

## ***EXPORT MARKETING***

### ***HOW TO PREPARE TO EXPORT SUCCESSFULLY AND PROMOTE YOUR COMPANY THROUGH TRADE FAIRS***

#### ***A Manual for Caribbean Artisanal Enterprises***



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## TABLE OF CONTENTS

<b>CHAPTER 1</b>	<b>INTRODUCTION .....</b>	<b>5</b>
1.1	<i>About this Manual.....</i>	<i>5</i>
1.2	<i>The Growing Economy for Contemporary Craft.....</i>	<i>6</i>
1.3	<i>Major Growth Segments.....</i>	<i>8</i>
1.4	<i>Meeting Buyer Expectations.....</i>	<i>9</i>
<b>CHAPTER 2</b>	<b>FROM CONCEPT TO PRODUCT.....</b>	<b>10</b>
2.1	<i>PLANNING FOR SUCCESSFUL PRODUCT DEVELOPMENT .....</i>	<i>11</i>
i)	<i>What is product development?.....</i>	<i>11</i>
ii)	<i>Why Plan for product development? .....</i>	<i>11</i>
iii)	<i>Where to get new ideas.....</i>	<i>11</i>
iv)	<i>The Product Development Process.....</i>	<i>11</i>
v)	<i>Key Product Attributes.....</i>	<i>13</i>
2.2	<i>UNDERSTANDING MARKET REQUIREMENTS .....</i>	<i>14</i>
2.3	<i>HOW TO DO QUICK AND MEANINGFUL MARKET RESEARCH.....</i>	<i>17</i>
2.4	<i>LOOKING AT TASTES AND TRENDS .....</i>	<i>18</i>
2.5	<i>ORGANIZING FOR NEW PRODUCT DEVELOPMENT: SUCCESSFUL PRODUCT PLANNING .....</i>	<i>19</i>
<b>CHAPTER 3</b>	<b>BUILDING A COMPANY IMAGE AND BRAND FOR EXPORT .....</b>	<b>21</b>
3.1	<i>STARTING TO BUILD AN EXPORT BRAND .....</i>	<i>22</i>
i.	<i>About Brands.....</i>	<i>22</i>
ii.	<i>About Trademarks.....</i>	<i>22</i>
iii.	<i>About Copyright.....</i>	<i>23</i>
3.2	<i>TIPS ON INTELLECTUAL PROPERTY ISSUES IN EXPORT .....</i>	<i>23</i>
3.3	<i>CHOOSING AN IDENTITY: STARTING TO BUILD AN EXPORT BRAND .....</i>	<i>23</i>
3.4	<i>CHOOSING AN IDENTITY: EFFECTIVE LOGOS.....</i>	<i>24</i>
3.5	<i>TIPS ON PACKING, PACKAGING AND LABELLING .....</i>	<i>24</i>
i)	<i>About Packing .....</i>	<i>24</i>
ii)	<i>About Packaging .....</i>	<i>25</i>
iii)	<i>About Labelling.....</i>	<i>26</i>
<b>CHAPTER 4</b>	<b>THE ABC'S OF EXPORT MARKETING.....</b>	<b>28</b>
4.1	<i>ASSESSING EXPORT READINESS.....</i>	<i>29</i>
4.2	<i>IDENTIFYING MARKETS THAT ARE RIGHT FOR YOUR PRODUCT.....</i>	<i>29</i>
4.3	<i>CURRENT MARKET ACCESS OPPORTUNITIES FOR CARIBBEAN ENTERPRISES.....</i>	<i>30</i>
4.4	<i>OPTIONS FOR MARKET ENTRY AND DISTRIBUTION.....</i>	<i>31</i>
4.5	<i>COPING WITH EXPORT: ASSESSING COMPETITIVENESS .....</i>	<i>32</i>
4.6	<i>CREATING A SIMPLE EXPORT PLAN .....</i>	<i>33</i>
4.7	<i>UNDERSTANDING SOME KEY TERMS IN EXPORT MARKETING.....</i>	<i>34</i>
4.8	<i>STANDARD SHIPPING AND CUSTOMS PROCEDURES: AN EXPORTER'S CHECKLIST .....</i>	<i>35</i>

<b>CHAPTER 5</b>	<b>BUILDING BUYER RELATIONSHIPS THROUGH TRADE SHOWS AND OTHER MARKETING ACTIVITIES</b>	<b>39</b>
5.1	<i>SUCCESSFUL TRADE SHOW PARTICIPATION</i>	40
i.	<i>Before the show: Planning and Preparation</i>	40
ii.	<i>At the show: Effective Presentation</i>	41
iii.	<i>Effective Use of Exhibit Space</i>	42
iv.	<i>After the Show: Follow Up</i>	42
<b>CHAPTER 6</b>	<b>ANALYZING OPERATIONAL EFFECTIVENESS FOR GREATER PROFIT</b>	<b>45</b>
6.1	<i>PRODUCTION PLANNING AND SCHEDULING</i>	46
6.2	<i>REVIEWING CRITICAL AREAS OF PRODUCTION TO INCREASE PROFITS</i>	47
<b>CHAPTER 7</b>	<b>FINANCING AN EXPORT INITIATIVE</b>	<b>49</b>
7.1	<i>COSTING AND PRICING FOR EXPORT</i>	50
i)	<i>Calculating Unit Costs</i>	50
ii)	<i>Determining Wholesale Price</i>	51
iii)	<i>Wholesale vs. Market Price</i>	51
7.2	<i>FINANCING</i>	52
i)	<i>Cash Flow Statements</i>	52
ii)	<i>Considering Payment Terms</i>	52
<b>CHAPTER 8</b>	<b>CONCLUSIONS</b>	<b>58</b>

On the cover: Caribbean Gift and Craft Show attendee Earthworks Pottery in dialogue at the show

## CHAPTER 1 INTRODUCTION

*About this Manual, the Growing Economy for Contemporary Craft, Major Growth Segments,  
Meeting Buyer Expectations*



**Above:** Carib Craft of Dominica, 2004 Best of Show winner in the category of Best Handcrafted Product, provides a demonstration of traditional Carib weaving at the Caribbean Gift and Craft Show, in regal traditional costume.

