

Trade Promotion Organizations (TPOs) Role in Laying the Groundwork for an Export Promotion Program

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Abstract

Most countries focus on strategies for export development and promotion, given the importance of national goals and, in many cases, limited resources. A TPO has a significant role in laying the groundwork for an export promotion program. TPOs should pay close attention to the trade information needs of exporters and have appropriate mechanisms for acquiring such information systematically and disseminating it in a timely way. Moreover, a TPO provides basic and useful support to the export community if it can facilitate contacts between foreign buyers and exporters. Developing the export promotion program is one of the basic requirements when the TPO formulates its support program for the export sector.

Keywords: *export development, business strategy, TPO, promotion program.*

1. Introduction

Trade promotion activities are a function of several entities in any country. There is usually one central governmental export promotion body to provide the policy framework and mechanism for co-ordination and consultation among the various sectors or organizations involved in foreign trade. Such TPOs can specialize in a few key functions or perform a broad range of services. The type and extent of their activities depend on the resources available to them, such as the experience of the organization, the quality of its work force, its network of linkages and financial resources. The TPO's ability to identify changing conditions and requirements of its primary clients – the exporters - and then adapt trade promotion services accordingly is more important than the variety of services offered.

The aim of this paper is to outline the procedures and methodology for identifying products focused on company-product selection and the identification of exporters' needs.

2. Identification of products and markets

Most countries focus on strategies for export development and promotion, given the importance of national goals and, in many cases, limited resources. A TPO has a significant role in laying the groundwork for an export promotion program. The TPO can give methodological and technical assistance to the national business colectivity by doing the necessary studies to identify what products to promote and decide which markets offer the greatest opportunity for export growth. Moreover, the TPO could participate in designing and developing marketing strategies for specific sectors and products, incorporating into these strategies all recommended measures and actions for achieving export targets.

The main thrust of the export promotion and marketing efforts is to attract the attention of targeted markets abroad and to project the desired image for the country as a source of products. Trade promotion activities abroad are thus crucial functions for most TPOs. The TPO can provide a lot of services to exporters by intensifying its promotional efforts in selected foreign countries. Activities related to trade fairs, sellers' missions, inviting foreign buyers to visit local manufacturing plants and facilitating subcontracting arrangements are some examples of a TPO's efforts. Specialized export services aim at providing exporters with skills in various foreign trade techniques, thus helping them to become more competitive in the international market.

Two different approaches may be considered:

- the "integrated approach", in which several special services and overall advice to client companies are provided by a group of trained staff; or
- the "specialist approach", in which such services are offered by a specific group of specialists.

A useful and practical approach is to adopt the product-market framework for an export promotion program. As the term suggests, each program concentrates on a specific product or group of products. Activities are directed mainly at helping the specific sector or a selected group of companies to gain entry into certain markets.

The advantage of this approach is that it makes a relatively low demand on the workforce and on financial resources, which may be limited in some developing countries. The product-market framework means allocating resources to focused activities for maximum impact designed to achieve export targets. Three features of this approach are:

- Products are identified for the purpose of designing a marketing strategy for a specific sector, including all necessary action and support activities that help generate or increase exports.
- A program based on the product-market framework can address specific concerns of the sector, putting into evidence particularly obstacles to export growth, and providing the basis for coordinated or co-operative actions, including joint export promotion and marketing activities.

The program can help individual companies to develop their own marketing strategies and program and to identify specific areas where support or assistance is required.

Planning and implementing a program with a product market framework could be done by a central export coordinating body, although institutions and organizations from both the public and private sectors might also participate.

The significant role of the TPO is to lay the groundwork in preparing the program and to do the necessary studies to identify the products to be promoted in target markets.

In many cases, companies looking forward to export do not have a clear idea of what products to promote in international markets. This leads to haphazard trade promotion efforts, often as a reaction to inquiries made by foreign buyers, with uncoordinated, ineffective export assistance. Identifying priority export products is necessary to maximize the impact of all activities and efforts aimed at achieving national export targets.

In carrying out the activities in the field, a TPO should not work in isolation from the business community. A TPO must be ready to adjust the scope and nature of its services according to the requirements of the export sector.

Initial selection and determination of export supply capability are the first steps in the identification of export products. Identified products have to be matched with the results of corresponding market selection and identification activities in order to fully determine export potential. Product identification is a process of successive selection until the most promising products emerge. The process begins with preliminary research into national economic development. Policies and programs set the priorities for product sectors and statistics on production, domestic consumption, exports need to be analyzed in order to determine the availability of an export supply.

