CHAPTER - III
EXPORT MARKETING PRACTICES IN INDIA

3.1 INTRODUCTION

Export marketing is an essential ingredient in building up of exports of a country on a systematic basis. International or world trade refers to the movement of goods across national borders and relates exclusively to exporting and importing. Study of international trade analyzes exports and imports and conditions under which the transfer is take place. The academic study of international trade is concerned with trade flows, commercial policies, resource allocations and adjustments, capital movements, balance of payments analyses, and international monetary arrangements.¹

Export marketing consists of three basic elements. They are recognition or identifying the needs, stimulation of the needs and fulfillment or satisfying the needs. The various steps taken such as preliminary survey, identifying the product, sales promotion, organizing proper distribution system are all the means towards this end—fulfilling the buyer’s needs at a profit. We should also recognize the difference between marketing and selling. Selling is primarily preoccupied with the need of the seller in selling the products as well as the infrastructural necessities to accomplish the same to the satisfaction of the buyer.

3.2 PRODUCT PLANNING

Exporting a product to another country is not a one time affair like going to a picnic. It is a serious matter and the cost is quite considerable, if we want to do it straight and proper. Hence one should evaluate whether one would be able to withstand the competition in price and quality over a length of period to make his export effort profitable and viable.

3.2.1 PRODUCT MODIFICATION

“People spend their money not for goods and services, but to get the value satisfaction they believe are bestowed by what they are buying. They buy quarter-inch holes, not quarter-inch drills…”\(^2\)

This normally occurs when a product which is sold in a domestic market is offered for export. Then it becomes necessary, depending up on the customer preferences in the country of the buyer, to alter the specs of the product, of packaging, or in the services to be offered in conjunction with the sale. In today’s export markets the foreign buyers are in position to choose their exact requirements from a wide variety of suppliers all over the world. Hence it is necessary to make the necessary adaptations. As regarding to textile, the product has to be changed based on country’s climate, environment, culture, etc.

3.2.2 BRANDED PRODUCTS

Products which are sold under a brand name are referred to as branded products. The world over, established firms or manufacturers sell their product under a symbol or brand name. The company gets a reputation of selling quality products, and as the company tries hard to retain such a reputation, it becomes easier to sell new products under the same brand name, or export to other countries where the brand name is well known. As regarding to Indian textile the very famous brand in foreign countries are Raymonds, S.Kumars, Binny, etc.

3.2.3 NICHE MARKETS

Exporters always look forward to niche markets. ‘Niche market’ is a special market segment which develops due to special needs, circumstances or environment. It arises in many instances, when a manufacturer does not foresee such need and does not plan for it, or may left it out completely thinking that the market would be very small for the product and hence not worth bothering.\(^3\)

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\(^3\) Balagopal T.A.S., Export Marketing, Mumbai: Himalaya publishing House ,(2\(^{nd}\) ed)1998, P 103
3.2.4 PRODUCT MIX

This product mix refers to the range and variety of the products, an exporter wants to export. Initially an exporter from India exports one product or many product depending up on his marketing ability, the control he has on the supplies, and the competitive nature of the products. Thereafter to improve his trade he wants to enlarge the scope of his products and wants to add few more products. This is where he should decide on the exact ‘product mix ‘or the range of the products he would concentrate on exporting.

3.2.5 PRODUCT LIFE CYCLE

In case of most of the products, there is always a particular system of its introduction, growth and decline in a market. The various periods in this pattern may differ from products to products. This is referred to as particular product life cycle. No products introduced in a market continue to occupy a pre-eminent position for all time to come.

Initially a product is introduced into a market, after market surveys and customer demand. At this stage it will involve the production of the right product, establishment of correct distribution channels and adequate product promotion. In the early stages the sales will take off slowly, and after establishing itself the sales will raise considerably. This is growth stage. By that time competitive products and other new products come into the market. These results in the sales becoming stationary and later tend to decline. The product life cycle, its different stages and the various characteristics which they reflect in the varying stages are as follows:

In introduction stage, sales will be low, profit may be negligible, and cash in flow will be low whereas competitors are few. At growth stage sales will be in rising level, profit will touch at peak. At maturity stage sales will be slow in growth, profit rate started to declining, cash flow will be high and competitors will increase in number. At the last stage i.e., in declining stage the sales will also started to decline, profits will be low, cash flows also shows low rate. 4

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This evolution of a product is referred to as product life cycle. This is very important in the international market since many countries are involved and each will compete with a view to bring new or modified products to capture the market share. A textile exporter should be closely watching the market to take necessary advance action.

