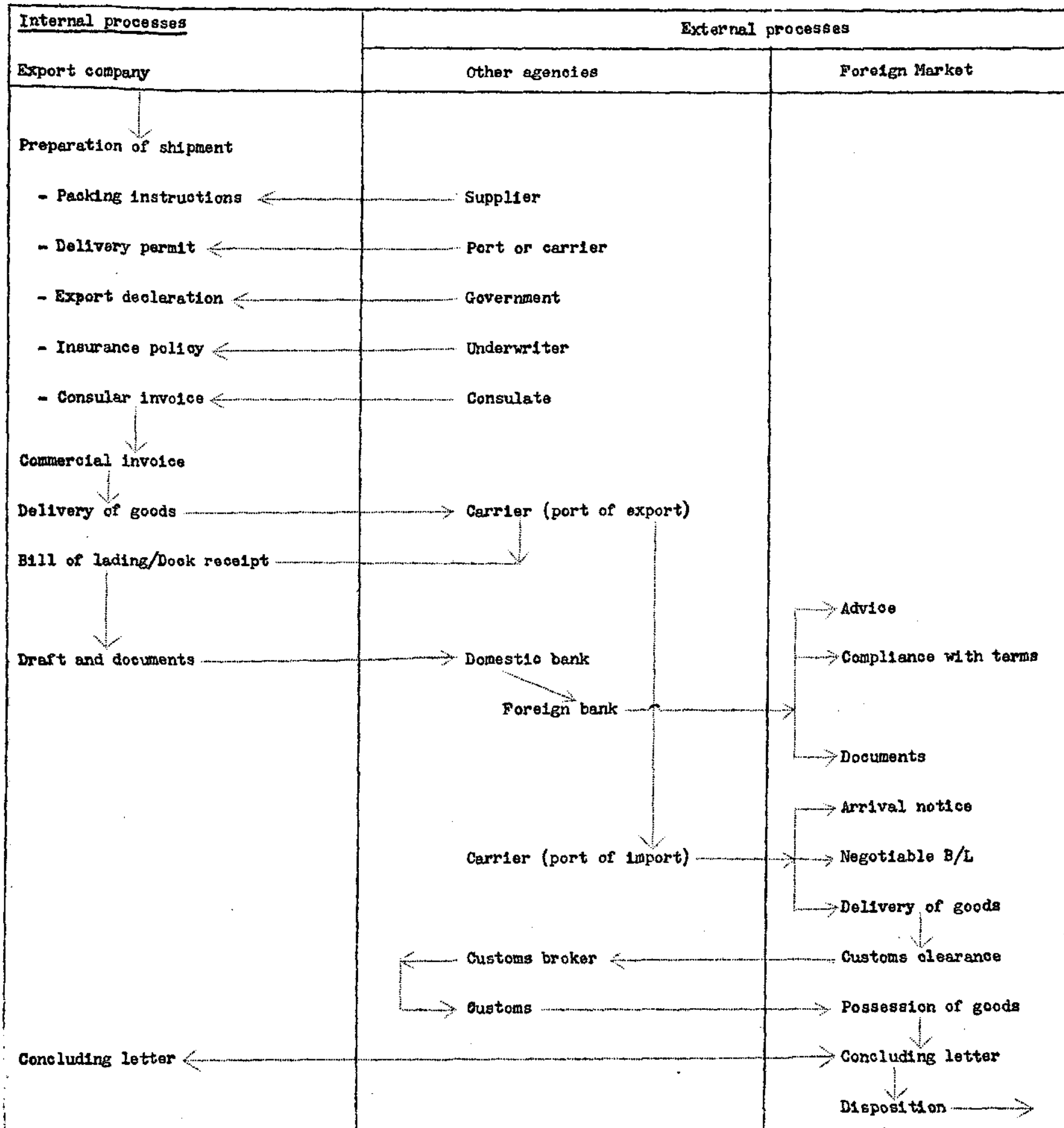
The Critical Path of Export-Import Processes

This paper has said little about the actual operations of the exporter. To compensate partially for this neglect, Figure 3 traces the operational steps that are involved in obtaining and fulfilling an export order.

