

Global Marketing

Warren J. Keegan Mark C. Green

Importing, Exporting, and Sourcing Chapter 8



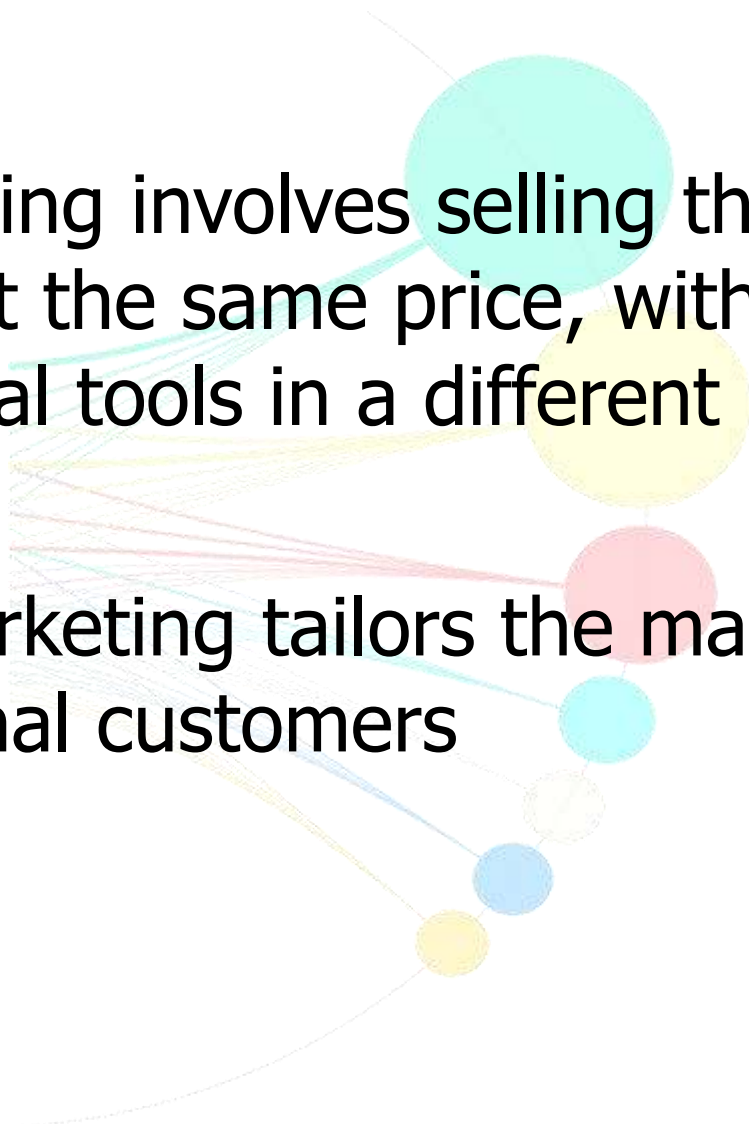
Learning Objectives

- **This chapter looks at:**

- Export selling and export marketing
- Organizational export activities
- National policies on imports and exports
- Tariff systems
- Key export participants