## 1. INTRODUCTION

### 1.1 *About this Manual*

Artisanal products are important because they uniquely reflect cultural heritage, traditional skills and craftsmanship. They also preserve livelihoods, income and employment for vulnerable individuals and groups, wherever they are located globally.

Most Caribbean artisanal enterprises are small and medium sized enterprises (SMEs), owner-managed, with limited resources; in particular money and time. For many years, they have been exporting in relatively small volumes both formally and informally, directly and indirectly, regionally and internationally; in the face of increasing odds.

Caribbean Export Development Agency (Caribbean Export), an inter-governmental CARIFORUM institution, has made a significant contribution to the export initiatives of these SMEs and the development of markets for their products through the organisation of the Caribbean Gift and Craft Show (CGCS) annually. Currently in its fourteenth year of existence, CGCS is primarily targeted towards trade buyers in the regional and international markets and typically attracts over 200 exhibitors from across the English, French, Dutch and Spanish speaking Caribbean. In order to maintain its reputation as the region's premier showcase of authentically Caribbean gift, craft, fashion, art and decorative accessories, the show has increased emphasis on innovation, stimulating markets for new product development as well as awareness of market trends in recent years.

This manual is prepared specifically for Caribbean based artisanal SMEs and is partially based on a series of preparatory workshops completed in 2005, which were sponsored by Caribbean Export in collaboration with First Caribbean International Bank. In the highly successful workshops, more than one hundred and twenty five (125) artisanal enterprises in six countries received training in *Export Marketing and Successful Promotion through Trade Fairs* over a two and a half week period. In a post-seminar evaluation, ninety-eight percent (98%) of participating enterprises rated the seminar highly, based on quantity, quality and relevance of information delivered. Given this result, a decision was made to create a more permanent reference in the form of this manual. Use of the manual is intended to provide a simple self-assessment guide for Caribbean enterprises, which will:

- enhance product and market development skills of entrepreneurs;
- provide support for self -evaluation within enterprises of export readiness and operational effectiveness of their businesses; and

- increase the preparedness of trade fair attendees to export successfully and pursue trade development opportunities arising from the increasing regional integration within the CARICOM Single Market and Economy (CSME) in intra-regional as well as external markets.
- Increase the preparedness of export ready enterprises to pursue trade development opportunities arising from the implementation of multilateral trade arrangements; consistent with membership of CARIFORUM States in the World Trade Organization (WTO), as well as participation in bilateral agreements such as the anticipated European Economic Partnership Agreement (EPA) and the CARICOM- Costa Rica, CARICOM-Dominican Republic and the Central American Free Trade Agreements.

The information contained in the manual is not intended to substitute for professional legal or financial advice suited to the individual circumstances of a particular enterprise. Legislation and regulations in relation to export marketing are subject to frequent updates and changes and neither Caribbean Export Development Agency nor the author can accept responsibility for use of the information contained herein; which remains solely that of the reader.

The manual information is organised into eight sections. *Chapter 1 Introduction* provides an overview of the use of the manual, the global and regional markets, major growth segments and general tips on meeting buyer expectations. *Chapter 2, titled From Concept to Product*, provides guidance in structuring new product development activities, based on an understanding of market requirements and undertaking market research. *Chapter 3, Building a Company Image and Brand for Export*, explains key intellectual property issues and provides tips on starting out in brand building, as well as packaging, labelling and packing for export. *Chapter 4, The ABC's of Export Marketing* focuses on important terms used by buyers, shipping and customs procedures, identification of markets, planning for new market entry and assessing export readiness. *Chapter 5, Building Buyer Relationships through Trade Shows and Other Marketing Activities*, highlights successful trade show participation through planning and preparation, effective presentation at the show and follow up marketing efforts and techniques for building long term buyer relationships. Planning and scheduling of production and reviewing critical areas of savings to increase profits are the subject of *Chapter 6: Analyzing Operational Effectiveness for Greater Profit*, while *Chapter 7: Financing an Export Initiative*, explains basic building blocks of trade financing, including costing and pricing, cash flow forecasts and payment terms. *Chapter 8* summarizes key *Conclusions*.

## **1.2 The Growing Economy for Contemporary Craft**

Artisanal products from the Caribbean are part of a significant global and regional market. The international Harmonised Commodity Description and Coding System (HS) is a system of universal classifications (HS Codes) for commodities which form part of the trade statistics of countries. It is used in the identification of goods for purposes of

Customs valuation and application of relevant duties and taxes. Artisanal craft products are not identified as distinct from machine-made items within the HS System. This means that the overall value of trade in craft to any economy can be difficult to identify, relying only on its trade statistics. Generally, handmade craft products may be classified in several ways, including:

- as types of product, such as “vases” or “lamps”;
- by raw materials such as “products of ceramics and glass” or “wooden products”; or
- by market segments such as “gifts and accessories” or “home accessories”.

For market investigation purposes, crafts are commonly considered as part of a larger home/ decorative accessories market, which includes handcrafted, semi-crafted and machine-made goods. The home accessories market, which is widely used to indicate the potential demand for crafts, is strongly influenced by fashion, purchasing patterns and economic conditions in destination consumer markets. According to a recent report, the global market for home accessories is estimated to be at least \$100billion, with the United States being the largest market, followed by the EU-25.<sup>1</sup> In November 2005, the EU-25 market for gifts and decorative articles was estimated at 10.8 billion Euros and grew by 4.3% in 2004. Germany was the largest market, representing 23.4% of the total EU-25 market, followed by the United Kingdom (16.4%), France (14.2%), Italy (12.1%), Spain (7.3%), the Netherlands (4.3%) and Austria (3.5%).<sup>2</sup> Global exports of textiles and clothing (most of them machine-made) are estimated by one source to exceed US\$350 billion a year.<sup>3</sup> In the past ten years, the international market for gifts and decorative accessories has become increasingly competitive, mainly due to the pressure of competition from low-cost imports from Asia and Eastern Europe. Developing countries are increasingly important as suppliers to the European market, accounting for 45.7% of imports in 2004, up from 43.8% in 2000.