3.3 EXPORT MARKETING CHANNELS

Distribution helps the export marketer understand how distribution system is likely to evolve. This understanding can be amplified by knowledge of the existing wholesale and retail structure and its costs in relevant countries. The growth of multinational retailers provides another efficient channel vehicle which is entering into the retail structure abroad.

3.3.1 EXPORT DISTRIBUTION CHANNEL

The international company must take a whole–channel view of the problem of distributing its products to the final users. The following figure shows the three major links between the seller and the ultimate user.

The first link, seller’s international marketing head quarters, consists of its export department or international division making decisions on channels and other marketing mix elements. The second link, channels between nations, gets the products to the borders of the foreign nations. It consists of decisions on the type intermediaries (agents, trading companies etc.), the type of transportation (air, sea, etc.) and the financing and risk arrangements. The third link, channels within foreign nations gets the product from foreign entry point to the final buyers and users. Too many Indian manufacturers think their job is done once the product leaves their hands. They should pay attention to how the product moves within the foreign country.
Whole –channel concept for export marketing

Within-country channels of distribution vary considerably from country to country. There are striking differences in the number and types of middlemen serving each foreign market\(^5\).

**Types of organization in export trade**

Direct versus indirect trading

The difference between the two is based on:

1) The closeness of the relationship between the exporter and the buyer abroad and

2) The extend of control exercised by the exporter over the sale of his goods.

**I. Direct exporting**

In direct exporting, the exporter engages in or supervises every step in the export of goods and shoulders the entire responsibility for all operations.

Direct export is necessary because of the following reasons. In respect of commodities, which use highly technical sales organization and after sales services direct export is necessary. When merchants build is disinclined towards accepting all the risks of export trade there is immense need for direct export. When merchants build a barrier between the manufacturers and the customers the need for direct export arises. When direct dealing between the exporter and consumer would mean a direct flow of information which may be integrated into practices with a view to adapting production to marketing conditions. In direct

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trading, intermediaries are almost eliminated and consequently the cost of exporting is kept down. When the manufacturer wants to earn profits then he has to go for direct export. If a manufacturer desires to engage in direct exports he must perform the following six basic functions in the process of exporting.

1. The direction and supervision of export, including the development of export policy.

2. The adaptation of the product for export, including export packing.

3. Selling, advertising, sales promotions and related functions, sales service and related service.

4. Transportation of the product, including documentation for shipment, rail and ocean shipping, insurance and other related matters.

5. Credits and terms of payment.

6. Financing, including exchange, invoicing and collections.

**II. Indirect exports**

In indirect exports, the producer permits an intermediary located in his own country to perform important functions and, to a limited extent, loses control over certain marketing operations. The fact that many producers have adopted the indirect method of exporting does not preclude them from selling a part of their production directly. The actual method that is adopted depends on the volume of business; and the manufacturer’s decision often changes in obedience to the different conditions of the sale.

Two broad alternatives available to the manufacturer wanting to export indirectly are use of export marketing middleman and exporting through co-operative organization.

Export marketing middleman include domestic based merchant, domestic based agent, export commission house, resident buyers, export-import broker, combination export manager, manufacturer’s export agent, co-operative trading.
3.4 BUYERS AND AGENTS

Through the years, certain type of export traders have developed, each one performing his own particular function in the relationships between sellers and buyers. With the growth of literacy and speeding up of communications, it has become easier for a manufacturer and foreign customer to deal with each other directly and without the aid of intermediaries; and an increasingly larger volume of trade is conducted through such direct relationships.

The best channel of trade is therefore, with the foreign importing merchant, who places orders with the manufacturing exporter, has the goods shipped to him and who pays for all the goods he buys. In every country, there are many merchants who specializes in dealing with imported goods, they know the customers in their own country and are experienced in developing the sales of any item which they take on.

The next channel for procuring business is through the commission agents. Such an agent should preferably be resident, in the main centre of the country abroad with which the exporter intends to do the business. These commission agents do not import any goods themselves but merely act as traveling representatives on behalf of the exporter, selling his goods to any possible purchasers in the area which they cover. Orders are booked by the commission agents and sent to the manufacturer who will arrange for their shipment to actual purchasers.