A list of products should be made that could be matched with the demand potential in major importing countries. The initial analysis could be the basis for deleting certain products from this list. Then, the following types of products should be identified in order to give them priority ranking:

- Products for which local raw materials are available and for which development could lead to high value added downstream activities.
- Products that are produced predominantly by local companies.
- Products subject to few restrictions, giving access to foreign markets.
- Products that can make possible contributions to foreign exchange earnings.
- Labor-intensive exportable products that will help alleviate employment problems.

The determination of the products to concentrate on for export has to be discussed at a governmental inter-agency level or committee. A TPO, together with ministries and agencies involved in industrial policy, foreign investment and economic planning and representatives from the private sector should sit on this committee to map out current and future export plans which will form the basis of the policies and programs for priority product sectors.

After making a broad selection of export products, the next important step towards product identification is determining who are existing and potential exporters. This is done with an export readiness survey with the following objectives:

- To identify and select exporters/manufacturers who could most effectively use trade promotion assistance and support, so that they could be successful lead participants in the drive for specific export markets.
- To identify and select the most promising products in terms of sales and production capability in order to estimate the amount of production that can be exported in the short and medium term.
- To identify the constraints companies face in exporting, and/or in increasing exports of the selected products.
- To identify the type of assistance packages that will help companies become major exporters by increasing their sales and production capability in the short and medium term.

The suggested approach is to identify potential export companies, and then identify promising products. This approach is based on a strong belief that in the early stages of export promotion, the most able companies (rather than those most in need of assistance) can give the needed push for national exports. These companies can be used as vehicles to generate export business growth and to support and reinforce this growth with suitable assistance programs or services.

The first step in this approach is to develop a list of potential export companies. Possible sources of information include the customs department, the central bank, other government agencies and trade/industry associations. The second step is to narrow down the list by using the information obtained from market research activities.

The third step is to use questionnaires and make visits to the selected companies in order to obtain more detailed data. It is important to prepare adequately for the site visits to the companies and the questionnaire.

3. Preparing profiles on products and companies

In order to be effective and efficient, one of the most basic and useful services of a TPO is the preparation of registries or directories of exporters to be disseminated to foreign buyers and to the country's commercial representatives abroad.

Preparing product profiles is primarily aimed at giving foreign buyers written information about types and groups of available products. It is possible for a TPO to prepare product profiles by consolidating information obtained through the export supply survey. The product profiles will describe the different exportable categories and give some details of the nature of the products, volumes available for export, prevailing prices, and information on producers and exporters.

Company profiles, based on the export supply survey, will show not only the general characteristics of the companies, but also information on their products and production capacities. The product and company profiles should include:

- categories of exportable products and exporters;
- industry capacity and export volume;
- price variation;
- company characteristics;

This information will be useful to a TPO as an information base for:

- registries or directories of exporters;
- a target base for company participants for specific trade promotion events/activities;
- a dissemination list for international market news;
- initiating an industry grouping or core group of exportready companies for dialogue sessions on developments affecting the industry.

The publication of registries or directories of exporters, as well as product and company profiles, are extremely useful tools for the promotion of high-priority products. Moreover, these publications complement efforts by individual companies or groups of companies to publicize and promote their products abroad and gain entry into certain markets.

As a conclusion in this respect, TPO's effectiveness can be measured by its ability to respond to trade inquiries and facilitate matches between foreign buyers and local exporters. When a foreign buyer makes urgent inquiries, a TPO should be able to immediately provide accurate information on

the names of reliable exporting companies, appropriate descriptions of their products and exportable quantities that meet with the buyer's requirements.

4. Product adaptation and development

Exporters must sell products that are acceptable to buyers in order to establish solid positions in foreign markets. Requirements for products will vary from market to market as a result of differences in geography, culture, economics, or politics, which affect consumers' tastes, preferences, and buying habits.

Lack of information about product requirements in export markets is one reason why exporters from developing countries do not always gain acceptance in foreign markets.

At the same time, very few manufacturers and exporters appreciate the importance of product design and development. Exporters need to understand how buyers in foreign markets look at a product so they can adopt suitable product development strategies.

In some countries, a TPO co-ordinates assistance in product development, although direct assistance is usually provided by specialized agencies such as design centers. Specialized agencies can allocate resources in order to provide design information and consultancy, make prototypes, and assist in launching products.

The challenges of international marketing make such activities valuable in helping companies adapt their products to suit preferences of buyers in foreign markets, which can be a daunting task. One of the most important tasks of a TPO, together with other economic agencies and trade associations, is to help exporters develop and produce goods and services that can enter the target markets, as well as compete against products from other countries.

