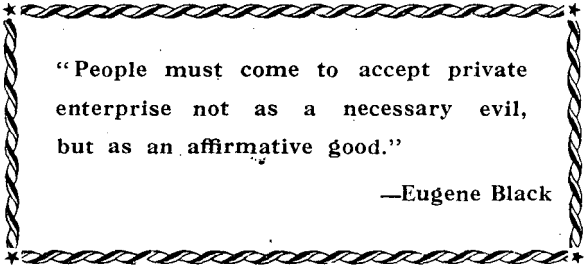


PROMOTING EXPORTS AND SCIENTIFIC MARKETING



FORUM OF FREE ENTERPRISE
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“People must come to accept private enterprise not as a necessary evil, but as an affirmative good.”

—Eugene Black

PROMOTING EXPORTS AND SCIENTIFIC MARKETING

I

SOME STEPS FOR EXPORT PROMOTION

By

S. P. GODREJ*

The present political malaise is an impediment to accelerated economic development. It is all the more deplorable as it has occurred at a time when the economy was coming out of a series of inflationary years, exports were picking up after years of sluggishness and an unsuccessful devaluation, and the Prime Minister, in her foreign tours, had stressed the importance of economics more than politics. All the export promotion councils did a good job, business and government were showing signs of moving closer, and the policies of the Prime Minister and the Finance Minister were imbibing confidence in business circles. The sudden nationalisation of 14 major banks, and other actions, seem to indicate that ideology is getting the upper hand, with political considerations coming in the way of economic progress.

In this context, we must remember that the success stories in exports are confined to free market economy countries like the U.S.A., Japan, West Germany and the U.K. In these countries, governments provide infrastructure and other facilities to exporters, but do not themselves undertake trading.

Exports are thus primarily a domain of the Private Sector and irresponsible talk of nationalisation of foreign trade creates misgivings and is detrimental to our export efforts.

Business firms need to take an active and direct interest in export promotion for the following reasons:

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(a) To finance imports and preclude the curtailment of imports by government. .

(b) It is unwise to rely on domestic demand alone, as shown by the recent recession. One of the soaps and chemicals factories in the country, in fact, would not have expanded so rapidly but for its exports of de-oiled cake and chemicals.

(c) Recent studies reveal the existence of huge idle capacities in many industries. Costs of manufacture, consequently, tend to be high. Costs pre-unit can, therefore, be reduced through a higher volume and, in the process, our products will become more competitive internationally.

(d) The gap between our level of market sophistication and sales efficiency and that of the developed nations is not only wide but is getting alarmingly wider. This is the time to try to bridge the gap or it may be too late.

“Made in India”: We should shed the unwarranted inferiority complex that we have regarding the quality of our products and we should strive to see that “Made in India” becomes a hall-mark of international quality as “Made in Japan” is today. The low productivity in India is, of course, an adverse factor but, with a higher volume of production, sufficient governmental assistance, and better management and marketing techniques, our products can compete significantly the world over.

Fashion Council: Whatever is good in India should be projected abroad effectively, such as imaginative designs, decorations and **yoga**. While the emphasis on non-traditional items is good, traditional exports should not be neglected, Textiles, for example, have been a big foreign exchange earner with still greater potential. The fact that textile units in India are languishing due to slack domestic demand indicates all the more that textile exports should be stepped up.

Cancellation of orders: We often lose orders because of shortage of raw materials like steel. Exporters are often unable to stick to delivery schedules and we lose the markets for good, as also our goodwill. All the labour and time spent

is thus wasted and the cost of this waste has to be added to the next orders. It is remarkable that the Engineering Export Promotion Council has been able to record a good performance in spite of such difficulties. Bottlenecks like steel shortages need to be eliminated if non-traditional exports are to make a real break-through.

Product development: It is necessary for exporting firms to take particular care to develop the right products for the right markets. In fact, it may even be necessary to incorporate alterations and modifications in products to suit the special requirements of foreign markets.

Marketing research: It is a pre-requisite for proper diagnosis of problems and situations and for corrective action. This is not an era of hunches. We should know in detail the trends in foreign markets, who the potential buyers are, their buying habits and patterns, what products they exactly need, when and how the products should be introduced, what the main barriers are, and which are the most lucrative and vulnerable markets. The fruits of proper diagnosis are immense. For example, a particular soap made in India sells more **per capita** in a big foreign city than in one of our biggest cities. To take another example, the Japanese have understood the U.S. market so well that American manufacturers are finding it difficult to compete with the Japanese in some products in the home market itself.

Design and packaging: These are extremely important in exports but, somehow, they are not given the attention due to them. It is the design and colour that make the initial impact on buyers. It is often remarked that, even when we export good products, they are spoiled by defective packaging; therefore, packaging needs to be both attractive and protective.