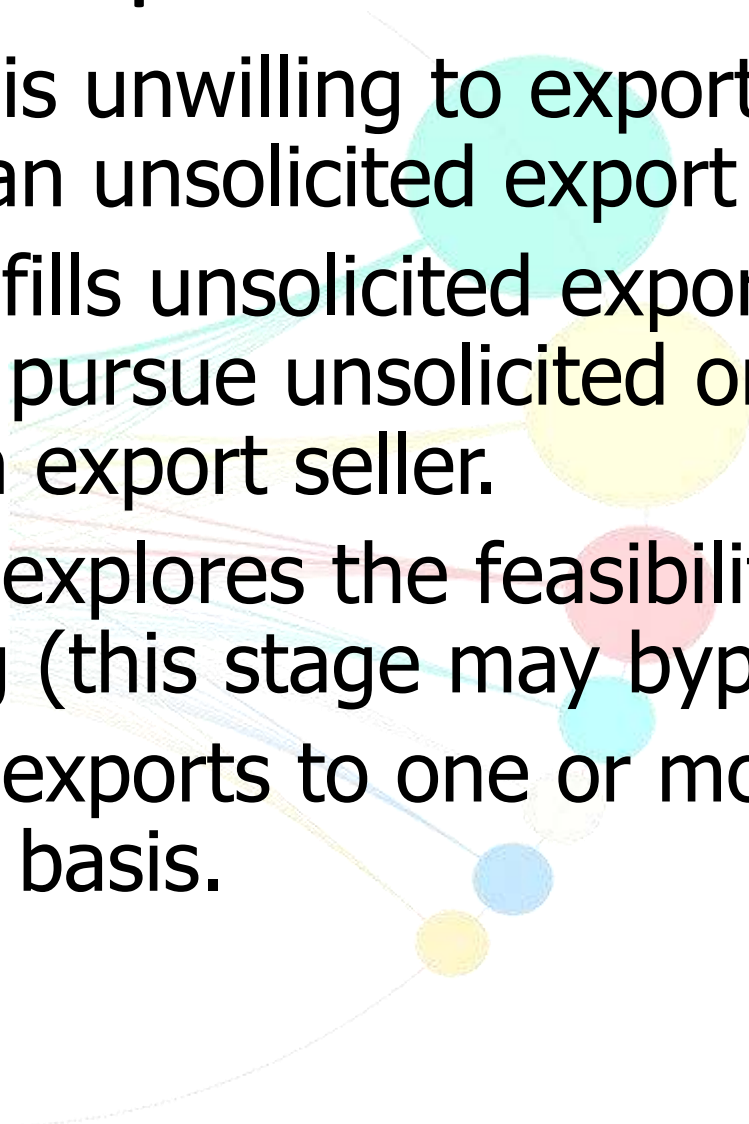
Export Selling vs. Export Marketing

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

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

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

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

Potential Export Problems

TABLE 8-1 Potential Export Problems

Logistics

Arranging transportation
Transport rate determination
Handling documentation
Obtaining financial information
Distribution coordination
Packaging
Obtaining insurance

Legal Procedure

Government red tape
Product liability
Licensing
Customs/duty
Contract
Agent/Distributor Agreements

Servicing Exports

Providing parts availability
Providing repair service
Providing technical advice
Providing warehousing

Sales Promotion

Advertising
Sales effort
Marketing information

Foreign Market Intelligence

Locating markets
Trade restrictions
Competition overseas

National Policies Governing Exports and Imports

- Most nations encourage exports and restrict imports
- Goods and services imported into the U.S. almost doubled in seven years
- In 2008, the total was \$2.5 trillion



Share of U.S. Apparel Market by Exporting Country, 2010

1. China	39.1
2. Vietnam	8.2
3. Indonesia	6.1
4. Bangladesh	5.5
5. Mexico	4.9
6. India	4.3
7. Honduras	3.3
8. Cambodia	3.1
9. El Salvador	2.3
10. Pakistan	2.0

Source: United States Office of Textiles and Apparel



Government Programs that Support Exports

- Tax incentives
- Subsidies
- Governmental assistance
- Free trade zones



The Miami Free Trade Zone, near the airport and port of Miami, manages transactions of over \$1 billion of trade a year.

Governmental Actions to Discourage Imports and Block Market Access

- Tariffs
- Import controls
- Nontariff barriers
 - Quotas
 - Discriminatory procurement policies
 - Restrictive customs procedures
 - Arbitrary monetary policies
 - Restrictive regulations



