

VU LEARNING HUB

vulearninghub.xyz

HIGHLIGHTED HANDOUT

MKT529

Export Marketing

MKT529 by VU Learning HUB

Prepared for VU students • Free study resources

<https://vulearninghub.xyz>

VU LEARNING HUB

vulearninghub.xyz

HANDOUT

MKT529

Export Marketing

MKT529 by VU Learning HUB

Prepared for VU students • Free study resources

<https://vulearninghub.xyz>

VIRTUAL UNIVERSITY OF PAKISTAN

MKT529

Export Marketing

STUDY HANDOUT

Export Marketing applies marketing across borders: selecting foreign markets, adapting products, pricing with Incoterms, managing logistics, promotion abroad, documentation and payment risk. This handout covers the full export process with key terms, examples and exam pointers. ☰

Compiled as a structured study resource for VU students.

Covers the key topics, definitions, concepts and exam pointers of the course.

Table of Contents

1. Introduction to Export Marketing
2. Export Planning and Organization
3. International Market Selection and Research
4. Market Entry Modes
5. Export Product Decisions
6. Export Pricing and Incoterms
7. Distribution, Logistics and Promotion Abroad
8. Export Documentation and Procedures
9. Export Payment Methods and Risk Management

Unit 1: Introduction to Export Marketing

Learning Objectives

- Define export marketing and distinguish it from domestic marketing
- Explain why firms export: motives and benefits
- Describe the global trading environment: WTO, trade blocs, barriers
- Identify challenges unique to international marketing

Export marketing is marketing goods and services to customers in foreign countries. It extends the domestic marketing mix across borders - but distance, culture, currencies, laws and politics make it far more complex than selling at home.

Firms export to: grow sales beyond saturated home markets; achieve economies of scale; diversify risk across economies; extend product life cycles (mature products at home may be novel abroad); use surplus capacity; and earn foreign exchange (a national priority - governments incentivize exporters).

The environment: the WTO sets multilateral trade rules; trade blocs (EU, ASEAN, SAFTA) cut barriers among members; but tariff barriers (customs duties) and non-tariff barriers (quotas, standards, sanitary rules, licensing) still shape every export decision. Exchange-rate swings can erase margins overnight.

Unique challenges: cultural distance (tastes, religion, language - colors, symbols and messages that work at home may offend abroad); legal diversity (contracts, IP protection, labeling laws differ); logistics complexity; payment risk (getting paid across borders); and information gaps about distant markets.

Key Terms

Export marketing	Marketing goods/services to foreign-country customers.
WTO	World Trade Organization; sets global trade rules.
Tariff / non-tariff barriers	Customs duties vs quotas, standards, licensing restricting trade.
Trade bloc	Group of countries with reduced internal trade barriers (EU, ASEAN, SAFTA).
Economies of scale	Lower unit cost from larger production volumes - a key export motive.

Example - motives: A Pakistani textile mill at 60% capacity exports bed-linen to Europe: fills capacity, earns foreign exchange, and the euro revenue diversifies rupee risk.

Example - barrier: EU food-safety standards (a non-tariff barrier) block mango shipments with pesticide residues - compliance, not price, decides market access.

Summary

- ✓ Export marketing = marketing across borders; more complex than domestic.
- ✓ Motives: growth, scale, diversification, life-cycle extension, capacity use, forex.
- ✓ WTO rules and blocs liberalize; tariffs and non-tariff barriers still bite.
- ✓ Culture, law, logistics, payment and information gaps are the core challenges.

Exam Pointers

- ★ Define export marketing and explain four motives for exporting.
- ★ Distinguish tariff from non-tariff barriers with examples.
- ★ What challenges make export marketing harder than domestic marketing?