Sales literature: Good sales literature is of inestimable value to export promotion. Production of decent, glossy, informative brochures and catalogues in three or four foreign languages is essential. Unfortunately, in most firms, there is no export catalogue at all, let alone a good one. Direct mailing of sales literature is efficacious and inexpensive, if handled well and sent to the right people at right times.

Publicity: It is well known that our publicity lacks vigour. Most countries are not aware of our progress and capabilities. The common image of India is that of an over-populated, impoverished country. We should take part in trade and industrial fairs like Expo-70 at Osaka, provided we can manage our show on high professional standards. It would also be a good idea if industrial organisations could produce short films of their enterprises for exhibition abroad. The success of Air-India proves the utility of imaginative publicity.

Staffing and training: In most companies, exports are regarded as an appendix to domestic sales and the sales manager is asked to "look after" exports also, who does so by directing, perhaps, 95% of his time and energy towards home sales and 5% towards foreign sales. There is definite need for a separate, permanent, well-staffed export department, with a senior executive or director solely in charge of this function. Particular care has to be taken in selecting head office personnel, export representatives and foreign agents. The selected people should have a proven sales record and know at least one other foreign language besides English—French, Arabic, Russian or Spanish.

The export personnel should undergo an intensive training programme to gain first-hand knowledge of the market, the company and its products. A comprehensive sales manual would be an added advantage. The foreign agents should also have complete product knowledge. The ideal arrangement would be to bring the agents home and show them round the plants, but, because of the time and cost involved, it would be appropriate if they are briefed regularly by export representatives and visiting executives.

In this context, I must mention the highly significant and useful role of the Indian Institute of Foreign Trade in training export personnel and undertaking surveys of potential markets. It is a well-founded "college of exports" with a specialised faculty of government and business experts with emphasis on foreign trade.

Joint ventures: Many of the obstacles to direct exports, such as the high tariff walls, inadequate quotas and preferences, acute nationalistic tendencies, protection of local industries and other prevailing policies in most countries, can be overcome by setting up joint ventures abroad. Joint ventures can also neutralise other barriers like long distances, infrequent direct sailings to some areas like West Africa and Latin America, discriminative freight rates, unfair international competition to the point of dumping, undeveloped marketing facilities and the low labour productivity in India.

A further plus point on our side is that Indian industrialists are willing to set up small-scale industries which would not be attractive enough for giant corporations from advanced countries.

Joint ventures could be of different kinds, such as:

- (a) Financial and technical collaboration with foreign firms in their countries
- (b) Collaboration with foreign firms in third countries
- (c) Provision of consultancy services
- (d) Joint international marketing
- (e) Joint international tendering, and
- (f) Link-ups in advanced countries to provide semi-finished products in labour-intensive industries.

In order to make joint ventures an important tool in our export promotion drive, we should develop a consortia approach, so that different components form an integral project.

Importance of tourism: We should recognise tourism as a national necessity, not merely an international convenience. The whole concept of tourism has to be taken seriously. There is a scramble for tourists in other countries. We should not lag behind or wake up too late. The benefits of tourism are many. It is an invisible export, a source of foreign exchange, brings peoples together, generates mutual goodwill, raises sights and broadens the outlook of people and, what is more important to us, it is a labour-intensive industry. A very important point is that tourism brings about improvements in internal conditions, as in Thailand and Nepal.

Tourism has proved to be a booming, lucrative industry. As an indicator of this, world air traffic has been growing annually at 16% and the volume of air traffic is expected to double every 4 or 5 years. We should strive to get our due share of this thriving industry. However, there is no point in welcoming tourists if we do not have adequate facilities to make their stay meaningful and comfortable. The shortages of hotel accommodation and rail and air transportation immediately come to our mind.

The Private Sector has an important role in tourism promotion. Chambers of commerce, in fact, should be in the forefront of the tourism promotion campaign. One can learn from the example of Japan where the President of the Chamber of Commerce is the chief of the tourist promotion organisation.

Periodic seminars and meetings on tourism could highlight problems and help thrash out possible solutions. They could also be used as a forum to influence government policies and to point out the difficulties encountered by the Private Sector in entering the tourism industry.

Foreign tourists frequently complain of cheating by taxi drivers, shop-keepers and others. It is good that various chambers of commerce and individuals have offered to help tourists in overcoming these troubles and to give them all assistance and guidance.

Industrialists could arrange visits to various industrial establishments in the country to give a correct image of India. Similarly, vocational tours could also be arranged for tourists.