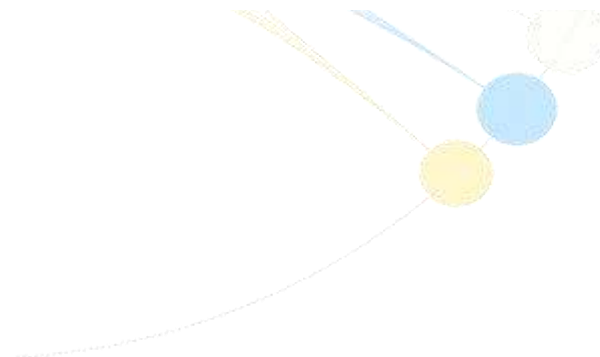
**Portland
Customs
Center**

Examples of Trade Barriers

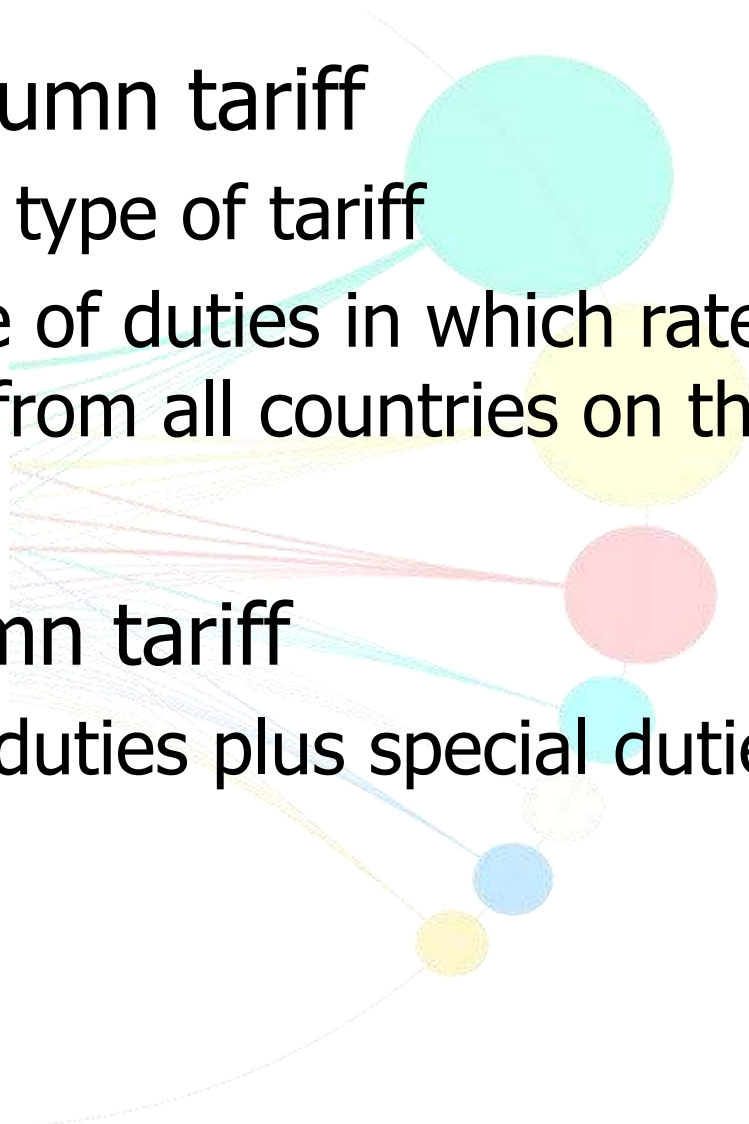


TABLE 8-3 Examples of Trade Barriers

Country/Region	Tariff Barriers	Nontariff Barriers
European Union	16.5% antidumping tariff on shoes from China, 10% on shoes from Vietnam	Quotas on Chinese textiles
China	Tariffs as high as 28% on foreign-made auto parts	Expensive, time-consuming procedures for obtaining pharmaceutical import licenses



Tariff Systems

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

TABLE 8-4 Sample Rates of Duty for U.S. Imports

Column 1		Column 2
General	Special	Non-NTR
1.5%	Free (A, E, IL, J, MX) 0.4% (CA)	30%

A, Generalized System of Preferences

E, Caribbean Basin Initiative (CBI) Preference

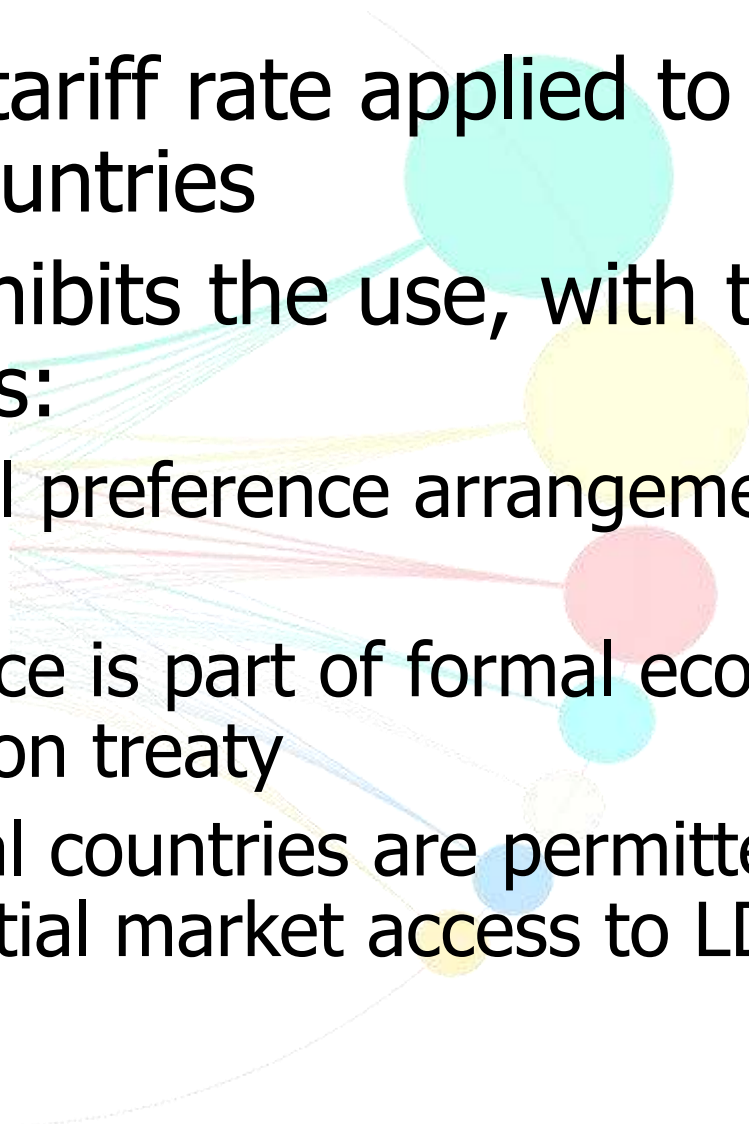
IL, Israel Free Trade Agreement (FTA) Preference