Unit 2: Export Planning and Organization

Learning Objectives

- Outline the export planning process step by step
- Explain the export marketing plan's components
- Compare organizational forms: export department, EMCs, agents
- Describe government export support: TDAP, incentives, EPZs

Export planning turns the export decision into action: (1) assess export readiness (capacity, finance, management commitment); (2) set objectives (markets, volumes, timelines); (3) select target markets; (4) choose entry modes; (5) adapt the marketing mix; (6) plan logistics, documentation and finance; (7) set budgets and controls. A written export marketing plan disciplines the whole effort.

The plan covers: market analysis, target segments, entry strategy, product/pricing/distribution/promotion adaptations, logistics plan, documentation checklist, payment terms, risk management, budget and milestones. Review it annually - markets move.

Organization options: an in-house export department (control, but costly); export management companies (EMCs) that handle exporting for producers (good for SMEs new to exporting); agents/distributors abroad (local knowledge, less control); piggybacking on another firm's channels. Match the form to experience and resources.

Governments promote exports: Pakistan's TDAP (Trade Development Authority) offers market intelligence, trade fairs and delegations; incentives include duty drawback (refund of import duties on exported goods), export refinance (cheap credit), EPZs (export processing zones with tax breaks), and subsidized trade-fair participation.

Key Terms

Export marketing plan	Written plan: markets, entry, mix, logistics, finance, controls.
EMC	Export management company; exports on behalf of producers.

Duty drawback	Refund of import duties paid on inputs of exported goods.
EPZ	Export processing zone; tax/regulatory incentives for exporters.
TDAP	Trade Development Authority of Pakistan; export promotion body.

Example - readiness: A surgical-instruments maker audits itself: capacity OK, but no one speaks German and cash flow can't fund 90-day receivables -> starts via an EMC in Germany while training staff.

Example - drawback: A garment exporter importing fabric pays 10% duty; on exporting the shirts, the duty is refunded - keeping Pakistani shirts price-competitive.

Summary

- ✓ Plan: readiness -> objectives -> markets -> entry -> mix -> logistics/finance -> controls.
- ✓ Organize via export department, EMC, or agents/distributors.
- ✓ Use TDAP, duty drawback, export refinance and EPZ incentives.

Exam Pointers

- ★ Outline the export planning process.
- ★ Compare export department, EMC and foreign agents as organizational forms.
- ★ Name four government export-support measures and explain each.

Unit 3: International Market Selection and Research

Learning Objectives

- Explain the market selection process: screening to field research
- Apply criteria: size, growth, access, risk, fit
- Describe sources of export market information
- Explain segmentation and positioning in foreign markets

Market selection filters the world down to winnable markets: (1) preliminary screening - eliminate markets on basic criteria (size, growth, political risk, trade barriers) using secondary data; (2) in-depth analysis of shortlisted markets (competition, channels, regulations, culture); (3) field research - visits, trade fairs, agent interviews to validate.

Selection criteria: market size and growth (is it worth it?); accessibility (tariffs, standards, logistics); country risk (political stability, currency, payment record); competitive intensity; fit with the firm's products and capabilities; psychic distance (language, culture, business practices - nearer is easier for beginners).

Information sources: secondary - TDAP, ITC (International Trade Centre) databases, UN Comtrade, World Bank, chambers of commerce, commercial banks' country reports; primary - trade fairs, buyer visits, agent reports, test marketing. ITC's Trade Map is a

staple for product-level trade statistics.

Segmentation abroad may follow income, urbanization, lifestyle or B2B criteria; positioning must be rechecked per market - a 'premium' brand at home may be mid-market abroad, or vice versa. Never assume home-market segments travel unchanged.

Key Terms

Market screening	Filtering countries by size, growth, risk, access, fit.
Psychic distance	Cultural/linguistic/business-practice closeness easing market entry.
ITC Trade Map	International Trade Centre database of product-level trade flows.
Country risk	Political, economic and transfer risks of a market.

Example - screening: A rice exporter screens 40 countries: drops those with import bans or tiny volumes (secondary data), studies 8 in depth, visits 3 - picks UAE and Kenya for first entry.

Example - positioning shift: A Pakistani lawn brand, mid-market at home, positions as premium 'ethnic luxury' in the UK diaspora market - different segment, higher margin.