Another channel through which export trade may be carried out is confirming house. This type of firm used to be popular but now is decreasing its importance because of the establishment of the direct contacts. The confirming house is one kind of buying agency acting on behalf of the customer. The confirming houses act as intermediary between the seller and the buyer and assure both parties at fair deal.
3.5 PHYSICAL DISTRIBUTION – TRANSPORTATION, PACKAGING
AND MARINE INSURANCE FOR EXPORTS

The physical distribution function includes a broader array of activities needed to provide efficient movement of finished products and raw materials from the factory to the final user. The National Council of Physical Distribution Management, USA, a group devoted to the advancement and study of logistics, recognized the important components when it defined physical distribution as:

“…. The broad range of activities concerned with the efficient movement of finished products from the end of the production line to the consumer and in cases included the movements of raw materials from the source of supply to the beginning of the production line. These activities include transportation, warehousing, material handling, protective packaging, inventory control, plant and warehouse site selection, order processing, market forecasting, and customer service.”

In the above definition, physical distribution is viewed as an integrated system that determines what goods are needed in specific locations, performs the transportation and storage functions, process orders, and maintains an effective information system. Bowersox offers a simplified definition stressing the business activities involved to satisfy customer needs for an assortment of goods. “Physical distribution consists of those business activities concerned with transporting finished inventory and or raw material assortments so that they arrive at the designated place, when needed and in usable condition.”

3.5.1 IMPORTANT ASPECTS OF PHYSICAL DISTRIBUTION

The export manager has two problems in working with the distribution system in an export market:

a) Transportation for the movement of goods.

b) Marketing channels to be used to reach the foreign buyers.

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7 Donald J. Bowersox, “Physical Distribution Development Current status and Potential,” Journal of Marketing Jan ’69 P.6
The price of the end product is heavily influenced by the way the physical product is moved. The transport costs constitute a big proportion of the total cost of the merchandise. The cost of export distribution is greater than domestic distribution because involvement of additional packing and crating are often necessary and the intermediaries become necessary because the exporter does not have adequate export know-how. In addition, insurance for transportation may be necessary to reduce the quantum of risk, because increased profits can be generated directly either through reduced costs or increased sales. Transportation costs are lowered when technological improvements are made use of.

3.5.2 DECISION AREAS OF PHYSICAL DISTRIBUTION FOR EXPORTS

The exporter should take the decisions for physical distribution in the following areas. Those are size of the consignment, transportation, storage, plant location, material handling, carrying inventory, order processing and documentation.

The physical distribution system of exports is two phased i.e., first, the products must be moved both between nations and within overseas market. The extent to which the export marketing manager must plan depends upon the terms of sales. The basic types of mode of transportation available to the exporter are shipping, air, rail, truck.

Shipping is the most popular mode of exports. The importance of other types depends on many other factors. Air transportation offers the advantage of speed and dependability of delivery, insurance and warehousing, etc. However, the total cost by air turns out to be considerably high.

3.5.3 TEXTILE EXPORT TRANSPORTATION

The transportation industry is a complex of institution that includes not only the carriers themselves (the ocean shipping companies, airlines, and truckers), but also the supporting terminal operators, freight forwarders, customhouse brokers, ship brokers, financial houses, insurance firms, and engineering and manufacturing concerns. There is also an array of Government agencies that oversee the operations of the industry and control the rates charged and services provided.
3.6 PROMOTIONAL ACTIVITIES FOR TEXTILE EXPORT

Promotional activities in textile export include marketing and merchandising functions which are completely controlled by the manufacturer and exporter and which assist in the development of sales. Such activities differ from advertising in that the advertising is generally placed in media which are not controlled by the advertiser, the manufacturer, or the exporter. Sales promotion activities differ from selling in that they aid and assist selling rather than participate in selling. International promotion extends beyond advertising to many other promotional tools. The trade fair has assumed increasing importance as a specialized international market which facilitates the meeting between informed buyers and sellers.

Nature of foreign buyers in export promotional activities

In the area of promotion, the nature and type of foreign buyer are strongly felt. It is important to analyze whether the buyer is wholesaler, retailer, agent, trading house or direct consumer. The promotional activities should be based on the nature of the buyer. For example if the buyer belongs to wholesaler and trading house then the trade discount plays an important role in promotional activities. If the buyer belongs to retailer category then credit extension in the payment can play significant role in promotional activities.

Forms of textile export promotion

Export catalogues: Like every catalogue for home trade, the export catalogue is the ever present silent, accurate salesman. The textile export catalogue must be considered as an active, vital, sales-making force in the export business. It should contain price, quality, even sample cloth with in it, etc. The catalogue should invite perusal, express and impress the personality of the textile exporter, desire to purchase, totally it should speak louder than salesman. The export catalogue should be separate, different and distinct catalogue from the domestic catalogue and should not be merely a domestic catalogue printed in a foreign language.