II A STRATEGY FOR EXPORT PROMOTION

By

Y. A. FAZALBHOY*

Export Promotion is very vital to the country's economic progress. Our export earnings have been more or less at a standstill in the First and the Second Plans, with an average

* The author, a former President of All-India Manufacturer's Organisation, is an authority on exports.

rate of growth of only about 0.4. During the Third Plan with an annual compound rate of growth it was about 4.6. During the period 1966-69 the growth was only 2.2 per cent. Export earnings declined from 6.3 in 1950-51 to 5.7 per cent in 1968-69. This is a serious problem.

Since the last two years, export earnings seem to be improving, but India will have to depend more on her exports to balance her external accounts. The fact remains that export earnings are growing at a snail's pace, and India's share has declined from 2.1 per cent to less than 1 per cent, whereas World Export Trade has more than doubled during the last 18 years. From this we see that in a fast expanding World Market, India is gradually losing its relative position.

Against this background, the Draft Fourth Plan has projected a rate of growth of about 7 per cent—Rs. 1,900 crores in 1973-74. In the context of the current rising trend in domestic prices, and tough competition in international markets, it will be difficult to achieve the Forth Plan target, unless determined and vigorous efforts are made on all fronts.

To solve the problem, a bold approach is urgently needed. Diversification of the pattern of our exports, and improvements in quality and price competitiveness of Indian goods in the World Market, should be given serious attention.

It is said in many quarters that the growth of our major traditional export items like tea, jute and cotton textiles is likely to be slow. Hence, we should concentrate more on non-traditional items, like metals and machinery, equipment and engineering goods, iron ore, chemicals and allied products. Export Promotion cannot be bifurcated into two sections, Traditional and Non-Traditional. However, it is quite correct to say that India with its wide industrial base is to be further strengthened and expanded as a result of the programme of development and, therefore, should be in a position to take advantage of the opportunities in this range of products. What I fail to appreciate is that whilst it is estimated that 65 per cent exports would be obtained by expansion of trade in these items, tea and jute manufactures are expected to be reduced

from 29 per cent of total exports in 1968-69 to 17 per cent in 1980-81. Surely export promotion efforts should be such as to retain our present position.

If exports are to be given a boost, certain measures will have to be taken. First of all there should be availability of goods for export. To achieve this, (1) Fresh investments in export oriented industries, and ready supply of raw materials to these factories will have to be arranged from domestic or in some instances foreign sources. (2) Market surveys around the world should be conducted to find out what items are needed in different countries. This can be done to a certain extent from Trade Agreements with the various countries. But the export trade of the 70's will not be the same as that of the 50's. The 70's will see a further change in the process of buying and selling. Study of the markets of the world and the way in which business is conducted in those markets presents the biggest problem to exporters.

Let us examine the areas of our Study. What is our "Export Concept" for the 70's. We must analyse what we can offer.

- (a) Goods for everyday use.
- (b) Machine tools.
- (c) Plants and equipments to establish industries.
- (d) Semi-finished products for industries.
- (e) Various technical services.
- (f) Manufacturing for export in "Free Trade Zones".

We have to promote an EXPORT CONCEPT Consciousness. Sufficient planning has to be done. A publicity campaign should be launched so that those engaged in industry and suppliers of raw materials and components, transport and goods carriers, Government tax authorities, from labour onwards to management, come to realise that the factory with an export order requires special attention and that they too have to play a role in exports so that special efforts are made by all of them to build up exports.

Managements of factories have to be explained the facilities and institutional arrangements available to exporters.

Abroad, the Commercial Section of the Indian Embassies and Officers of the STC foreign offices should organise information centres. These centres should have with them names of the manufacturers in our country, where they are located, and what products are available from them for export. Wherever possible there should be established showroom for display of samples showing the prices and with full technical specifications and illustrated catalogues. The prices should be wherever possible FOB main Indian Port, since CIF prices will have to be specially quoted. Indian industry should immediately quote FOB Indian port and CIF on request.

In addition, trained market research representatives selected by industries through their associations should be stationed in foreign countries to gather technical information on market conditions abroad, import regulations, tariffs and quota restrictions, trade agreements, demand patterns and consumer preferences.

Considering the importance of exports in our country, we should also plan a programme for sustaining interest of the company in export promotion by creating an export sector. A special unit, viz., Export Promotion Wing of the Commerce Ministry should register factories which export 10% of their production. They may be allotted a number with prefix and graded under A, B, C and so on. Factories which export 10% of the value of their production will be in the A grade, 20% in B grade and so on, "J" being those who export 100%. These factories should be given facilities on top-priority basis by the government such as purchase of machinery or in the matter of obtaining raw materials and spares at international prices. They should be allowed to import higher percentage than their requirements. The value of import licence in excess of requirements should be made available in transferable vouchers as in Indonesia and Ceylon.

It is of the utmost importance that special promotional efforts on a national scale have to be undertaken by all of us, whether in industry, in services or in Government—whether working in India or abroad.

