

# **Systematic Planning for Export Marketing: A Must for Bangladesh's SMEs**

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World markets are diverse, dynamic and competitive. Exporters in developing countries do not stand a chance to enter them without careful preparation and planning. Lack of just such preparation and planning is a major reason for the stagnation in export growth in many otherwise promising sectors in Bangladesh. Firms seeking to export to international markets must have a thorough and well-planned entry strategy and implementation plan before targeting any new market.

## **Market Assessment and Selection**

First of all, exporters must bear in mind that markets differ in size, spending power, product preferences, customer values (the importance of quality or image over price, for example) and consumer behavior. Trade and distribution structures may also differ, as well as customs of doing business. Therefore, strategic selection of target markets is important. No exporting firm can succeed by attempting to enter every market that looks lucrative. The best use of limited resources is to target specific, carefully selected markets.

This means narrowing down the options. Simple desk research allows for a fast and economic initial assessment of possible markets. The exporter should collect basic data on the countries and markets being considered, including GNP, population, demographic breakdown, per capita income, degree of inflation, economic trends, and economic structure. This information can easily be found on the Internet, or through foreign chambers of commerce, high commissions, or export promotion organizations. The data should enable the exporter to decide if there are customers for his product and if the customers can actually be reached. In developing countries where such market information is a serious problem, the exporter should rely on trade promotion organizations; export development projects, business development services or local or foreign consultants. In many cases, the information will be free, but sometimes a small fee may be charged.

Field research will further validate the initial findings and provide first hand, specific information. The best way to accomplish this is to visit trade fairs in the target market. This is beneficial for many reasons. It provides information about the market, its consumers' preferences and tastes, the competitors' offerings, and local trends. It is also an opportunity for some pre-entry market campaigning when meeting other buyers at the fair. Such field research will answer some important questions: Will customers in the target market buy the firms' products at a price that provides a sufficient profit? What are the legal requirements for exporting products to the target market? Are there any packaging laws, import restrictions, or other laws governing the export of specific products?

Exporters should note that conducting such research costs money. Market research is of the utmost importance in a competitive market, and exporters must be prepared to invest in it in order to stay tuned to market developments and demands. Exporters who are reluctant to spend money to stay informed will definitely lose out to competitors.

The biggest and wealthiest markets are by no means always the most interesting or promising for an exporter. Consider the market for garden decorations. Germany is one of the biggest markets for these products; the Spanish market is far less significant. Nevertheless, it may be much more strategic for a

Bangladeshi exporter with limited capacity and zero export experience to do business with a small importer from Madrid than with a big chain of garden centers in Hamburg. The chain will demand large volume, production exactly according to specifications, just-in-time delivery, and a price that will likely result in a very low profit margin. The Spanish importer may not only require smaller volumes, but also be more flexible regarding delivery and quality control, and negotiate a more favorable price. In addition, big importing chains easily drop small suppliers, preferring long-term relationships with bigger suppliers and subcontractors. The small importer in Madrid is more likely to develop a long-term relationship with a small supplier. A similar comparison for the footwear sector is that between the big German and US markets and the small but highly rewarding Japanese market.

While selecting the market the exporter must answer a few basic questions:

- ❑ What is the competitive advantage of a specific market? Is there any tax advantage? Is there any quota free advantage?
- ❑ Is the market too saturated? What is the export/import ratio?
- ❑ Do I have the capacity to supply for the market? Do I have the resources to meet the quality demands of the market?

Once all the research has been done and a promising market has been identified, the company needs to assess whether it is strong enough to obtain and maintain a position in the target market. The opportunities and threats of the market must be compared to the strengths and weaknesses of the company. Elements to be assessed include product characteristics and quality, production facilities, production process, production capacity, production flexibility, packaging, personnel qualifications, management systems and financial capabilities, and export experience.

In many cases a certain amount of investment can turn a company's weaknesses into strengths and a market's threats into opportunities. For example, the environmental requirements in the European market will be a threat to companies unaware of them or reluctant to adjust packaging and/or manufacturing processes to meet them. Companies that are willing to adapt to the requirements or are already ISO 14001 certified, however, may see this as an opportunity. Exporters who are reluctant to invest in strengthening their company to meet the high demands of the international market should not be considering these highly international markets. However, a systematic approach that includes the three steps of market assessment, company assessment, and strategic action provides a framework for well thought out decisions and a successful entry into the export market for even the newest companies.

### **Strategic Action**

The next step is to establish contact, in most cases by direct mail campaigns to agents, importing wholesalers, or industrial buyers, and by attending trade fairs. Databases of potential trade partners can be found on the Internet, in business directories, or from trade promotion organizations like CBI or embassies.

Exporters should not underestimate the importance of direct mail. The presentation of your company should be correct, accurate, thorough, and concise. Detailed documentation for both the company and its products, including, if applicable, technical specifications and information on quality certificates, should be sent in English or in the buyer's preferred language. Bear in mind that the immediate effect of direct mailings is limited. Businesses are inundated by direct mail. Therefore any mail campaign should be followed-up by telephone calls or personal visits.