House magazine: Few textile exporters especially some manufacturer exporter publishes highly creditable house magazines for the special use of the export trade. There are incorporated illustrations in the house magazines. It is excellent in
appearance and easily readable also. But the entire exporter can not adopt this tool because it is too expensive and also the problem of updating.

**Textile export advertising**

The function of advertising in export trade is precisely the same as its function in domestic trade. Advertising may be used as a means of creating dealer demand, dealer preferences, or consumer demand or acceptance. It may be used to prepare the way for the exporter to enable him to make a greater volume of sales than would otherwise be possible.

The use of available media, the size of the column, and the use of colour are the technical details of the foreign advertising. Export advertising expenditures are going rapidly as products complete for world market share. If an exporter decided to advertise in importing country, he may approach advertising agency in the respective country. Advertising agencies in overseas market perform the function of the placing an advertisement, i.e., the agency takes the advertisement already fully developed, and buys the space in which is to be inserted. Sometimes the agency offers a translation service; this is usually the maximum service that may be expected from a foreign advertising agency. In the development of an advertising campaign in foreign markets, the choice, therefore, of the right agency is more than important; it may mean the difference between success and failure.

**Textile export pricing and costing**

Export pricing is very important for every exporter because it is the factor which determines the profit as well as market share\(^8\). Export price is the price what we offer to the customer. Export cost is the price that we pay or incur for the product. Price includes profit margin whereas cost includes only expenses incurred to produce the cloth. Export pricing is most important tool for promoting sales and facing international competition. The price has to be realistically worked out taking in to consideration all export benefits and expenses. There is no fixed formula for export pricing. It will differ from exporter to exporter depending upon

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\(^8\)Varshney R.L and Dr. S.L.Guptha, Marketing management an Indian perspective,(3\(^{rd}\) revised ed) NewDelhi:Sultand chand and sons, 2005,P\(^{895}\)
whether the exporter is a merchant exporter or a manufacturer exporter or exporting through a canalizing agency. ⁹

**Terms used in export pricing**

As regards quoting the prices to the overseas buyer, the same are quoted in the following internationally accepted terms. They are as follows:

**Ex-works:** ‘Ex-works’ means that exporter responsibility to make goods available to the buyer at works or factory. The full cost and risk involved in bringing the goods from his place to the desired destination will borne by the buyer. This term thus represents the minimum obligation for the buyer. It is mostly used to the sale of plantation commodities such as tea, coffee and cocoa not for textiles.

**Free on rail (FOR) and Free on truck (FOT):** These terms are used when the goods are to be carried by rail, but they also used for road transport. Exporter obligations are fulfilled when the goods are delivered to the carrier.

**Free alongside ship (FAS):** Once the goods have been placed alongside ship, the exporter responsibility is fulfilled and the buyer notified. The buyer has to contract with the sea carrier for the carriage of the goods to the destination and pay the freight. The buyer has to bear all costs and risks of loss or damage to the goods hereafter.

**Free on board (FOB):** Exporter responsibility ends the moment the contracted goods are placed on board the ship, free of cost to the buyer at a port of shipment named in the sales contract. ‘On board’ means that a ‘Received for shipment ‘B/L (Bill of lading) is not sufficient. Such B/L if issued must be converted into ‘Shipped on board B/L’ by using stamp ‘Shipped on board’ must bear the signature of the carrier or his authorized representative together with date on which the goods were ‘boarded’

**Cost and Freight (C and F):** The exporter must bear his own risk and not as an agent of the buyer, contract for the carriage of the goods to the port of the destination named in the sale contract and pay the freight. This being a shipment

contract, the point of delivery is fixed to the ship’s rail and risk of loss or of damage to the goods is transferred from seller to buyer at that very point.

**Cost Insurance freight (CIF):** The term is basically the same as C and F, but with the addition to that the exporter has to obtain insurance at his cost against the risk of loss or damage to the goods during transport.

**Freight or Carriage Paid (DCP):** While C and F is used for goods which are to be carried by sea, the term ‘DCP’ is used for land transport only, including national and international transport by road, rail and inland water ways. Exporter has the contract for the carriage of goods to the agreed destination named in the contract of sale and pay freight. The exporter obligations are fulfilled when the goods are delivered to the first carrier and not beyond. In case if the buyer desires, exporter insure the goods till the destination, he would add ‘including insurance’ before the word ‘paid in freight’ or ‘carriage paid to’.

**EXS /EX – Ship:** This is an arrival contract and means that exporter make the goods available to buyer in the ship at the named port of destination as per the sales contract. The exporters have to bear the full cost and risk involved in bringing the goods there. Exporter obligation is fulfilled before the customs border of the foreign country and it is for the buyer to obtain necessary import license at his own risk and expense.