A study of Figure 3 indicate many points where the government can support or facilitate the export-import process.

Figure 3 assumes that the exporter can obtain products that meet buyer specifications either from suppliers or from his own enterprise. The offer should not be prepared until the product is available to the exporter at the appropriate quantity, quality, price, time, and place.

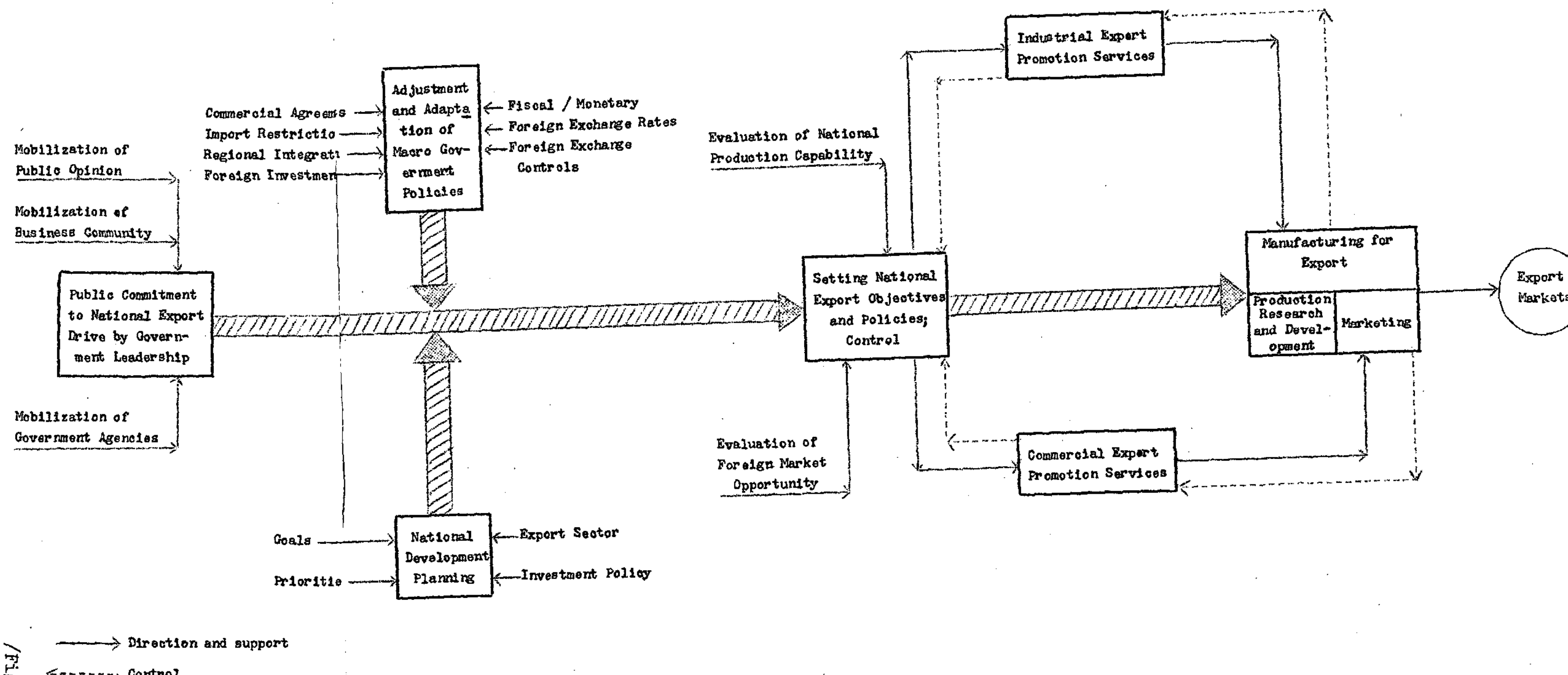
Lying behind the export-import critical patch, therefore, is a production critical path. Both paths are interdependent. Export must have a production base, and the production base must be responsive to the demand requirements of export markets.