Summary

- ✓ Select markets: screen broadly, analyze shortlist, validate in the field.
- ✓ Criteria: size, growth, access, risk, competition, fit, psychic distance.
- ✓ Use ITC/Comtrade/TDAP secondary data plus fairs and visits.
- ✓ Re-segment and re-position for each market.

Exam Pointers

- ★ Describe the three-stage market selection process.
- ★ What criteria should an exporter use to screen countries?
- ★ Name major secondary sources of export market information.

Unit 4: Market Entry Modes

Learning Objectives

- Compare entry modes: indirect/direct export, licensing, JV, FDI
- Explain the control-risk-resource tradeoff across modes
- Describe agents vs distributors
- Choose entry modes for given situations

Entry modes trade off control, risk and resource commitment: more control needs more investment and risk. The ladder: indirect exporting (via domestic intermediaries - minimal risk/commitment, minimal control and learning); direct exporting (own agents/distributors abroad); licensing/franchising (partner produces/markets for royalties - fast, low investment, but creates a potential competitor and offers little control); joint venture (shared ownership with a local partner - local knowledge plus shared risk); wholly-owned subsidiary / FDI (full control, maximum commitment).

Agents take no title to goods - they sell for commission (good for control of pricing); distributors buy, stock and resell - they take title and inventory risk (good for market coverage). The choice shapes pricing power and channel investment.

Mode choice depends on: market size/potential (big markets justify FDI), country risk (high risk -> low commitment), product complexity (complex -> direct presence), firm resources and experience (beginners start indirect), and government restrictions (some countries require local partners).

Modes evolve: firms typically start with indirect or agent-based exporting, then deepen commitment as they learn - the establishment chain. But 'born-global' firms now leapfrog via e-commerce platforms.

Key Terms

Indirect / direct exporting	Via home intermediaries vs own foreign channels.
Licensing	Foreign partner produces/markets for royalties; fast but low control.
Joint venture	Shared-ownership entity with a local partner.
FDI	Foreign direct investment; wholly-owned subsidiary, full control, full risk.
Agent vs distributor	Commission seller without title vs reseller taking title and stock.

Example - ladder: A fan manufacturer: starts via a Dubai trading house (indirect), then appoints a Saudi distributor (direct), later a JV assembly plant in Kenya, finally a wholly-owned plant in Bangladesh.

Example - licensing risk: A brand licenses production in a foreign market; the licensee learns the know-how and becomes a competitor after expiry - the classic licensing hazard.

Summary

- ✓ Entry modes: indirect export < direct export < licensing < JV < FDI in commitment/control.
- ✓ Agents (commission, no title) vs distributors (buy, stock, resell).
- ✓ Choose by market size, risk, product complexity, resources, regulations.

- ✓ Commitment usually deepens with experience (establishment chain).

Exam Pointers

- ★ Compare five foreign market entry modes on control, risk and resources.
- ★ Distinguish agents from distributors.
- ★ What factors determine the choice of entry mode? Illustrate.

Unit 5: Export Product Decisions

Learning Objectives

- Explain product adaptation: mandatory vs voluntary
- Discuss packaging, labeling and branding for export
- Describe standardization vs adaptation strategies
- Explain the product life cycle in international markets

Products often must change for foreign markets. Mandatory adaptation: legal/technical requirements - electrical standards, safety certifications, labeling languages, halal/phytosanitary rules. Voluntary adaptation: tastes, sizes, colors, packaging formats, brand names that translate badly. Ignoring either kills sales or invites seizure at customs.

Packaging and labeling for export must survive long transit (export-grade packing, containerization, moisture protection), satisfy destination labeling laws (languages, nutrition, warnings, country of origin), and suit local retail (sizes, shelf formats). Marking and barcoding standards (GS1) matter for modern retail chains.