The Caribbean intra-regional market for gifts, craft and fashion has not been quantified. However, given the dominance of the tourism industry in the economic activity of most islands, it is known to be significant. Some trade is conducted in the informal sector. There are several market segments, including:

- Aromatherapy products
- Corporate Gifts
- Cultural products, including processed food, publishing, music, fashion, medicinal preparations, heritage products and traditional crafts such as basketry, woodcarving and pottery
- Decorative accessories and furnishings for interiors including homes, restaurants and hotels

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<sup>1</sup> Barber T. and Krivoshlykova M., Global Market Assessment for Handicrafts, Volume 1, USAID (2006), pg.17

<sup>2</sup> EU Market Survey 2005: Gifts and Decorative Articles, Centre for the Promotion of Imports from Developing Countries (November 2005), pg.2

<sup>3</sup> Policy Paper: International Trade in Textiles and Clothing and Development Policy Options, UNDP Regional Center in Colombo, 2005

- Designer goods
- Duty –free items
- Indigenous Art
- Clothing: including Leisurewear, Active wear and Resort wear
- Fashion accessories including jewellery, millinery and footwear
- Souvenirs.

### **1.3 Major Growth Segments**

According to the *Global Market Assessment for Handicrafts*, published in July 2006 by the United States Agency for International Development (USAID), major growth segments of the international gift and accessory markets include:

- Cultural goods, spurred by growth in international tourism, increased focus on interior decoration and consumer reaction to the monotony of mass-produced products;
- “Global Style” products that combine ethnic elements with contemporary designs;
- High-end home accessories, particularly in Canada, Europe and the United States, as well as the rapidly expanding, emerging markets of China and India;
- Low-end (low-priced) and high-end (high-quality) markets;
- Products which are simultaneously decorative and functional, particularly in the category of home accessories and décor and products for the garden or outdoor living spaces.

Possibilities in local and regional markets should be thoroughly investigated, since they can serve as a springboard to export opportunities in wider markets. In the Caribbean, growth in tourism and expansion of the economies boosted by greater integration within the CARICOM Single Market and Economy can be expected to fuel increased demand for:

- cultural products
- decorative accessories for hotels and restaurants
- designer goods and
- Duty-free items.
- indigenous art
- souvenirs



#### **1.4. Meeting Buyer Expectations**

Universally, buyers of all types in all markets are seeking unique products that sell, from producers that deliver. Quality and price remain dominant purchasing criteria and a premium is placed on novelty. In a crowded marketplace, producers may gain competitive advantage by offering buyers:

- consistent new product development of items which are difficult to imitate
- cultural authenticity
- detailed handiwork
- flexibility to make design modifications
- high quality, particularly in finishing techniques and materials
- multiple product options i.e. collections and ranges
- reliable production and delivery of orders, and
- superior customer service.

Each market segment has particular distribution channels, pricing structures and requirements, which may also vary between individual countries. Specifications for packaging, labelling and packing; penalties for mistakes, non-delivery or sub-standard quality and payment terms vary widely in different market situations. Artisans need to be aware of which segment(s) they are targeting, how and why consumers in each segment purchase and how to build individuality and value into their products for their customers, which may be other businesses as well as individuals.

## CHAPTER 2: FROM CONCEPT TO PRODUCT

*Planning for successful product development,  
Understanding market requirements, how to do quick market research, looking at tastes and trends,  
organizing for new product development: successful product planning  
Exercise: product development self assessment questionnaire*

1.



**Above:** Consistent Caribbean Gift and Craft Show attendees **Starfish Oils** of Jamaica have produced a unique line of aromatherapy products including the Bob Marley Commemorative Candle, which is produced under official licence from the Bob Marley Foundation. Other candles feature signature scents of the Caribbean including coconut, ortanique (a Jamaica citrus fruit) and blue mountain coffee. In 2003 and 2005, Starfish Oils won the Best of Show awards in the category of Outstanding Creative Packaging.

## 2. FROM CONCEPT TO PRODUCT

### 2.1 **PLANNING FOR SUCCESSFUL PRODUCT DEVELOPMENT**

#### **i) What is product development?**

Product development is the process by which ideas or concepts are transformed into viable and marketable products and services. The product development process is dynamic, always moving, changing, and responding to feedback; never static.

#### **ii) Why Plan for product development?**

- As an entrepreneur/ artisan, your products are the most powerful statement of you, your company and business;
- The key issue is that you need consumers to associate your products, company and business with good quality and good value for money (so that they will buy again); therefore, it is essential that you understand how to develop great products from your ideas;
- Successful product development requires the commitment of resources as an investment in future returns. Planning helps to identify what resources are needed and when, so that even the smallest of enterprises can launch new products successfully to attract buyers, while maintaining the core business.

#### **iii) Where to get new ideas**

The starting point for new products can be expanding an existing line, new materials, new production techniques, inspiration from nature, cultural heritage, travel, books and magazines, discussions with buyers and even conversations with family and friends. For the artisan, opportunities for creative expression and inspiration are unlimited!

#### **iv) The Product Development Process**

Diagram 1 below shows the product development process. Beginning with new ideas in the form of concepts, a series of activities is undertaken, beginning with market research and progressing to planning, sample development, copyright and registration of intellectual property, production planning and finally market launch. Feedback from market launch is then input into the generation of new ideas, in an ongoing process of continuous improvement.