Attending trade fairs in the specific market is perhaps the most important market entry tool. Major trade fairs are gateways to new markets. Lists of trade fairs are widely available in the Internet, from trade

promotion organizations, and from foreign chambers of commerce. Trade fairs, like markets, should be carefully selected and prepared for. There are some basic guidelines to be kept in mind regarding trade fairs:

- ❑ Thorough research should be done on the targeted fair, including information on participants, visitors, and product ranges. If possible, visit the fair at least once as an observer before attending as a participant.
- ❑ The decision to participate in a particular fair should be made six months to a year in advance. Advance preparation should include development of samples, keeping in mind the season and market trends; development of promotional materials appropriate to the market and culture; and designing the stall. Fair organizers in many countries now provide appropriate stall designs free or at low cost.
- ❑ Send invitations to all potential visitors and clients at least one month before the fair; include a product catalog.
- ❑ It is better for businesses from developing countries to participate in trade fairs in new markets as a group. This solves the problem of the lack of critical mass of an industry represented by individual producers. A country pavilion helps to attract attention and increases buyers' confidence in the industry.
- ❑ Have an interpreter in the stall that can freely communicate in the native language.
- ❑ Use digital promotional material such as a virtual tour of your factory. Potential buyers will want to know about your production facility and a virtual presentation can increase their confidence in your product. Virtual presentations can also help solve communication difficulties.
- ❑ Professional sales representatives in the stall will improve your company's image in the new market.
- ❑ Never ignore the press. A positive review from the media can make all the difference. If you are participating as part of a group of producers, arrange a press conference to inform the target market about the industry in your country and what competitive advantage it provides for the importing country.
- ❑ Plan to attend a fair in a new market for at least three to four years in a row. You are unlikely to get a large order at the initial fair, and firms should be consistent in participating in any particular fair. Results will take time and may depend as much on perseverance as preparation.
- ❑ Do not guarantee product prices over an extended period of time. Rather, quote prices linked to the date and exchange rate. This avoids problems with fluctuating exchange rates. Offers should always be subject to written confirmation.

If there is a promising response from a new trade partner, a business trip to meet the buyer can be useful. This allows the exporter to establish direct, personal business contacts with the prospective partner. At the same time, it is possible to obtain samples of similar products available in the target market to compare price, quality, design, and packaging. This is important, as products often need to be adapted before they can be successfully launched in a new market. An orientation visit to a trade fair linked to some company visits can be an effective and efficient combination.

Trust and reliability is key to successful relationships. Timely communication and an open and honest attitude will always pay off. Late replies to queries, late deliveries, shipments of poor quality, or exaggeration of capacity will quickly end the most promising new business relationship.

E-mail is a good way to establish and maintain contact with trade partners. It is rapidly becoming the primary mode of communication in the global business world. However, using only e-mail is not sufficient. Because e-mailing is fast and cheap, the sheer number of them has become a major source of frustration. Most messages are deleted with little more than the subject line or the first line of the text having been read. Therefore, don't expect too much from an electronic mail campaign. Always follow-up by fax, ordinary mail, telephone calls, and/or personal visits.

In short, the international export market is “a whole new ball game.” Don’t assume success in the domestic market equates to success in an international market. It is not without reason that salespeople are admonished to “Know their customers.” The time, money, and care expended on preparing your entry into the export market will make all the difference to your ultimate success.

#### PRACITICAL HINTS IN TARGETING INERNATIONAL MARKETS

- ☞ Be willing to invest in market research and in establishing business contacts. A sustainable export business does not come for free, especially in buyers’ markets like the European Union and Japan.
- ☞ Correspondence is important. It should provide a positive first impression of your company. It should be in English or in buyer’s language and correct, accurate, and well designed.
- ☞ Communication must be swift. Answer any question as soon as possible. If you do not respond rapidly, a competitor will take your place.
- ☞ Trade fairs are one of the most important market entry tools.
- ☞ Do not rely on e-mail alone to establish business contacts. Always follow up by telephone, fax, ordinary mail, or a personal visit.
- ☞ Affluent markets do not necessarily mean high price margins. Strong competition often means small price margins. You will have to quote sharp prices.
- ☞ Quote prices according to the *Incoterms 2000* and in internationally recognized currencies.
- ☞ Do not guarantee a product price over an extended period of time. Quote prices linked to the date and exchange rate.
- ☞ Offers should always be subject to written confirmation.
- ☞ In the case of a new business relationship, insist on a Letter of Credit.
- ☞ Regardless of how successful you are in the domestic market, the international market is a different matter. It is a buyer’s market and will likely require some adaptation of your product.
- ☞ An orientation visit to a trade fair linked to some company visits can be an effective and efficient combination.
- ☞ International businessmen and business habits differ. Learn the culture, values, and *modus operandi* of your target market.
- ☞ Consistency, punctuality, reliability, and honesty are most important. Be clear and direct about delivery time, quality, and production capacity. Don’t promise anything you aren’t sure you can deliver.
- ☞ Be aware of health, safety and the environmental regulations of your target market. Ignorance of these will inhibit your entry into the market.
- ☞ If you are not ready to meet the demands of a particular market, do not accept an order. You will spoil your future chances. Postpone your entry efforts and prepare yourself to meet the requirements.