Standardization vs adaptation: full standardization (one global product - maximum scale economies) vs full adaptation (each market customized - maximum fit). Reality is modular: standardize the core platform, adapt the periphery (voltage, language, packaging). The decision weighs scale savings against lost sales from misfit.

The international product life cycle: products invented at home, exported as they mature, then produced abroad as they standardize - timing market entry to the cycle affects pricing power. Services and digital products compress the cycle dramatically.

Key Terms

Mandatory adaptation	Changes required by law/standards (safety, labeling, certifications).
Voluntary adaptation	Changes for taste, size, language, cultural fit.
Standardization vs adaptation	One global product vs customized per market; modular in practice.

Export packing

Transit-tough packaging: containerization, moisture/impact protection.

Example - mandatory: Electrical appliances for the EU need CE marking and 220-240V/50Hz compliance; food for the Gulf needs halal certification and Arabic labeling.

Example - modular: A water pump: same core motor worldwide; different plugs, manuals and packaging per region - standardized core, adapted periphery.

Summary

- ✓ Adapt for law (mandatory) and for customers (voluntary).
- ✓ Export packing must survive transit and meet labeling laws.
- ✓ Standardize the core, adapt the periphery - weigh scale vs fit.

Exam Pointers

- ★ Distinguish mandatory from voluntary product adaptation with examples.
- ★ What special demands does export place on packaging and labeling?
- ★ Explain the standardization-adaptation tradeoff.

Unit 6: Export Pricing and Incoterms

Learning Objectives

- Explain export costing: marginal vs full cost pricing
- Define Incoterms: EXW, FOB, CIF, DDP and others
- Describe export quotation and price escalation
- Discuss dumping, transfer pricing and currency issues

Export pricing starts from costing: full-cost pricing (all costs + margin - safe, but may price you out); marginal/direct-cost pricing (only variable costs + margin - penetrates markets using spare capacity, but risks anti-dumping accusations and channel conflict). Add: freight, insurance, duties, agent commissions, documentation, financing and currency buffers.

Incoterms (ICC rules) define who pays for and bears risk at each stage: EXW (buyer collects from factory - minimum seller obligation); FOB (seller loads goods on the ship - risk passes at the ship's rail); CFR (seller pays freight); CIF (seller pays freight + insurance); DAP/DDP (seller delivers to destination, DDP including duties - maximum obligation). Quoting the wrong term misprices the deal or misallocates risk.

Price escalation: the same product costs far more abroad - freight, tariffs, middlemen margins stack up ('export price = 2-3x domestic'). Strategies: redesign for cost, use efficient channels, accept lower margins for volume, or position premium to justify the price.

Watch dumping (selling below home-market price/cost - invites anti-dumping duties), transfer pricing (intra-group pricing across borders - tax scrutiny), and currency risk (quote in stable currencies, use forward cover, or price in the buyer's currency only with hedging).

Key Terms

Incoterms	ICC delivery terms allocating costs and risk (EXW, FOB, CIF, DDP...).
FOB / CIF	Free on board (risk passes at loading) / cost, insurance, freight included.
Price escalation	Export price multiplying over domestic due to freight, duties, margins.
Dumping	Exporting below home price/cost; triggers anti-dumping duties.
Marginal cost pricing	Pricing on variable cost only; penetrates but risks dumping claims.

Example - terms: Quoting 'CIF Jeddah \$10,000' means the seller pays freight and marine insurance to Jeddah; the buyer handles import duty and onward transport. Under EXW the buyer arranges everything from the factory gate.

Example - escalation: A Rs 1,000 fan: + freight Rs 150 + 20% duty + distributor 25% + retailer 30% -> lands near Rs 2,000 abroad - forcing premium positioning or cost redesign.

Summary

- ✓ Cost fully (freight, insurance, duties, commissions, currency buffer) then choose margin strategy.
- ✓ Incoterms allocate cost/risk: EXW (least) to DDP (most seller obligation).
- ✓ Fight price escalation with cost design, efficient channels, or premium positioning.
- ✓ Avoid dumping; hedge currency exposure.