<u>Source</u>: Adapted from Kolde, <u>International Business Enterprise</u>.

Figure 1

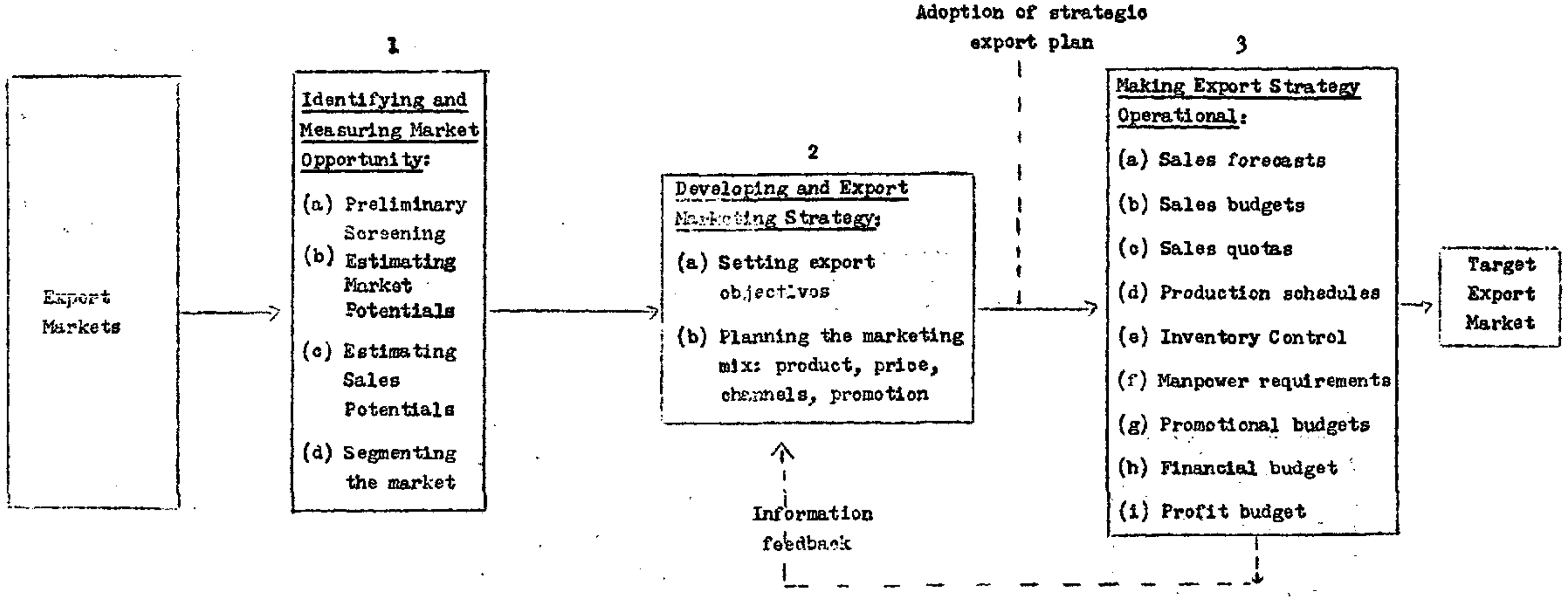
ELEMENTS OF A NATIONAL EXPORT PROMOTION STRATEGY