J, Andean Agreement Preference

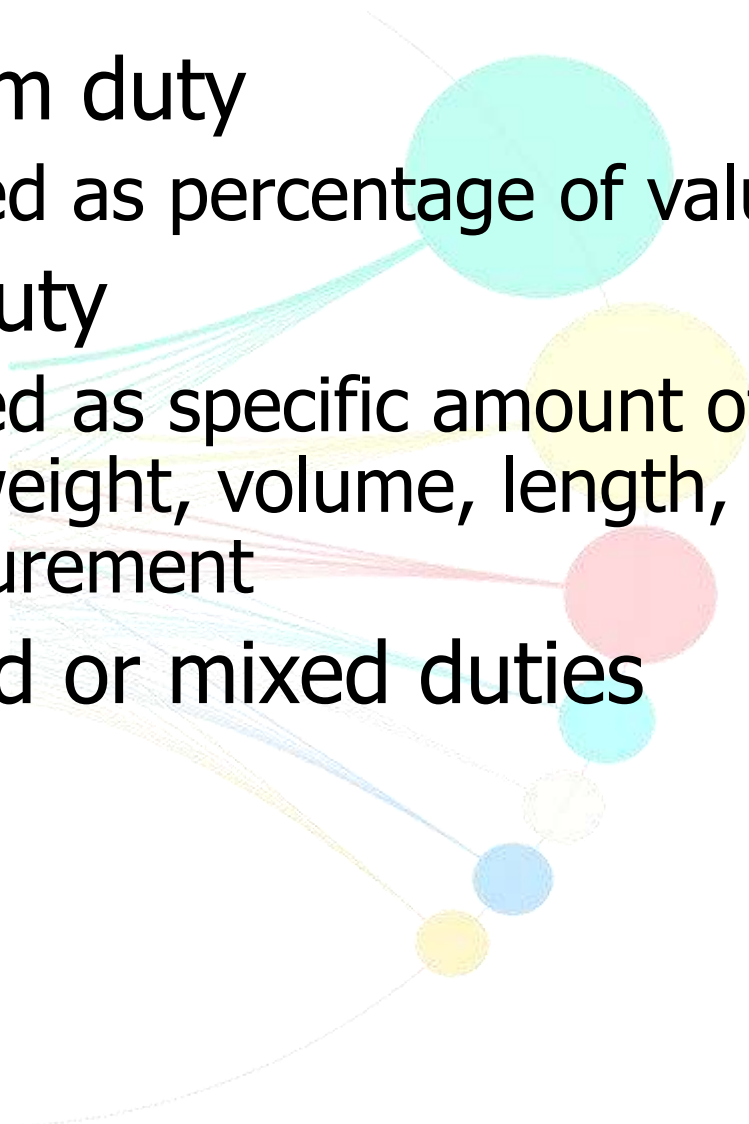
MX, NAFTA Canada Preference

CA, NAFTA Mexico Preference

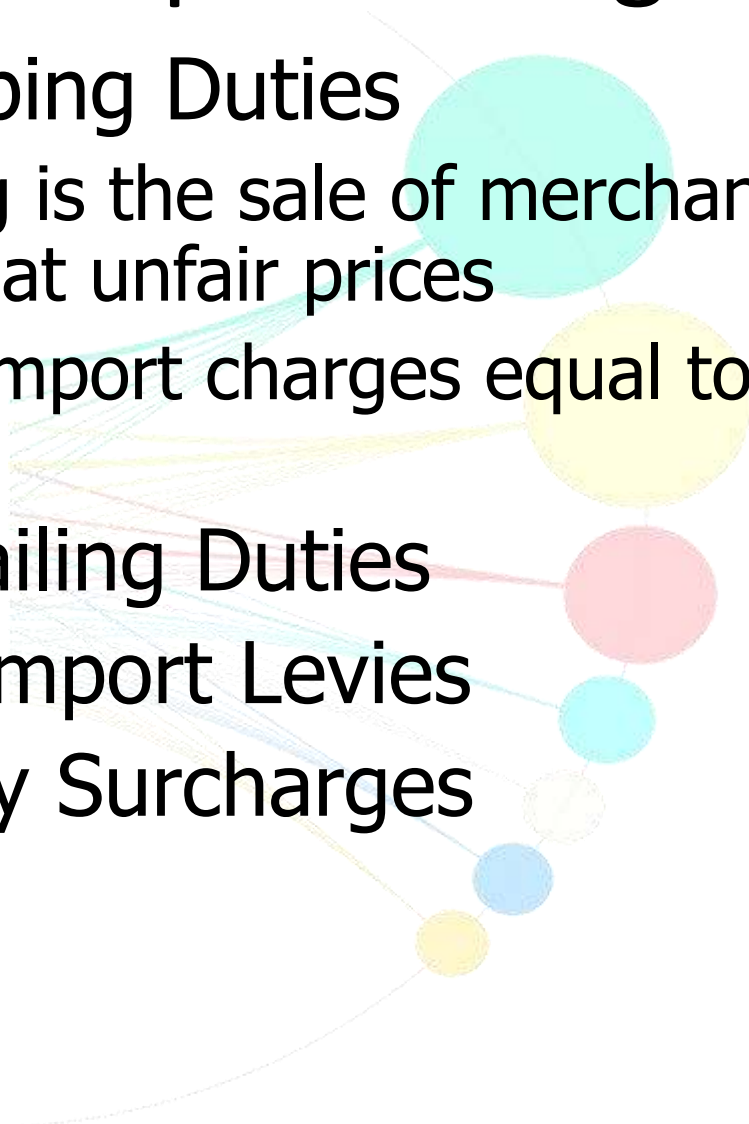
Preferential Tariff

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

- Ad valorem duty
 - Expressed as percentage of value of goods
 - Specific duty
 - Expressed as specific amount of currency per unit of weight, volume, length, or other unit of measurement
 - Compound or mixed duties
