

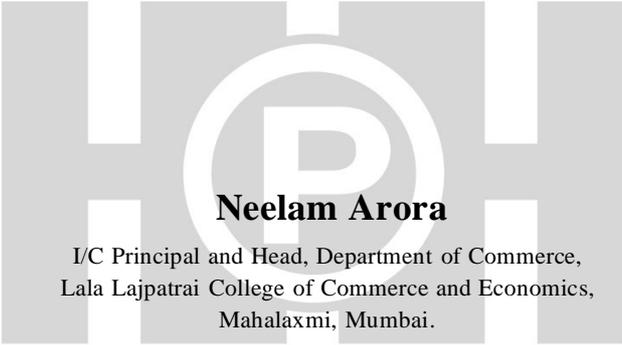
Export Import Procedures and Documentations



Neelam Arora

Himalaya Publishing House

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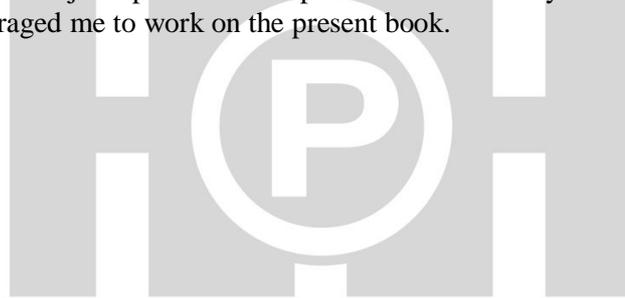
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PREFACE

The success of any business depends on following the correct procedures. This book highlights the procedure laid down by the government for Export and Import. The Export Import policy highlights the broad guidelines for various categories of products. The policy helps the importers and exporters to understand the implication of their actions. The book gives information about the government agencies helping exporters and importers. It also outlines the incentives made available to the Exporters. Pre-shipment and post-shipment finance plays an important role in promoting the Export Import business. This book gives information about terms and conditions on which finance is available. It gives information about the documents required for Export and Import and to which authority they are to be submitted. I am grateful to the Late Dr. Rameshji Gupta for his inspiration and heavenly blessing which encouraged me to work on the present book.



Author

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Chapter 1

INTRODUCTION TO EXPORT

Chapter Contents

- 1.1 Introduction to Exports
- 1.2 Definition of Export
- 1.3 What is Export Marketing?
- 1.4 Definitions of Export Marketing
- 1.5 Characteristics/Features of Export Marketing
- 1.6 Why Exports
- 1.7 Challenges to an Exporter

1.1 Introduction to Exports

“Export is vital to an economy because of its effect to internal trade and economic stability. also, the rate of economic growth and the distribution of income and wealth in a country are closely related to export growth.”

Growth of an economy is directly related to exports. If exports increase at a faster pace as compared to imports, nothing can stop an economy from being a developed one. On the other hand, the instability in exports can adversely affects the process of economic development. Lower exports mean low foreign exchange and lower foreign exchange in turn means a small purchasing capacity of a nation in the international market.

Fluctuations in export earnings introduce uncertainties in an economy. These uncertainties influence economic behavior by adversely affecting the level and efficiency of investment and in turn have a negative effect on growth.

In addition to the above factors, export growth is also important because of its effect on internal trade and economic stability. Even more, the rate of economic growth and the distribution of income and wealth in a country are closely related to export growth.

1.2 Definition of Export

Section 2 of Foreign Trade Act 1992, defines export as “taking out of India any goods by land, sea or Air.” Thus, Export is a process of earning money by selling products / services in international markets. It is sale of goods and services from one country to another country.

1.3 What is Export Marketing?

Marketing is means using all of the resources of the organization to satisfy customer needs. Export marketing takes place across the national boundaries. An exporter is faced with barriers to trade that he may not have encountered before such as differing languages, politics, laws, governments and cultures. Export marketing involves various activities and operations right from the time of obtaining an export order till realization of export proceeds (receipt of export payment). It means that export marketing is not just a process to find importers and approach them with the expectations of export orders but a well planned strategic marketing process one should follow and perform well to get success in international market. Major export marketing efforts fail due to lack of implementing strategic marketing action plan.

1.4 Definitions of Export Marketing

According to B.S. Rathor, "Export Marketing includes the management of marketing activities for products which cross the national boundaries of a country."

Export marketing involves the design of the products and services acceptable to the overseas customers and the conduct of those activities, which facilitate the transfer of ownership of goods and services from the seller of one country to buyer of another country.

1.5 Characteristics/Features of Export Marketing

The features of export marketing are as follows:

- 1. Export marketing is a process:** Export marketing is a process of proper planning and implementing the production distribution of goods and services. It consists of various marketing activities such as planning and implementing the production, branding, packaging, advertising sales and promotion etc. All these activities are highly complex. Every country has its own requirements regarding the entire process. An exporter needs to be aware

of the entire process of export marketing related to various countries.