Exam Pointers

- ★ Explain FOB, CIF and DDP - who bears cost and risk under each?
- ★ What is price escalation and how can exporters manage it?
- ★ Compare marginal-cost and full-cost export pricing.

Unit 7: Distribution, Logistics and Promotion Abroad

Learning Objectives

- Describe export distribution channels

- Explain international logistics: modes, containerization, freight
- Plan export promotion: fairs, missions, digital
- Explain country-of-origin effects on promotion

Export channels: manufacturer -> (export intermediary) -> (import intermediary) -> wholesaler -> retailer -> consumer. Long channels add cost but provide local market knowledge; e-commerce and cross-border B2B platforms (Alibaba) now let SMEs reach buyers directly.

International logistics: sea freight (cheapest for bulk, slow), air freight (fast, expensive - perishables, urgents), land (regional), multimodal combinations. Containerization (FCL full-container vs LCL part-container) standardized global shipping. Choose by value density, urgency and perishability; freight forwarders manage the complexity.

Export promotion: international trade fairs (the classic buyer-meeting venue - TDAP subsidizes Pakistani exhibitors), trade missions, buyer-seller meets, showroom/flagship stores, and increasingly digital marketing (localized websites, SEO, B2B platforms, social media per market). Personal relationships still close big B2B deals.

Country-of-origin effects: 'Made in Pakistan' signals textiles and surgical goods strongly but may need brand-building elsewhere. Promotion must manage these perceptions - sometimes leading with brand, sometimes with origin, sometimes neutralizing it through local partnerships.

Key Terms

FCL / LCL	Full container load vs less-than-container (shared) shipping.
Freight forwarder	Agent arranging international transport and documentation.
Trade fair	International exhibition where exporters meet buyers; key promotion tool.
Country-of-origin effect	How 'made in X' shapes buyer perceptions and willingness to pay.

Example - mode choice: Fresh mangoes to Dubai: air freight (perishable, high value/kg). Cotton yarn to China: sea FCL (bulk, low urgency). Spare parts for a breakdown: air courier regardless of cost.

Example - fair: A furniture maker exhibits at a Dubai fair via TDAP subsidy, collects 40 buyer leads, converts 6 into orders - the year's export pipeline from one week.

Summary

- ✓ Long channels cost but bring local knowledge; platforms enable direct reach.
- ✓ Sea = cheap/slow, air = fast/costly; containerize (FCL/LCL); forwarders help.
- ✓ Promote via fairs, missions, digital; manage country-of-origin perceptions.

Exam Pointers

- ★ Compare sea, air and land freight for export logistics.

- ★ What is the role of international trade fairs in export promotion?
- ★ Explain country-of-origin effects with examples.

Unit 8: Export Documentation and Procedures

Learning Objectives

- List the key export documents and each one's purpose
- Outline the export procedure from order to shipment
- Explain certificates of origin and inspection requirements
- Describe e-documentation trends

Documentation is where export deals stall - one wrong document and goods sit at port. Core documents: commercial invoice (the bill - description, value, terms); packing list (contents per package); bill of lading (B/L) (transport contract + title to goods - the key document); certificate of origin (proves where goods were made - needed for preferential duties); insurance policy/certificate; inspection certificate (quality/quantity per buyer or regulation); export license where controlled.

Procedure flow: receive order -> proforma invoice (quotation) -> buyer opens letter of credit (if L/C terms) -> manufacture/procure -> inspection -> book freight -> customs clearance (export declaration, duty drawback claims) -> ship -> send documents via bank -> receive payment -> claim incentives.

Certificates of origin come in two flavors: non-preferential (just states origin) and preferential (e.g. GSP/EU forms granting reduced duties - worth real money). Chambers of commerce typically attest them. Some buyers demand pre-shipment inspection (SGS, etc.) - build it into timelines.

Errors to avoid: B/L consignee mistakes, invoice/L-C mismatches (banks reject on discrepancies - 'strict compliance'), expired inspection validity. Increasingly, e-B/Ls and single-window customs (Pakistan's PSW) digitize the flow - learn the digital channel.