**EXQ/Ex- quay:** Ex – quay means the exporter makes the goods available to the buyer at a named quay. As in the term ‘Ex-Ship’ the point of division of costs and risk coincide, but they have now been moved one step further – from the ship in to the quay or wharf i.e. after crossing the customs border at destination. Therefore, in addition to arranging for carriage and paying freight and insurance the exporters have to bear the cost of unloading the goods from the ship.

**Delivered at frontier (DAF):** The term is primarily intended to be used when the goods are to be carried by rail or road. Exporter obligations are fulfilled when the goods have arrived at the frontier, but before the ‘customs border’ of the country named in the sales contract.

**Delivery duty paid (DDP):** This term may be used irrespective of the type of transport involved and denotes exporter maximum obligations as opposed to ‘Ex-
works’. Exporter does not fulfilled his obligation till such time that the goods are made available at his risk and cost to the buyer at his premises or at any other named destination. The term duty includes taxes, fees and charges. Therefore, the obligation to pay the VAT (value added tax) levied upon importation will fall upon the exporter.

**FOB/FAO Airport:** ‘FOB Airport ‘is based on the same main principle as the ordinary FOB term. The exporter fulfills his obligation by delivering the goods to air carrier at airport of departure. Without the buyer’s approval delivery at a town terminal outside the airport is not sufficient, exporter’s obligations with respect to costs and risks do not extend to the arrival of goods at the destination.

**Free Carrier (named point) FRC:** This term has been designed particularly to meet the requirements of modern transport like ‘multi-modal’ transport as container or ‘roll-on-roll-off’ traffic by trailers and ferries. The principle of this term is as same as applicable to FOB except that the seller or the exporter fulfills the obligations when he delivers the goods in to the custody of the carrier at the named point.

**Freight Carriage and Insurance paid (CIP):** The term is similar to ‘Freight or carriage paid to’ However, in case of CIP the exporter have additionally to procure transport insurance against the risk of loss or damage to the goods during the carriage. The exporter contract with the insurer and pay the insurance premium.

### 3.7 TEXTILE EXPORT FINANCE

The schemes of export financing available to an exporter in India are reasonably liberal and it may be safely stated that no export contract would normally be frustrated for lack of finance. Financial institutions, like commercial banks, require basic procedural formalities to be completed between the buyer and exporter to enable them to provide the necessary financial facilities to the exporter, whether such facilities extend over a short, medium or long term.

#### 3.7.1 PRE SHIPMENT FINANCE

Pre shipment finance is issued by a financial institution when the seller wants the payment of the goods before shipment. The main objectives behind pre
shipment finance or pre export finance is to enable exporter to procure raw materials, carry out manufacturing process, provide a secure warehouse for goods and raw materials, process and pack the goods, ship the goods to the buyers, meet other financial cost of the business.

Stages in pre shipment finance

- **Appraisal and sanction limits**

  Before making any allowance for credit facilities banks need to check the different aspects like product profile, political and economic details about the country. Apart from these things, the bank also looks in to the status report of the prospective buyer, with whom the exporter proposes to do the business.

- **Disbursement of packing credit advance**

  Once the proper sanctioning of the documents is done, bank ensures whether exporter has executed the list of documents mentioned earlier or not. Disbursement is normally allowed when all the documents are properly executed. Before disbursing the bank specifically check for the particulars in the submitted documents regarding name of the buyer, commodity to be exported, quantity, value, last date of shipment, negotiation, any other terms to be complied with.

- **Follow up of packing credit advance**

  Exporter needs to submit stock statement giving all the necessary information about the stocks. It is then used by the banks as a guarantee for securing the packing credit in advance. Banks also decides the rate of submission of this stocks. Apart from this, the authorized dealers (banks) also physically inspect the stock at regular intervals.

**3.7.2 POST SHIPMENT FINANCE**

Post shipment finance is a kind of loan provided by a financial institution to an exporter or the seller against a shipment that has already been made. This type of export finance is granted from the date of extending the credit after shipment of the goods to the realization date of the exporter proceeds. Exporters don’t wait for the importer to deposit the funds.
3.7.2.1 TYPES OF POST SHIPMENT FINANCE

The post shipment finance can be classified as export bills purchased or negotiated, advance against export bills sent on collection basis, advance against export on consignment basis, advance against un drawn balance of exports, advance against claims of duty drawback.