**Diagram 1: The New Product Development Process**

**Market Research** involves the identification of who will be the potential customer for a new product idea. It includes a range of enquiries aimed at understanding the dynamics of the industry within which your product is placed, such as: What are the demographic characteristics (number of potential customers, age, disposable income, lifestyle characteristics, cultural preferences, purchasing patterns, etc.) of the market?

- Who are the key players?
- What margins may be applied to wholesale pricing?
- Which products are most successful?
- Why do customers buy?
- What are the current trends in the market?
- What conditions (e.g. regulations, border controls, duties and taxes) apply to market access?

For more on Market Research, see *How to Do Quick and Meaningful Market Research*, Chapter 2, Section 2.3.

**Product Planning** involves the further refinement of ideas based on market research. At this stage decisions are made about possible product ranges, sizes, aesthetics (shape, pattern, colour, etc.) as well as requirements for materials including packaging, equipment and technology. The feasibility of producing each item is assessed. For

more details on product planning, see *Organizing for New Product Development: Successful Product Planning*, Section 2.5.

**Development of Samples** is based on an initial indication of feasibility. The process of generating these prototypes allows for important practical assessments including the identification of suppliers, configuring of the production process, identifying capacity and capability, product testing in the market and costing in relation to projected market demand.

**Copyright and Intellectual Property (IP) Registration** conveys legal recognition of ownership and protection of ideas. Legal protection through copyright, patents and trademarks should be sought before ideas are shown to anyone. This protection makes ideas more attractive for potential licensing. For more on copyright and IP registration, see *Chapter 3, Building a Company Image and Brand for Export*.

**Production Planning** involves sourcing of adequate raw materials and packaging components, identifying and assigning the skills required to specific tasks, preparing a schedule of items to be produced over a period of time (weeks/ months) and establishing preparation and assembly lines for production based on a breakdown of the individual operations required.

**Market Launch** activities promote the product to potential customers, who may be businesses or individuals. These events are designed to entice new and existing customers to purchase the company's offerings but are also valuable opportunities to obtain customer feedback. Trade shows provide ideal opportunities to launch new products to the market, as there is generally a concentration of potential buyers in attendance; seeking new products and experiences.

#### **v) Key Product Attributes**

The major product attributes which influence buying decisions by both buyers and consumers are: design, quality and price. Other related attributes which influence buying decisions are:

- Affordability and perception of value
- Branding and Lifestyle orientation
- Ease of shipping
- Exclusivity
- Packaging and presentation
- Perception of durability
- Product functionality and desirability

- Product options- multiple sizes, colours, price bands, styling, etc.
- Labour and environmental conditions under which the product was made
- Relating of a story –providing information on the origin of the product, design inspiration, the maker/ artisan(s), process by which it is made, cultural significance.
- Thematic appeal i.e. underwater scenes, nature, etc.

## 2.2 UNDERSTANDING MARKET REQUIREMENTS

Products seeking market entry may encounter several levels of market requirements, i.e. mandatory regulations and legislation applied to goods sold to consumers. Diagram 2 summarizes market requirements and market information.