Key Terms

Bill of lading	Transport contract and document of title to the goods.
Certificate of origin	Proves manufacturing origin; preferential versions cut duties.
Proforma invoice	Pre-shipment quotation document used to open L/Cs.
Pre-shipment inspection	Independent quality/quantity check before dispatch.
Strict compliance	Banks pay L/Cs only on documents exactly matching L/C terms.

Example - discrepancy: L/C says shipment by 15 March; B/L shows 16 March -> bank refuses payment ('strict compliance') - the exporter begs the buyer for an amendment. One day, full payment at risk.

Example - preferential origin: GSP certificate on Pakistani textiles into the EU saves the importer ~12% duty - the exporter who files it correctly wins the order on landed cost.

Summary

- ✓ Master the document set: invoice, packing list, B/L, origin, insurance, inspection.
- ✓ Follow the order-to-cash procedure; respect L/C strict compliance.
- ✓ Preferential certificates of origin are competitive weapons.

Exam Pointers

- ★ List six export documents and state each one's purpose.
- ★ Outline the export procedure from order receipt to payment.
- ★ What is 'strict compliance' and why does it matter?

Unit 9: Export Payment Methods and Risk Management

Learning Objectives

- Compare payment methods: advance, open account, D/P, D/A, L/C
- Explain letter of credit mechanics and types
- Identify export risks: commercial, political, currency
- Describe hedging and ECGC-type credit insurance

Payment methods trade risk between buyer and seller: cash in advance (safest for exporter, hardest to sell); open account (ship now, pay later - maximum buyer convenience, maximum exporter risk; used with trusted buyers); documentary collections - D/P (documents against payment) and D/A (documents against acceptance of a bill of exchange); letter of credit (L/C) - bank guarantees payment on compliant documents (the workhorse of new relationships).

L/C mechanics: buyer's bank issues the L/C -> advising bank notifies exporter -> exporter ships and presents documents -> bank pays if documents comply strictly. Types: irrevocable (can't be cancelled - standard), confirmed (exporter's bank adds its guarantee - for risky countries), revolving, transferable, back-to-back (for middlemen). Cost: bank charges 1-3%.

Risks: commercial (buyer default, rejection); political/country (war, sanctions, transfer blocks); currency (exchange moves between quote and payment); transport (loss/damage - marine insurance). Manage via: L/Cs and credit insurance (ECGC-type export credit guarantee), hedging (forward contracts lock the exchange rate), diversification across markets, and retention-of-title clauses.

Practical rule: new buyer + risky country = confirmed irrevocable L/C; trusted long-term buyer = open account for competitiveness. Price the risk into the margin.

Key Terms

Letter of credit	Bank's conditional payment guarantee; the export workhorse.
D/P / D/A	Documents against payment / against acceptance; mid-risk collections.
Confirmed L/C	Second bank adds its guarantee; for risky buyer countries.
Hedging / forward cover	Locking exchange rates via forward contracts.
Export credit insurance	Insures against buyer default and political risk (ECGC-type).

Example - L/C flow: Karachi exporter, Hamburg buyer: buyer's bank issues irrevocable L/C for EUR 50,000; exporter ships, presents B/L + invoice matching the L/C exactly; bank pays. Buyer risk and seller risk both neutralized.

Example - hedge: Quote \$100,000 receivable in 90 days at Rs 278/\$; book a forward at 279 - the margin is locked regardless of spot moves.

Summary

- ✓ Payment ladder: advance (safest) -> L/C -> collections -> open account (riskiest).
- ✓ L/C = bank guarantee on strict document compliance; confirm it for risky markets.
- ✓ Cover commercial risk with credit insurance, currency risk with forwards.

Exam Pointers

- ★ Compare five export payment methods on exporter risk.
- ★ Explain L/C mechanics and the main L/C types.
- ★ Identify export risk categories and one mitigation for each.