3.7.3 LETTER OF CREDIT

Letter of credit (commonly known as L/c) also known as documentary credit is a widely used term to make payment secure in domestic and international trade. The document is issued by a financial organization at the buyer request. Buyer also provides the necessary instructions in preparing the document. The International Chamber Of Commerce (ICC) in the Uniform Custom and Practice for Documentary Credit (UCPDC) defines L/C as: “An arrangement, however named or described, whereby a bank (the issuing bank) acting at the request and on the instructions of a customer (the applicant or on its own behalf)

The parties who are engaged in the Letter of credit are applicant (opener), issuing bank (opening bank), beneficiary, advising bank, confirming bank, negotiating bank, reimbursing bank and second beneficiary. There is various types of letter of credit such as revocable letter of credit, irrevocable letter of credit, confirmed letter of credit, sight credit and usance credit, back to back letter of credit, transferable letter of credit, stand by letter of credit.

3.7.4 EXPORT CREDIT GUARANTEE CORPORATION (ECGC)

ECGC was set up in 1957 with a view to help Indian exporters to expand their business overseas by providing export credit insurance covers to them under which the commercial risks and political risks would be covered. Under different credit insurance covers, usually associated with the overseas buyers and L/C opening banks and political risks also called country risks.

There is no compulsion for a bank or an exporter under any statute. However the credit risk insurance system being operated by ECGC since 1957 has found acceptance by exporters and bankers. ECGC have branches in 51 centers spread across India, the exporter only need to make a telephone call to the branch close to
him. Field officer of ECGC would call on the exporter and after discussion would suggest to him the most appropriate cover and help him in completing the documentary requirements like a proposal form. Once the documentation and KYC inputs are completed, the cover will be issued immediately.

ECGC also procures business through other channels such as brokers, agents and banks that have corporate agency arrangements with ECGC. Normally, ECGC covers the post shipment risks. Pre-shipment risks are covered only in select cases where the exporter have a good track record and the business offered meets with the requirements for such a cover. ECGC extended such covers to large exporters.

Export is an important economic activity for a country. However when a person (individual or a firm) wish to enter into export for the first time, he should be aware that he is going to do business with a buyer located in another country and the investment he is going to make is subject to a number of risks including the payment of risks. Therefore it is necessary to seek guidance and support from his bankers and organizations like ECGC. He should take a appropriate policy cover from ECGC to protect against the non-payment risks. ECGC enables the policy holders to access the data base of the buyers with whom ECGC had adverse experience. Such a facility and export credit insurance cover will ensure that the fresher is protected against the losses.10

3.8 EXPORT PROCEDURES AND DOCUMENTATIONS

Once the exporter acknowledge the order, he has to examine carefully in respect of items, specifications, pre shipment inspection, payment conditions, special packaging, labeling and marketing requirements, shipment and delivery date, marine insurance and documentation etc. If he satisfied on these aspects, a formal confirmation should be sought from the buyer before confirming the order. After confirming the export order immediate steps should be taken for procurement / manufacture of the export goods. In the meanwhile, the exporter should proceed to enter in to a formal export contract with the overseas buyer.

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10 Prabhakaran S., Executive Director, ECGC, Cover story of Export Credit Guarantee Corporation of India Ltd, Universal Exports, Volume 1 Issue 2, P.9
3.8.1 ENTERING INTO EXPORT CONTRACT

In order to avoid disputes, it is necessary to enter into an export contract with the overseas buyer. For this purpose, export contract should be carefully drafted incorporating comprehensive but in precise terms, all the relevant and important conditions of the trade deal. The different aspects of an export contract are enumerated as product, standards and specifications, quantity, inspection, total value of the contract, terms of delivery, taxes, duties and charges, period of delivery/shipment, packing, labeling and marking, terms of payment – amount/mode and currency, discounts and commission, license and permits, insurance, documentary requirements, guarantee, force majeure of excuse for non-performance of contract, remedies, arbitration.

3.8.2 IEC NUMBER (IMPORTER EXPORTER CODE NUMBER)

Every person (whether individual, firm or company) importing or exporting goods require an importer-exporter code number (unless specifically exempted by the DGFT). The IEC number is normally allotted by the regional licensing authorities. This code number is required to be incorporated in the various export documents submitted to the authorities for purpose of export.

3.8.3 MEMBERSHIP AND REGISTRATION

Membership of certain bodies will help the exporter in number of ways. There is specified export promotion council for various products / product groups. Members of EPC receive different kinds of assistance and services in respect of the export business.