 - Apply
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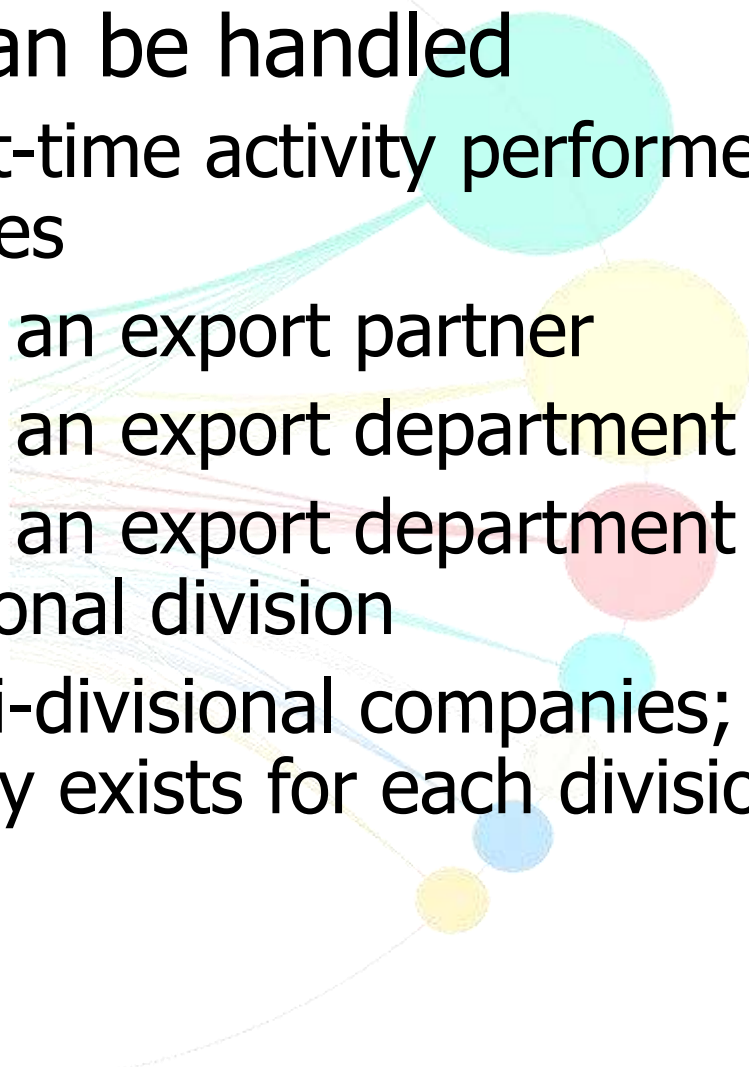
Other Duties and Import Charges

- Anti-dumping Duties
 - Dumping is the sale of merchandise in export markets at unfair prices
 - Special import charges equal to the dumping margin
 - Countervailing Duties
 - Variable Import Levies
 - Temporary Surcharges
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Key Export Participants