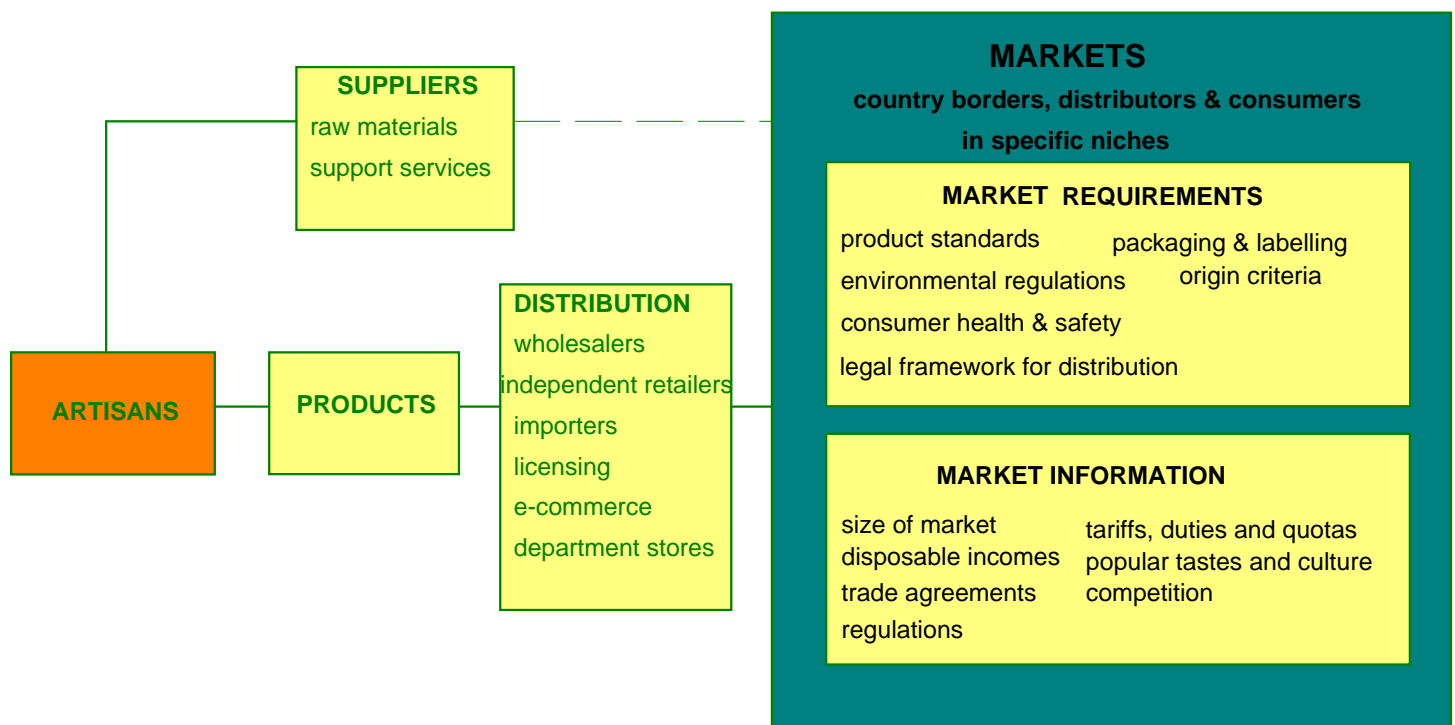


Diagram 2: Market Requirements and Market Information

At the country border level, tariffs are applied based on origin criteria, that is, the country or region where goods are made. This is identified by a **certificate of origin**. Goods may be subject to inspection or declaration in relation to environmental regulations, product standards and consumer health and safety. Issues with the potential to compromise consumer health and safety are particularly important. By way of example, the presence of lead in glazes was once responsible for halting exports of Mexican traditional pottery to the United States. Lead is

associated with lead-poisoning and was detected by testing of ceramic-ware already in the market. Revamping of the production process to accommodate lead-free glazes and a certification process has enabled the resumption of exports by some producers. By way of other examples, producers of natural cosmetics seeking to enter the United States market may have to comply with policies and regulations for labelling and testing established by the United States Food and Drug Administration, or its equivalent in another country. Furniture producers may have to ensure that soft furnishing materials meet the market requirements for flame retardant properties and manufacturers of children's apparel or toys will face regulations for health and safety.

At the distribution level, each channel (wholesalers, importers, e-commerce) may have specific requirements for packaging, labelling and packing and the legal framework for distribution may influence the terms for engaging distributors.

It is best to identify market requirements as far in advance of the intention to export as possible, since these may influence the purchase of supplies of raw materials (e.g. lead-free glazes, flame retardant fabrics or packaging) through suppliers. Support services in terms of testing and/or certification may also be required. Contrary to popular perceptions, product standards are not only applied in developed country markets. Many developing countries, including some in the Caribbean and South America, have stringent requirements for product registration, to ensure protection of consumer health and safety.

Understanding market requirements could be somewhat overwhelming for the small artisan, hence there is value in enlisting support from a local Business Support Organisation (BSO) i.e. Trade Promotion Organisation, Manufacturers' Association or Exporters' Association, which may be willing to offer assistance or may have access to relevant documentation on your query. Local or international sector-specific associations (such as apparel manufacturers', furniture manufacturers' and essential oils trade associations) are also well positioned to offer advice; usually on the basis of shared paid membership. Information may also be available from intermediaries such as agents or distributors based in the target importing market. Alternatively, it may be worthwhile contacting the Bureau of Standards or Chamber of Commerce in the target importing market, in order to attempt identification of applicable product standards. While general standards for "craft" are unlikely to exist, information could be available for specific products categories, i.e. "garments", "processed food" or "wall-hangings".

Specific information on technical market requirements is also available through a number of specialized agencies and web portals. Within the region, the CARICOM Regional Organization for Standards and Quality (CROSQ) (<http://www.crosq.org/>) was created by Member States in 2003 as an inter-governmental Organization mandated to harmonize and implement standards in order to facilitate international competitiveness, and to serve as the regional

centre for promoting efficiency and competitive production in trade and services, through the process of standardization and the verification of quality. Through partnership with the national Bureaus of Standards, CROSO is implementing specific programmes for Small and Medium Enterprises (SMEs).

The European Commission maintains an extensive **Helpdesk for Developing Countries** website at <http://exporthelp.europa.eu/>. The site archives market requirements, rules of origin, applicable import tariffs and Customs documentation required for the European market.

Information on United States Market requirements for highly regulated products including food, cosmetics and preparations of plant material, may be obtained from the United States Food and Drug Administration online at <http://www.fda.gov/>.

Additional resources providing information on market requirements and other critical issues in relation to trade and export development are available through several specialized support agencies. Through programmes to encourage the development of competitiveness, these agencies provide valuable sources of trade information and market research for decision making, offered through free newsletters, business support services and publications.

Since 1996, the Caribbean Export Development Agency ([www.carib-export.com](http://www.carib-export.com)) has been the leading inter-governmental organization involved in trade development throughout the CARIFORUM region. Through its free electronic bulletin TRADEWATCH ([tradewatch@carib-export.com](mailto:tradewatch@carib-export.com)), the Agency provides ongoing updates on trade-related developments, business opportunities and events across the region, compiled by its Trade Information Resource Centre, which also offers services to exporters and their business support organizations. As part of its current programme, the Agency is conducting sector-specific research in several priority areas, to complement a number of country profiles and market research reports published over the years.

The International Trade Centre (ITC) in Geneva provides a comprehensive web portal at ([www.intracen.org](http://www.intracen.org)), which offers market information, country profiles, user-friendly analysis of trade statistics<sup>4</sup> and a number of handbook publications suitable for exporters and their business support organisations; which are generally offered free of charge to developing countries. ITC is a collaborative agency of the World Trade Organisation (WTO) and the United Nations Conference on Trade and Development (UNCTAD).

The Centre for the Promotion of Imports from Developing Countries (CBI), based in the Netherlands offers advice, support and market information on exporting to the European Union, through the web portal [www.cbi.nl](http://www.cbi.nl). European

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<sup>4</sup> Trade Statistics provide figures for volume and value of exports for individual countries and/or regions.



market research reports based on monitoring of more than forty (40) specific sub-sectors are available as downloads. The site also offers information on sourcing, evaluating export readiness and tools for export development.