3.8.4 EXCISE CLEARANCE

As a matter of policy, the government has granted excise duty exemption for export products. Excisable goods may be exported either under claim for rebate of excise duty or in bond. In the case of export under claim for refund of duty, the duty is first paid and its refund is claimed after the export has been effected. In case of export under bond, goods are allowed to be exported with out payment of duty on execution of a bond, with sufficient surety and security in the prescribed
bond under such conditions as the controller of central excise may approve, for a sum at least equivalent to the duty chargeable on the goods.

3.8.5 CUSTOMS FORMALITIES

Goods may be shipped out of India only after customs clearance has been obtained. For this purpose, the exporter (or the clearing and forwarding agency on behalf of the exporter) should present the following documents to the customs authorities such as shipping bill, declaration regarding truth or statement made in shipping bill, invoice, GR form, Export license, quality control inspection certificate, copy of original contract, Contract registration certificate, letter of credit, packing list, AR4 form, any other document. The customs authorities scrutinize the shipping bill and other requisite documents and if prima facie, satisfied, they pass it for export, subject to a physical examination by the dock or air transit staff to the customs.

3.9 TEXTILE EXPORT MARKETING COMMUNICATION AND ORGANIZATION

In export marketing, communication plays an unusually important role. Due to the very nature of exports the buyer is always in a foreign country. In many cases the buyer and exporter would have never met, and the entire transaction has to be completed through communications, be it letter, telex or fax. The entire marketing operations which is based on faith the buyer has in the seller, that he would supply a product of international quality and price with matching delivery- has to carried out only through communications. The communication aspect assumes greater importance because of the following factors, which have to be understood and acted upon only by means of communications such as different business practices, different buying practices, different financial practices, cultural differences etc.

Growth of textile export organization in India

In many cases, exports have originated from the desire of two or three persons working in an organization, or running a company of their own, to trade in overseas markets. By their efforts, they generate a few orders and these are handled more or less in the manner of domestic trade. The new problems which
arise, such as documentation and shipping, are solved with the help of the banker and clearing agents.

In the second phase, as exporter increases the volume, a fairly simple form of an organization evolves. This will be the appointment of export executive, not necessarily experienced or specially trained. Usually, he is from another division of the company itself. He is assisted by the stenographer and a clerk who looks after the banking and shipping aspects of exports.

In the next stage, as the exports grow, a formal export department is established, when the objectives of the department and its functions are defined. The export executive in charge becomes an export manager, who may have to concentrate on selling and also undertake traveling abroad fairly often. The other important additions will be sales assistants, shipping assistants, accounting assistants etc.

Depending up on the volume of exports, the sales, accounting and other service sections will be suitably strengthened with adequate personnel. This set up may be referred as basic export organization.

Finally, in the last phase of evolution, a full - fledged export division or Export Company takes shape, it will assume complete responsibility for all aspects of the export activities of the company. It will have experienced persons or specialists to various group activities and function as a well – oiled machine.

Four separate stages may be defined in the evolution of international operations of the firm and each has different set of managerial philosophies such as ethnocentric stage (home-country orientation), polycentric stage (host-country orientation), regiocentric stage (regional orientation) and geocentric stage (world orientation).\textsuperscript{11}

3.10 METHODS OF PAYMENT IN TEXTILE EXPORT

There are five types of payment in any textile export transaction. There are payment by documentary credit, advance payment, cash against documents, documents on acceptance and consignment basis.

\textsuperscript{11} Yoram Wind, Susan P. Douglas and Howard V. Perimutter, Guidelines for developing international marketing strategies, Journal of Marketing, April 1973, Pp 14-23
3.10.1 PAYMENT BY DOCUMENTARY CREDIT

Export orders or contracts normally stipulate that the buyer should open a letter of credit in favor of the exporter. Once the goods are shipped, the exporter presents the negotiable documents against the letter of credit and receives the payment for the exporter provided he does not violate any of its clauses. Payment by a letter of credit (L/C) is the important method of payment and also the most widely followed in international marketing. Letter of credit is a letter of payment authority issued by the buyer’s bank at the behest of the buyer in favor of the exporter, and stipulates certain conditions, the performance of which fulfills the contractual obligations of the exporter and entitles him to receive payment. The letter of credit routed through a bank in the exporter.

3.10.2 ADVANCE PAYMENT

When the buyer pays the export order/contract value to the exporter along with the confirmation of the order, he is stated to have made advance payment—that is, payment is made before the contractual obligations of supplying the goods are fulfilled. The remittance is normally made by a demand draft. This method of payment is rarely adopted, and is essential only when the buyer’s credit worthiness is open to question.