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

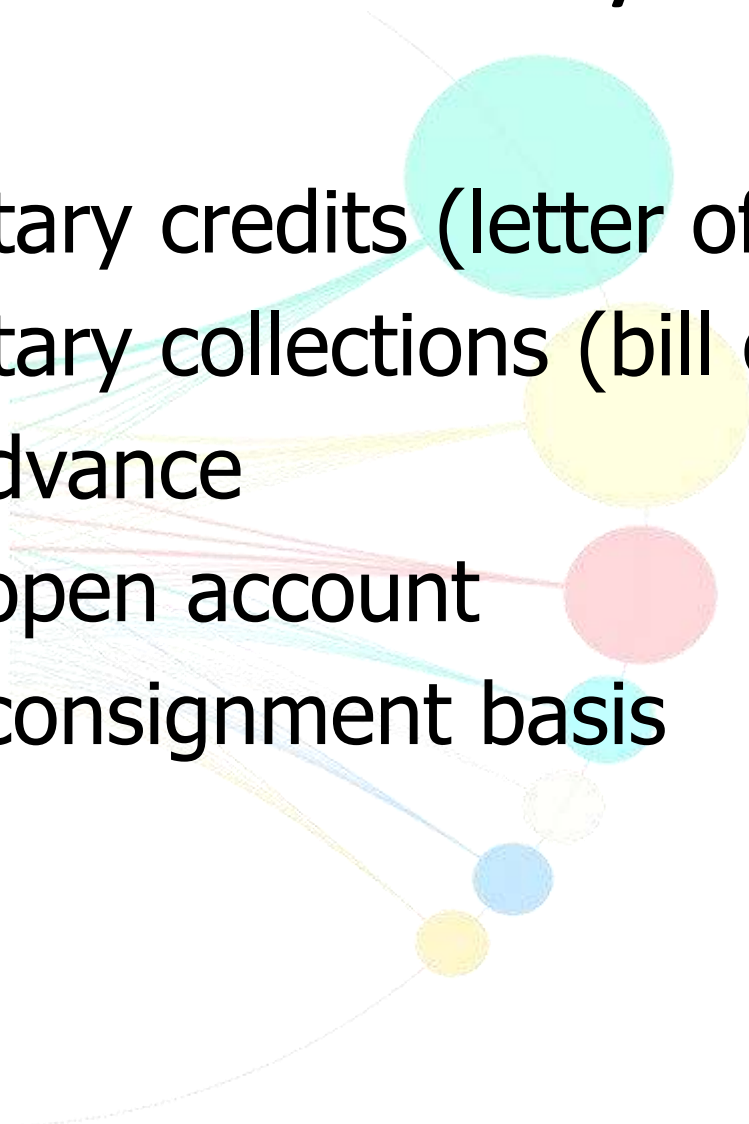
Organizing for Exporting in the Manufacturer's Country

- Exports can be handled
 - As a part-time activity performed by domestic employees
 - Through an export partner
 - Through an export department
 - Through an export department within an international division
 - For multi-divisional companies; each possibility exists for each division
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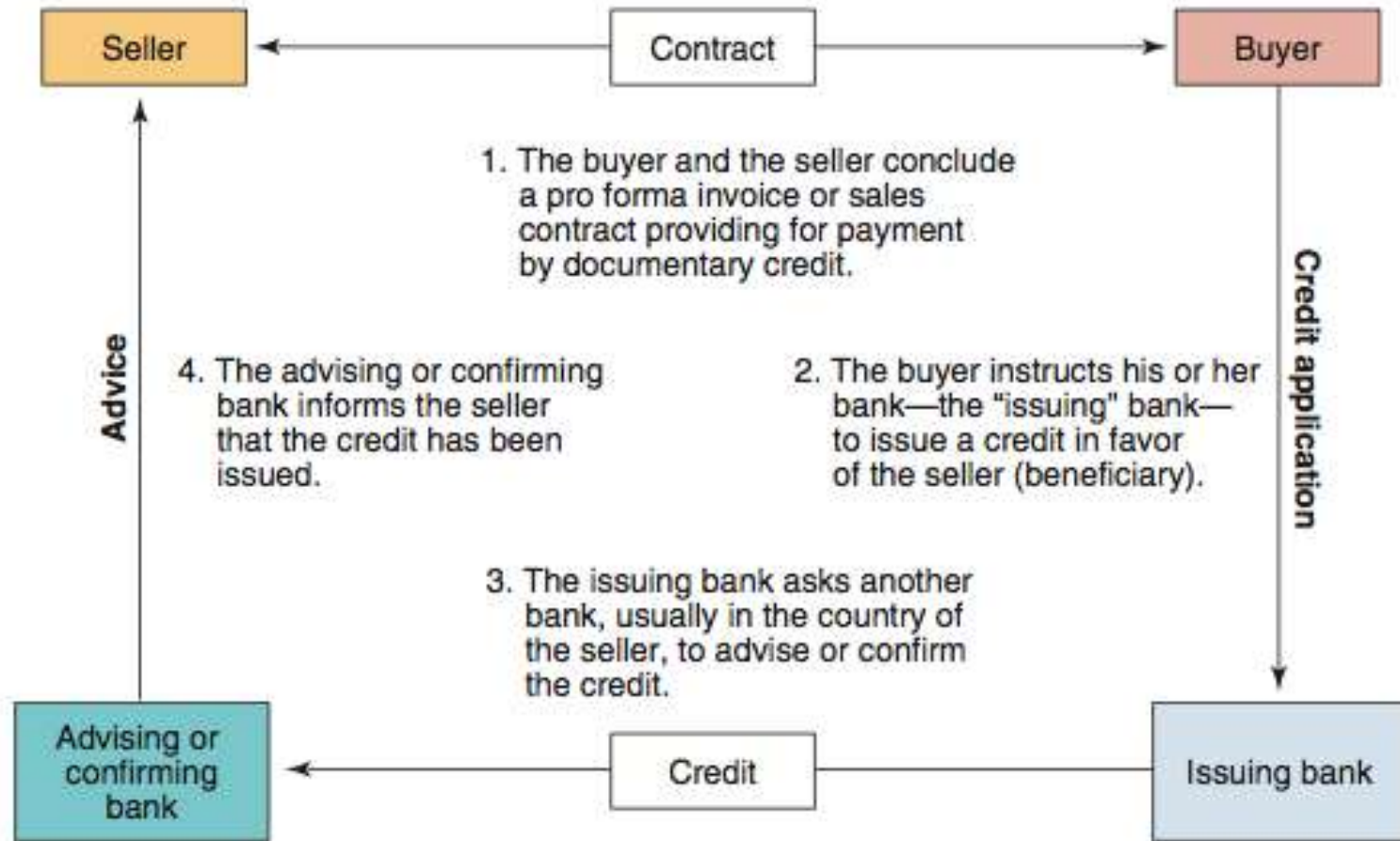
Organizing for Exporting in the Market Country