Product development. Product development is defined as the process of developing product features and attributes which increases consumer value and demand in a target market. It encompasses the application of marketing enhancement concepts like quality and design methodologies. Therefore, mechanisms will be needed to help exporting companies to improve their performance through a wide range of quality improvement, measurement, and assessment programs to ensure that their products are export marketable. Exporters have to offer quality products if they want to successfully compete in the international markets.

Identifying suitable quality standards. Standardization is the establishment of agreed sets of specifications for specific products. It is closely related to quality control schemes.

There is a distinction between product quality standards and quality-system standards. The former specifies various characteristics that the product must meet to conform to the product standards. The latter defines a method for managing quality in an enterprise to ensure that products conform to the quality the company has set for itself. The attainment of quality-system standards is the ultimate goal for exporting enterprises, because once these are achieved, they can be applied to all products and services of the enterprises. The attainment of product-quality standards is a first step.

Alignment towards international standards. One way to attain product-quality standards is to align standards with major importers of certain products. The alignment strategy should be developed jointly by the relevant economic agencies (including the TPO) and the private sector.

Another strategy is to establish mutual recognition agreements between two or more organizations in different countries to accept each other's testing certification of conformity to product quality standards. These help facilitate market access for exports on the basis of an objective assessment of each party's products.

Quality control circles. The idea of quality control circles started in Japan, where groups of workers meet to discuss problems and develop ideas aimed at raising productivity and quality at the workplace. At these discussions, in which management also participates, solutions put forward by workers are adopted. This concept has spread and most industrialized countries have adopted the quality control circles concept.

National brand development. Branding is an important marketing tool and may be considered as the process of creating and managing brands. It involves creating an overall image about a product to attract customers. A brand aims to give a product its unique image and characteristic. Undertaking branding activities also allows companies to build up their strategic assets, because brands are considered as valuable assets, and if properly managed, will not depreciate in value over time.

Branding is applicable to all categories of products and services. Creating a distinct image or identity is the first step towards establishing a commodity as different from others. Some tools of branding that are used include developing a brand name and designing a distinctive symbol or logo. In some cases, producers who market their commodities internationally have used a label to identify the country or place of origin and associated that identity with the quality of the product.

Development of brands should emphasize the quality standards of the local product, as well as unique features that are features of the country's export products. The image of products will also influence the acceptance of exports from that country.

5. Identifying exporters' needs

Market identification, trade information services and promotional activities abroad are the key functions of a TPO. However, there are specialized services and other supplementary activities which the TPO may consider providing, depending on the exporters' requirements. Three specialized or supplementary activities are described in the following paragraphs.

Preparing market profiles. Exporters require summarized information of characteristics and requirements of foreign markets. The TPO can prepare and disseminate market profiles for exporters. Market profiles should be updated periodically, as conditions frequently change.

Acquiring samples of foreign products. The TPO may buy samples of foreign products in order to help companies adapt their products and to obtain complete, direct information about product requirements in foreign markets. Given the costs involved, the TPO should only take samples of products that have clear export potential. In addition, products can be shown to manufacturers in photographs or catalogues. Manufacturers and exporters may be invited to examine products and materials displayed at specific offices or exhibition halls.

Formulating an export promotion program on a product basis. An export promotion program is a mechanism for concentrating efforts to promote a given product or group of products. Export promotion works when there is co-operation from other entities responsible for certain aspects of foreign trade and when participation of the manufacturing and exporting sectors is encouraged. In

addition to formulating a program for a whole sector, the TPO may help individual companies prepare their own programs to gain entry into certain markets.

6. Conclusions

A strategy is a general plan for developing a business. Every export company that wants to develop and prosper needs some form of strategy. A company's strategic fit with the trading environment has to be continuously reconsidered because it is likely to erode.

The quality of business decisions depends on pertinent, reliable and timely information. Exporters need to stay current in their awareness and understanding of market developments and trade opportunities in order to maintain their positions or establish edges over their competition. A TPO should pay close attention to the trade information needs of exporters and have appropriate mechanisms for acquiring such information systematically and disseminating it in a timely way. Moreover, a TPO provides basic and useful support to the export community if it can facilitate contacts between foreign buyers and exporters.

Developing the export promotion program is one of the basic requirements when the TPO formulates its support program for the export sector. The export promotion program is the basis for preparing, implementing and evaluating the TPO's annual work program.

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