III

SCIENTIFIC MARKETING

By
M. MATHIAS*

Till quite recently, the profession of marketing was generally identified with the function of selling or almost with selling and advertising. It hardly encompassed the full range and scope of activities which we now include within what is known as the integrated marketing concept. To some extent, the recent recession brought home both to private enterprise and the Government the necessity for business to be consumer oriented, rather than production oriented. There is now a complete realisation that it is not sufficient just to provide the wheels of industry; one has also to ensure that they are kept moving. This can only be done by providing a smooth flow of activity from the procurement of raw materials to the ultimate consumer in a form and at a price in which he is interested in buying the product. It is this systematic and organised approach to business operation from its inception including the procurement of raw materials through production, distribution, advertising, pricing, with the consumer's interest very much in the foreground, that we call the total marketing operation.

Although many firms have achieved a major breakthrough in transforming themselves from production-oriented to marketing-oriented entities, this is not enough. It is necessary to recognise the dynamic in current events and in the future. Change is inevitable and it will take place in the minds of the consumer, his attitudes and desires; in the variety of products and the marketing approach of competitive firms, in the market place with the introduction of new channels of distribution and in the field of communication with the development of new media and new advertising approaches. Mass communication and mass distribution make for swift

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success and equally swift extinction of those, who have lacked vision.

This then is the challenge of the 70's, which, to be faced effectively, requires not just marketing orientation, but an orientation of attitude. It demands an acceptance of the ethos of change and it calls for a depth of insight and foresight. It cast the marketing man in the role of a major prophet with responsibility not just to recognise the changes in his environment, but to interpret future trends in population, in the needs and attitudes of people, in the sociological metamorphosis of the groups, in the political climate and in international trade and attitudes towards developing countries. This is what may be termed as scientific marketing. It draws on a variety of sciences and techniques in the fields of economics, statistics, human relations, psychology, sociology and the physical sciences like chemistry, biology, etc.

Marketing deals with people in the mass and with people as individuals. Whatever is produced must be sold to the people and consequently the size of the population and its structure play a vital part in the marketing of the future. In this respect, demography or the study of population, its trends and its structure can provide the marketing manager great support in his assessment of the future.

It would be a marketing man's paradise if the consuming population behaved, acted and particularly purchased as one man. Unfortunately, people behave differently and in order to provide their varied needs, the marketing man has to divide the population as far as possible into homogenous groups on the basis of income, profession, location and other such factors. Unwittingly therefore, he is drawn into the realms of sociology. But individuals can also be classified in terms of their psychological characteristic and psychology is the basis for research into human motivation, attitudes, needs and demands, particularly when these may be latent and apparently different to what is ostensibly stated. Marketing Research is a science in itself, depending as much on psychology and sociology as it does on statistics. In order to make an assessment of consumer attitudes and habits, likes and

dislikes, it is necessary to draw small samples which are reasonably representative of the universe, to which the marketing man wishes to direct his product.

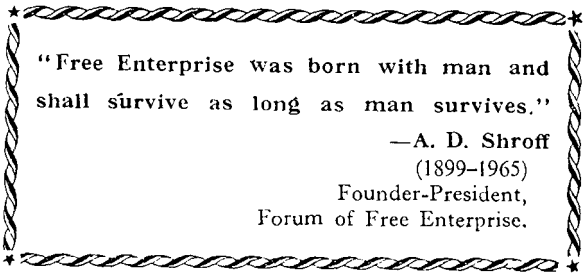
In the initiation of new products, the marketing man gets closely involved with research and development and the multifarious new disciplines in the fields of chemistry, physics, biology, etc. In product development, as in politics, one can say that marketing is the art of the possible, because while the marketing man may strive for perfection, he has constantly to assess what is feasible in time and in money in relation to the minimum acceptable standards.

As one of the prime objectives of marketing is to ensure the most efficient use of resources, it is particularly important that demand for one's products is properly forecast and production and stocks correlated. Mathematical models can be used to forecast sales and future demand in the short term and econometric models built in the longer term.

Scientific marketing implies the use of specialists' skills in various disciplines to refine and sharpen existing data in order to predict the future and define one's path in the years to come. However, scientific skills alone can provide the final answer, as this must come from the informed judgment of the marketing man based on his research and analysis, but also a sense of intuition and confidence in his decisions. If we are to successfully face the challenge of the 70's, we will have to adopt the scientific marketing approach as a basis for sound marketing decisions.

*The views expressed in this booklet are not necessarily the views of the
Forum of Free Enterprise.*

The three essays in this booklet are based on speeches delivered under the auspices of the Forum of Free Enterprise in Bombay.

★  ★
"Free Enterprise was born with man and
shall survive as long as man survives."

—A. D. Shroff
(1899-1965)

Founder-President,
Forum of Free Enterprise.

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