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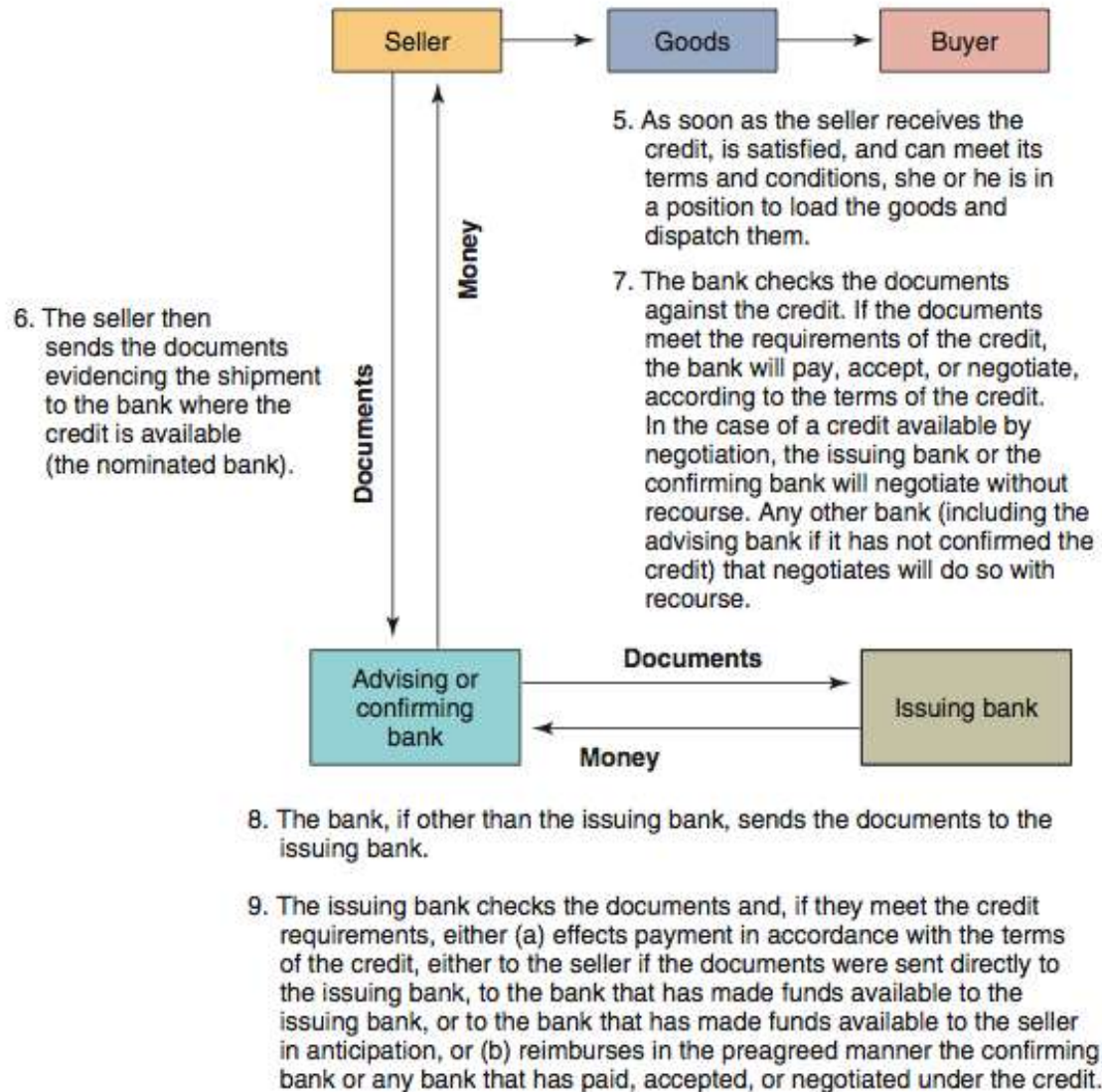
Export Financing and Methods of Payment