/Figure 2

Figure 2

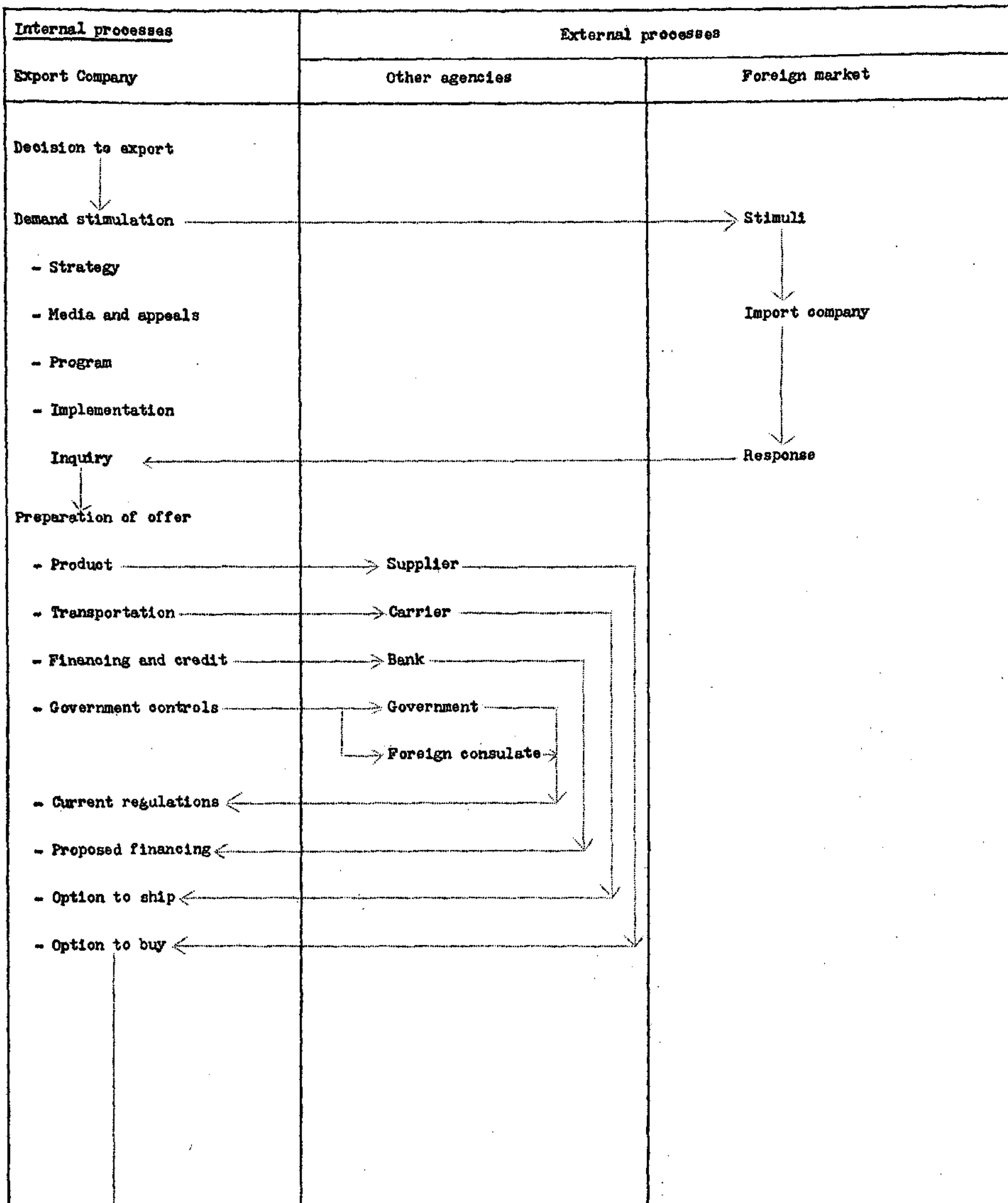
STRUCTURE AND ELEMENTS OF ENTERPRISE EXPORT MARKETING STRATEGY