The Trade Facilitation Office of Canada (TFOC) provides practical exporting advice, market information and exposure in the Canadian market through a promotional programme for eligible exporters, through the website <http://www.tfoc.ca/docs.php>. Through a simple registration process, exporters and BSOs can obtain the publication titled Handbook - *Exporting to Canada* as well as market information papers related to specific sectors of interest. All websites are updated frequently to reflect legislative changes which may occur from time to time as well as the latest activities and reports.

### **2.3 HOW TO DO QUICK AND MEANINGFUL MARKET RESEARCH**

Here are some simple methods which can be used to do quick and meaningful market research:

1. Talk to your current buyers about changing buying patterns and products which are needed to fill gaps in the market;
2. Use the Internet and/or directories to research market profiles, culture, economic conditions, pricing of competing products, similar products manufactured locally in target market and potential trading partners in new target markets;
3. Define your company's industry (e.g. giftware, furniture, fashion or accessories) and refer to industry publications (including free/on-line publications available by signing up) for trends, cultural, legal, technology and global issues;
4. Contact Chambers of Commerce and Business Associations in the target market for information on local enterprises who could be buyers/importers and partner organizations;
5. Join your local exporters' association, Chamber of Commerce or industry association to be informed on activities planned by the national Trade Promotion Organisation (TPO), potential overseas buyers and agencies such as Caribbean Export;
6. When visiting the target market for a trade show or business activity, pay attention to telephone and business directories (many are now posted on the Internet), magazines and even tourist guides, which may provide information on the country and potential buyers.
7. Register to join mailing lists for free publications offered by organisations such as Import Promotion Offices and Trade Development Organizations (i.e. Caribbean Export, CBI, TFOC, ITC, etc.)

## 2.4 LOOKING AT TASTES AND TRENDS

Recent research into the international and regional markets indicates that there is one common interest on the part of buyers: **to find something NEW!**

The market for gifts and decorative accessories is becoming increasingly fashion-oriented. As a result, producers need to be aware that products have a life cycle, which is becoming shorter. Product lines must be constantly revamped or new products introduced which feature new materials, colours, sizes or textures, or appeal to an entirely new market (for example children's products). The cycle from production to distribution may take between 3 and 5 months, depending on the product and origin of inputs. There is increasing pressure to deliver product samples and orders quickly; otherwise there is a risk that styles become outdated. Several segments of the Caribbean market are also affected by seasonality, and the timing of delivery of orders to gift shops is sometimes required to coincide with the main buying periods ahead of peak tourist seasons.

In addition to buying products for their use or value, consumers buy products for the feelings and lifestyle experiences they inspire. It is important to present products in collections (that offer choice) and to introduce themes in the collections which can connect with experiences which are desired by consumers. Timeless themes for Caribbean Products include:

- Rest, Relaxation and Healthy Lifestyles
- Beauty and Nature
- Culture and Heritage including Caribbean cuisine
- Travel
- Sports
- One Caribbean

It is generally accepted that fashion trends in the European market are at least six months ahead of the American market. The Centre for Promotion of Imports from Developing Countries ([www.cbi.nl](http://www.cbi.nl)) publishes a fashion forecast from its location in the Netherlands, which can be downloaded free by producers in developing countries. Elle Décor Magazine also publishes an industry trend alert at [www.elledecor.com](http://www.elledecor.com).

## **2.5 ORGANIZING FOR NEW PRODUCT DEVELOPMENT: SUCCESSFUL PRODUCT PLANNING**

- Trade shows are a great opportunity to introduce new products and get feedback from the market- make new samples for every show
- Create an annual calendar trade shows and marketing events and a timetable for new product launches; considering the 3 to 5 month cycle for production to distribution
- Develop concepts based on research (who is the customer and what is his/her profile?)
- Create samples to test idea feasibility and generate costing
- Prepare promotional material, packaging and labelling with photographs and brief on product's inspiration, materials and size for buyers
- Develop a production plan (see Section 6.1 of this manual) and order supplies according to timetable for launches.

## PRODUCT DEVELOPMENT SELF-ASSESSMENT EXERCISE

Here are ten (10) questions you should consider about your product development activities. You can write your answers in the boxes on the side

QUESTIONS	ANSWERS
Who is my customer? (Male or female, adult or child, where do they live, what do they like?)	
Why will they buy from me? (What unique advantages/value will my product(s) offer?)	
What products lines will I be making over the next three years? How often will I introduce new products?	
Are there any additional investments needed in machinery, staff training, labels and packaging to produce these lines?	
How much will I want the consumer to pay for these products?	
What is the retail price of similar products?	
What is the likely wholesale price?(divide retail price by a number between 3 and 6)	
Is the product seasonal?	
What are the competing products? How are they packaged? How can I make my product better than the competition?	
How can I increase the possibility that consumers will buy my products?	

**HAVE YOU IDENTIFIED ANYTHING IMPORTANT TO ADDRESS IN YOUR ANSWERS? WRITE THE KEY ISSUES BELOW:**

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**CHAPTER 3:**  
**BUILDING A COMPANY IMAGE AND BRAND FOR EXPORT**  
*Starting to Build an Export Brand, Tips on intellectual property issues in export, choosing an identity,  
packaging and labelling*  
*Exercise: brand development self-evaluation exercise*



**Above:** Bill Edwards Casual Wear of Jamaica, 2004 Best of Show winner in the category of Outstanding Product Line (Clothing), has for many years built a popular brand and reputation. The brand values are focused on quality of materials and finish, reliability and attention to detail in styling shown in signature menswear lines, which are manufactured in Jamaica.

### 3 BUILDING A COMPANY IMAGE AND BRAND FOR EXPORT

#### 3.1 STARTING TO BUILD AN EXPORT BRAND

##### *i. About Brands*

- Brands are more than names of individuals and companies or logos.
- Brands offer assurances to consumers of product quality and value.
- They connect emotionally with consumers and inspire feelings about values and experiences.
- In modern economies, registered brands have economic value and due to the existence of international copyright laws, can legally be defended from “copycats”.
- Because of our legendary history, interesting cultures, exciting lifestyles and the international success of our music, athletes and other professionals, foods, beverages and tourism, the Caribbean brand is already prominent internationally; but there is room for many more great Caribbean products reflecting the brand as well as many more product brands.