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



Flowchart of Documentary Credit (Con't)



Customs Trade Partnership Against Terrorism

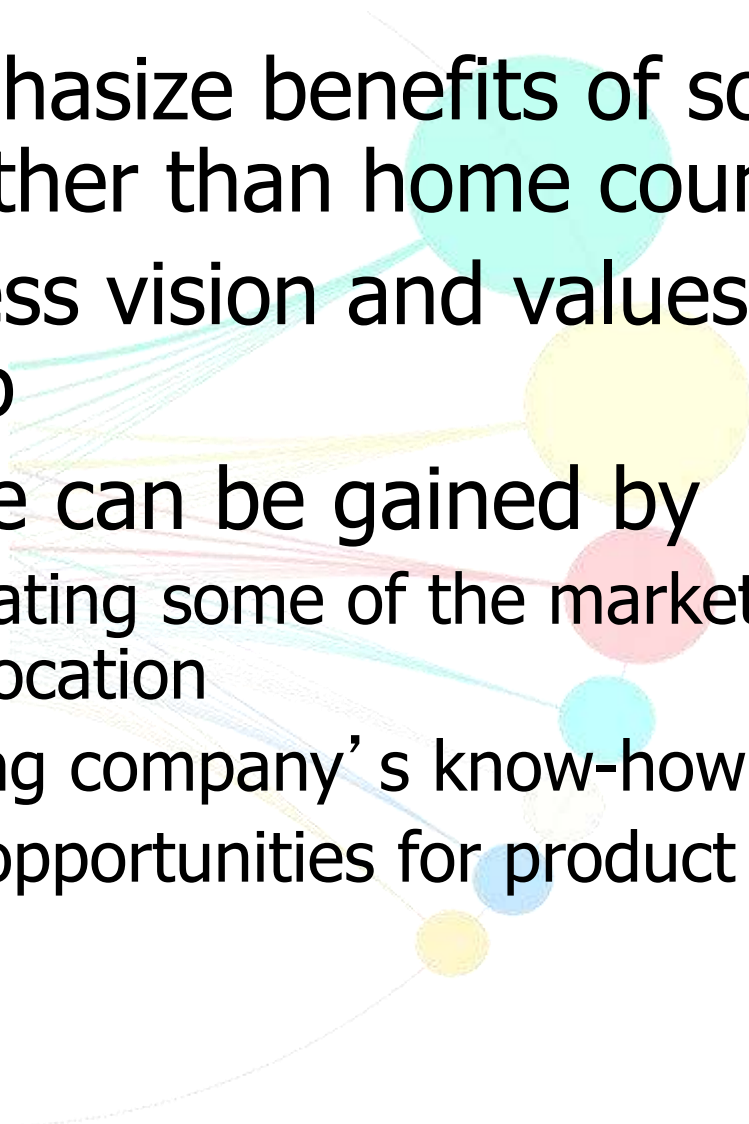


- The U.S. Customs and Border Patrol inspects cargo
- C-TPAT aims to have businesses certify their security and that of their partners
- They get inspection priority

Duty Drawback

- Refunds of duties paid on imports that are processed or incorporated into other goods AND re-exported
- Reduce the price of imported production inputs
- Used in the U.S. to encourage exports
- After NAFTA, U.S. reduced drawbacks on exports to Canada and Mexico
- China had to reduce drawbacks in order to join the WTO

Sourcing

- Must emphasize benefits of sourcing from country other than home country
 - Must assess vision and values of company leadership
 - Advantage can be gained by
 - Concentrating some of the marketing activities in a single location
 - Leveraging company's know-how
 - Tapping opportunities for product development and R&D
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Factors that Affect Sourcing

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



Looking Ahead to Chapter 9

Global Market Entry Strategies: Licensing, Investment, and Strategic Alliances