3.10.3 CASH AGAINST DOCUMENTS

In this case, the goods are shipped and the negotiable documents are forwarded to the buyer through a bank surrendered to him by the bank in his country on his payment for the goods. Until the payment is received from the buyer through his bank, the title to the goods rests with the exporter. Despite this, the exporter runs the risk of the buyer not accepting the documents. Export insurance should always be taken out of such deals.

3.10.4 DOCUMENTS ON ACCEPTANCE

As in the cash against documents type of payment, negotiable documents are sent through a bank to the buyer, the buyer signs the documents, accepting liability to pay as per the terms of specified, and takes custody of the goods. The exporter runs the risk of the buyer not honoring his commitment even though he
has taken possession of the goods. This kind of payment, however is offered only to well established buyer who are credit worthy and whom the exporter has been dealing with for a long time.

3.10.5 CONSIGNMENT BASIS

It is often required that goods should be readily available in a foreign country so that “off-the-shelf” or quick delivery terms may be given to obtain an export order. The exporter has his own establishment or appoints a reliable agent to hold the consignment stocks on his behalf abroad, who sells them as and when the demand arises, and repatriates the amount. It is essential to enter into a legally sound consignment contract with the agent, and get the Reserve bank’s approval for it. It is also necessary to take appropriate export credit from ECGC for such an operation. In this arrangement, the export proceeds are received only as and when goods are sold abroad and not at the time of shipment.

3.11 ASSISTANCE AND INCENTIVES GIVEN FOR INDIAN TEXTILE EXPORTS

At the outset one should understand that any incentives ever given by the Government was mainly to offset the disadvantages of the Indian exporter compared to his counterpart else where in the world. The Government has broadly succeeded in this effort. It is also pertinent to state that the incentives given by the Government was never higher than what was justifiable; or rather it was on the lower side.

3.11.1 FREE TRADE ZONE (FTZ)

Several free trade zones have been established at various places in India like Kandla, Noida, Cochin etc. No excise duties are payable on goods manufactured in these zones provided they are made for export purpose. Goods being brought in these zones from different parts of the country are brought without payment of any excise duty. Moreover, no customs duties are payable on imported raw materials and components used in the manufacture of such goods being exported. If the entire production is not sold outside the country, the unit has the provision of selling 25% of their production in India. On such sale, the excise duty is payable at
50% of basic plus additional customs or normal excise duty payable if the goods were produced elsewhere in India, whichever is higher.

3.11.2 ADVANCE LICENSE/DUTY EXEMPTION ENTITLEMENT SCHEME (DEES)

In this scheme advance license, either quantity based or value based, is given to the exporter against which the raw materials and other components may be imported without payment of customs duty provided the manufactured goods are exported. These licenses are transferable in the open market at price.

Export Promotion Capital Goods Scheme (EPCG)

According to this scheme, a domestic manufacturer can import machinery and plant without paying customs duty or settling at a concession rate of customs duty.

3.11.3 DEEMED EXPORTS

The Indian suppliers are entitled for the following benefits in respect of deemed exports such as refund of excise duty paid on final products, duty drawback, imports under DEES, special import licenses based on value of deemed exports.

The following categories are treated as deemed exports for seller if the goods are manufactured in India, supply of goods against duty free licenses under DEES scheme, supply of goods to a 100% EOU or a unit in a free trade zone, supply of goods to holders of license under the EPCG scheme etc.

3.11.4 OTHER INCENTIVE SCHEMES

Manufacture under bond: This scheme furnishes a bond with the manufacturer of adequate amount to undertake the export of his production. Against this the manufacturer is allowed to import goods without paying any customs duty, even if he obtains it from the domestic market without excise duty. The production is made under the supervision of customs or excise duty.

Duty drawback: It means the rebate of duty chargeable on importers material or excisable material used in the manufacturing of goods in and is exported. The
exporter may claim drawback or refund of excise and customs duties paid by his suppliers. The final exporter can claim the drawback on material used for the manufacture of export products. In case of re-import of goods the drawback can be claimed.

The drawbacks available are customs paid on imported inputs plus excise duty paid on indigenous, duty paid on packing material. Drawback is not allowed on inputs obtained without payment of customs or excise duty. In part payment of customs and excise duty, rebate or refund can be claimed only on the paid part. In case of re-export of goods, it should be done within two years from the date of payment of duty when they were imported. 98% of the duty is allowable as drawback, only after inspection. If the goods imported are used before its re-export the drawback will be allowed as at reduced percent.

All the export promotion schemes should have been reviewed and combined into one scheme, as recommended by Partho Shome committee. This would have prevented all confusion and evasion.12

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