##### *ii. About Trademarks*

- Trademarks are consumer shorthand for the unique characteristics of a particular brand. They may be a single word, letter, numeral, drawing (logo), symbol, three- dimensional sign (including shape and packaging of goods), audible sign (musical / vocal sound), fragrance, or colour, used as a distinguishing feature that identifies the product. Trademarks may also combine several of these individual characteristics.
- A trademark provides protection to the owner of the mark by conferring exclusive rights to use it to identify goods or services or to authorize another to use it in return for payment.
- Trademarks are distinctive signs used to identify goods or services as those produced or provided by a specific person or enterprise. They protect a company's investments in its goods and services; because the trademark system helps consumers to identify that a product or service is produced by its owners.
- A collective mark is a type of trademark owned by an association; whose members use it identify them with a certain level of quality and other requirements set by the association.
- Certification marks are not confined to any membership, but are given for compliance with defined standards.
- For further reading on Trademarks see [www.wipo.int](http://www.wipo.int).

### **iii. About Copyright**

- Copyright is a legal protection extended to creators for their literary and artistic works
- Copyright protects the original expression of ideas, not the ideas themselves
- The requirements of copyright are that works must be “original” and “fixed in a tangible medium of expression”
- Copyright protection is free and automatic as soon as works are created and may be assigned by using the symbol©. Under international law, copyright lasts for the creator’s life plus seventy years
- For more information, see local Copyright offices or [www.wipo.int](http://www.wipo.int)

## **3.2 TIPS ON INTELLECTUAL PROPERTY ISSUES IN EXPORT**

- When entering a new market, check that brand(s), logos and/or trademarks are unique and are not already being used by a local business, since the local business may have an advantage of “prior use” in the market, within similar categories of product. Registered logos, trademarks and business names can usually be checked through a government's Companies Registry.
- Ensure that products reflect the quality and value of your brand;
- Display your logo, trademarks and brand name prominently on booth signage for trade shows, labels and packaging;
- Remember Copyright can be assigned to an artist through use of the symbol © on artwork;
- Develop a close dialogue and business relationship with buyers that will lead to brand loyalty.

## **3.3 CHOOSING AN IDENTITY: STARTING TO BUILD AN EXPORT BRAND**

- Define Core Values of the business and brand
- Develop a brand strategy based on the five P's (Product, Price, Promotion, Place, People)
- Based on market research, values and strategy select a name
- Create a logo/ trademark concept which aims to communicate points 1, 2, 3 above
- Seek advice from the local Companies Register or Copyright Office on registering the trademark and general trademark rights
- Use the brand, logos and trademark in business transactions.

### **3.4 CHOOSING AN IDENTITY: EFFECTIVE LOGOS**

- represent the spirit of a company
- are creative
- distinctive
- representational
- comprehensible in any language
- visually strong
- appealing
- adaptable to printing on several media

### **3.5 TIPS ON PACKING, PACKAGING AND LABELLING**

#### **i) About Packing**

Packing entails placing packaged products into a shipping box or carton to maximize protection from damage.

- The key issues to keep in mind are: breakage, weight and moisture.
- No matter how lovely the products, buyers will not appreciate receiving them broken.
- Remember that excess packing leads to extra weight and by extension, additional shipping costs.
- Products can be damaged in shipping by rough handling or bad weather. Damage can also occur from movement of items within the box or pressure from stacking on the outside of the box.
- To avoid damage: include protective wrapping around individual fragile items, pack items snugly to avoid movement and use strong, durable boxes. Cardboard boxes which have been used, even once before, have significantly reduced structural strength and this may result in increased likelihood of damage to products.
- To select packing materials, consider type and value of products, mode of transportation (i.e. air or sea) and the weather likely to be encountered during the journey. Where cardboard boxes become wet, their structural strength is reduced; therefore avoid overloading individual boxes and consider surface protection for individual products to repel moisture as well as cardboard inserts to support and protect the products packed inside.
- Packing can be used as a self promotion tool. Attractive, sturdy, corrugated boxes to which sticky labels can be easily attached are highly recommended. Appropriate printed markings depending on the type of products enclosed and include: keep dry, this way up and fragile.



- Dimensions of the package should support easy handling and it is recommended that weight should not exceed 25kg per carton. Standardizing the size of shipping boxes used reduces cost and allows for efficient stacking on pallets while in transit, thereby reducing the likelihood of damage in handling.
- Remember to check if environmental regulations concerning packing exist in the target market and to discuss preferences for packing with buyers.

## ii) **About Packaging**

Packaging (as distinct from packing) refers to the design and method of enclosing the product to provide for the following functions:

- Protection, preservation and containment of product during transportation
- Breakdown of product into saleable units and increase consumer access
- Conveyance of a message to the buyer and consumer through styling and provision of information, by means of marking and labelling.

Selection of packaging is one of the most significant decisions which any exporter is required to make. Producers must consider:

- **technical aspects** such as printing, strength of protective materials, resistance to moisture, dust, vibration and shock
- **aesthetic** aspects such as shape, patterns, materials, colours
- **economic** aspects such as costs, re-usability, recyclability.