- 2. Identification and satisfaction of consumers:** The heart of marketing is the identification of consumer needs and wants. The exporter must constantly try to find out the problems or needs and wants of the foreign buyers, so export marketing adopts a total consumer oriented approach in the foreign markets.
- 3. Continuous flow of goods and services:** Export marketing involves flow of goods and services across the national boundaries. An exporter is expected to do what any seller must do, whether he is marketing his products in his own country or abroad. He must provide right product, in right place, at the right time, and at the right price.
- 4. Large scale operations:** Export marketing is carried in bulk quantities so as to derive the benefits of large scale selling such as in respect of transportation, handling etc.
- 5. Prominence of multinational corporations:** Export marketing is dominated by MNC'S. At present MNC'S from USA, EUROPE and JAPAN play a dominant role in foreign trade. They are in a position of generating world wide contracts through their network of branches/offices/subsidiaries. These companies are in a position to carry on a large scale operation in foreign trade more efficiently and economically.
- 6. Presence of Tariff and non-tariff barrier:** World trade is still not completely "free". Export trade is subject to tariff and non tariff barriers. These are restrictions imposed mostly by importing countries, so as to restrict imports every export firm should have a close study of various trade barriers imposed by different countries, so as to carry on its export trade more efficiently.
- 7. Presence of trading blocs:** Certain nations of particular region come together to form customs union or trading blocs for their mutual benefit and economic development. The main purpose of such bloc is to eliminate trade barriers among member nations and they may impose external tariff and non-tariff barrier on non members. The exporter should have knowledge of the regulation of such trading blocs. The powerful trading blocs are NAFTA (north American free trade area) EC (European community) and ASEAN (association of south east Asian nation)

8. International marketing research: Knowing more about customer, dealer and competitor is a must not only in the domestic market but also in the export markets. International Marketing research plays an important role in the success of the export trade.

1.6 Why Exports?

Any company before committing its resources to venture in the export business, must carefully assess the necessity and challenges of exporting into a new market. Entering an export business requires careful planning, some capital, market know-how, access to quality product, competitive pricing strategy, management commitment and realizing the challenges and opportunities without them it is almost impossible to succeed in the export business. While there are no hardand- fast rules that can help companies make decision to export and to become successful, understanding the advantages and disadvantages off exporting can help smooth entry into new markets, keep pace with competition and eventually realize profit.

Following are some of the good reasons for exporting:

- 1. Foreign Exchange:** The first and the primary reason for export is to earn foreign exchange. The foreign exchange not only brings profit for the exporter but also improves the economic condition of the country.
- 2. Increased Sales and Profits:** By selling goods and services in a local market the company would not be able to increase the sales and revenues beyond a limit. Additional foreign sales over the long term increases overall profitability of the firm.
- 3. Enhance Domestic Competitiveness:** Most companies become competitive in the domestic market before they venture in the international arena. Being competitive in the domestic market helps companies to acquire some strategies that can help them in the international arena.
- 4. Gain Global Market Shares:** By going international, companies will participate in the global market and gain a piece of their share from the huge international marketplace.
- 5. Diversification:** Selling to multiple markets allows companies to diversify their business and spread their risk. Companies will not be tied to the changes of the business cycle of domestic market or of one specific country.

6. **Lower Per Unit Costs:** Capturing an additional foreign market will usually expand production to meet foreign demand. Increased production can often lower per unit costs and lead to greater use of existing capacities.
7. **Compensate for Seasonal Demands:** Companies whose products or services are only used at certain seasons domestically may be able to sell their products or services in foreign markets during different seasons.
8. **Create Potential for Company Expansion:** Companies who venture into the exporting business usually have to have a presence or representation in the foreign market. This might require additional personnel and thus lead to expansion.
9. **Sell Excess Production Capacity:** Companies who have excess production for any reason can probably sell their products in a foreign market and not be forced to give deep discounts or even dispose of their excess production.
10. **Gain New Knowledge and Experience:** Going international can yield valuable ideas and information about new technologies, new marketing techniques and foreign competitors. The gains can help a company's domestic as well as foreign businesses.
11. **Expand Life Cycle of Product.** Many products go through various cycles namely introduction, growth, maturity and declining stage that is the end of their usefulness in a specific market. Once the product reaches the final stage, maturity in a given market, the same product can be introduced in a different market where the product was never marketed before.

1.7 Challenges to an Exporter

While the advantages of exporting by far outweigh the disadvantages, small and medium size enterprises especially face some challenges when venturing in the international marketplace.

1. **Additional Cost:** Because it takes more time to develop extra markets, and the pay back periods are longer, the costs for developing new promotional materials, allocating personnel to travel and other administrative costs associated to market the product can strain the meager financial resources of small size companies.
2. **Product Modification:** When exporting, companies may need to modify their products to meet foreign country

safety and security codes, and other import restrictions. At a minimum, modification is often necessary to satisfy the importing country's labeling or packaging requirements.

- 3. Financial Risk:** Collections of payments using the methods that are available (open-account, consignment, documentary collection and letter of credit) are not only more time-consuming than for domestic sales, but also more complicated. Thus, companies must carefully weigh the financial risk involved in doing international transactions.
- 4. Export Licenses and Documentation:** Though the trend is toward less export licensing requirements, the fact that some companies have to obtain an export license to export their goods make them less competitive. In many instances, the documentation required to export is more involved than for domestic sales
- 5. Market Information:** Finding information on foreign markets is more difficult and time-consuming than finding information and analyzing domestic markets. In less developed countries, for example, reliable information on business practices, market characteristics, cultural barriers may be unavailable.