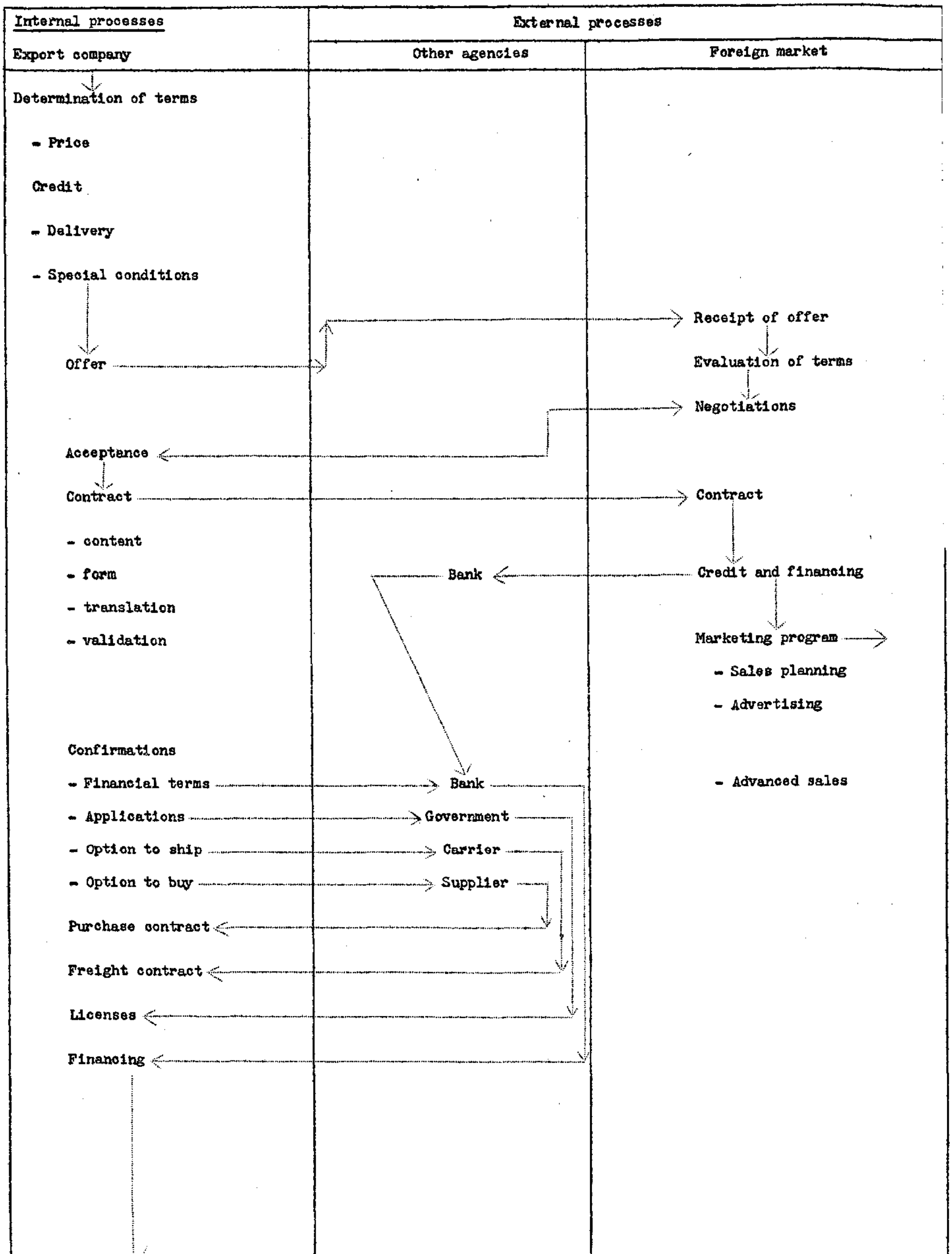
/Figure 3

Figure 3

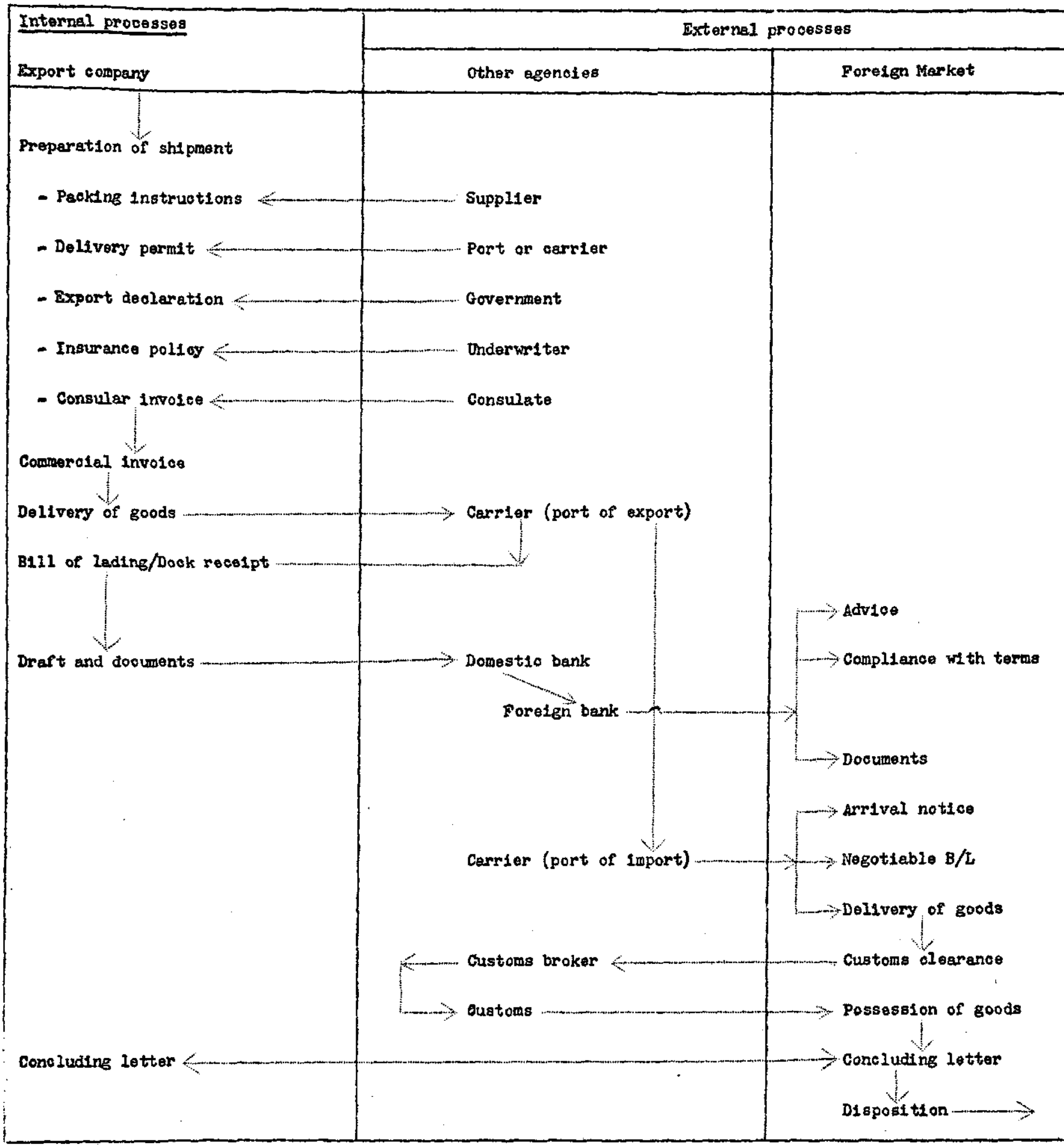
CRITICAL PATH OF EXPORT-IMPORT PROCESSES



/Figure 3 (cont'd)



/Figure 3 (concl.)



Source: Adapted from Kolde, International Business Enterprise.