For further information on packaging for export, see <http://www.intracen.org/ep/>. It is important for producers to remember that specific market requirements may apply for packaging of certain products. For example, the European Union “*Directive for Packaging and Packaging Waste*” legislation requires a minimum recovery quota of between 50 and 65% for packaging materials imported to the Union. Each country has some freedom in how they apply the recovery rate and countries are free to impose additional requirements, as long as these are not considered to restrict trade. These specifications may influence where packaging materials can be purchased. Legislation is also in place concerning the use of wooden packaging materials, which are considered plant material, in order to prevent plant viruses and harmful organisms entering Europe. All wooden packaging materials, including, but not limited to pallets, must undergo specific heat treatment or fumigation and must bear a specific certification mark attesting to this. Further information on the European Packaging Directive is available from the website [http://ec.europa.eu/environment/waste/packaging\\_index.htm](http://ec.europa.eu/environment/waste/packaging_index.htm).

### **iii) About Labelling**

Clearly marking and identifying your finished product and/or packaging, allows for the following advantages:

- Identification of material content and country of origin for Customs purposes
- Conformance to mandatory standards for identification of materials and contents
- Consumer education about the production techniques, materials or maker that may add unique value
- Instructions for care and cleaning
- Display of information on brand and trademarks
- Instructions for handling: This side up, handle with care, fragile, keep dry, and keep upright.

Labels should therefore include the following information:

- Name, address and contact details of producer
- Originating and destination addresses for package
- Product's brand name
- Materials/ Contents
- Size or volume of contents ,where applicable
- Cleaning, care and use instructions, where applicable, including environmentally friendly/ recyclable instructions
- Instructions for handling: This side up, handle with care, fragile, keep dry, and keep upright.
- Coding, where required- Where automated inventory management systems are used at the retail level or automatic handling systems are used in transporting goods, a barcode or Universal Product Code (UPC) may be required. This is a unique identifier for suppliers participating in global supply chains, which is assigned by the Uniform Code Council Inc., a non-profit organisation, based in the United States. For more information on barcodes, see <http://www.uc-council.org/>.

## BRAND DEVELOPMENT SELF-ASSESSMENT EXERCISE

Here are five (5) questions you should consider about your brand development. You can write your answers in the boxes on the side

THINK CREATIVELY!!!

QUESTIONS	ANSWERS
1. Write in ten (10) words or less the mission of your business	
2. Write five (5) words to describe the values of your business	
3. Write ten(10) words to describe the experiences the customer feels when using your products	
4. Write in ten (10) words or less, your strategy to get the market's attention	
5. What symbols would you use to represent these ideas (1-4) in a logo? Is this eligible for trademark registration?	

DID YOU GET ANY IDEAS ABOUT DEVELOPING YOUR BRAND? WRITE THE KEY ISSUES BELOW:

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## CHAPTER 4: THE ABC'S OF EXPORT MARKETING

*Assessing export readiness, how to identify markets that are right for your product, how to start when entering a market, current market opportunities for Caribbean SMEs , Options for market entry and distribution, how to know if your company can cope with exporting: assessing competitiveness, creating a simple export plan, understanding some key terms in export marketing, standard shipping and customs procedures*

*Exercise: export readiness checklist*



**Above:** Repeat Caribbean Gift and Craft Show attendees **Brown Sugar** of St. Kitts received the Best of Show award in the category of Outstanding Product Line (Fashion) in 2003. The company produces a line of Caribbean women's wear with simple clean lines, which is sold through its retail outlet in the Marriot Hotel, St. Kitts and exported to boutiques throughout the Caribbean.

## **4 THE ABC'S OF EXPORT MARKETING**

### **4.1 ASSESSING EXPORT READINESS**

The demands of the export process can place a strain on small exporters who are not willing to make the necessary investments in product adaptation, market promotion, follow up and creation of strategic alliances which are required to sustain initial success in market penetration. If possible, before entering into export arrangements in new markets, the company should conduct a self-evaluation exercise to determine its export goals and the necessary investments which are likely to be required to achieve them. Major evaluation areas include:

- **Motivational Factors-** why does my company want to export and what objectives will be achieved?
- **Organizational Factors-** Is my company sufficiently organized to commit to sustainable export?
- **Market considerations-** Does my business have what it takes to succeed in regional/ international markets?
- **Product considerations-** Is my product sufficiently developed to be well received

The exercise at the end of this chapter examines these questions in further detail. Although export can be more complicated, risky and expensive than selling in the domestic market, the main reasons why small companies choose to export include:

- higher sales and profits
- the local market is small in size or saturated and does not allow for much growth
- the desire to earn foreign currency
- a need to sell overproduction
- utilization of excess production capacity
- access to strategic partnerships and alliances
- the desire to spread the costs of production and product development over more units sold to decrease unit costs and increase competitiveness.

### **4.2 IDENTIFYING MARKETS THAT ARE RIGHT FOR YOUR PRODUCT**

The key issues for the entrepreneur in exploring new export market opportunities are the ability to gain market access and to maintain competitiveness. Market entry begins with market research to determine market access conditions and potential levels of competitiveness. Researching market access conditions include the following activities:

- Access market profiles and target information on relevant opportunities for your company
- Identify national and international regulatory standards for specific products
- Identify existing trade agreements and determine whether they offer any possible advantage
- Assess the competition in the market
- Assess the culture of business- how is marketing and distribution of your product handled?
- Identify possible quotas, duties and taxes
- Assess possibilities for product differentiation to deal with consumer preferences and culture.

### **4.3 CURRENT MARKET ACCESS OPPORTUNITIES FOR CARIBBEAN ENTERPRISES**

The foreign trade policy of the Caribbean Community governments provides several windows of market opportunity for Caribbean-based entrepreneurs. Various trade agreements between governments guarantee specific market access conditions and the platform for further research into opportunities for specific products. These are:

- The CARICOM Single Market and Economy (CSME) integration with principle elements of free movement of labour, capital, business enterprises and services
- CARICOM Free Trade Agreements with Costa Rica, Cuba, Dominican Republic, Venezuela and Colombia at various stages of implementation
- Preferential access to the United States market through the extension of the Caribbean Basin Initiative (CBI) or an equivalent trading arrangement, the Canadian market through the CARICOM-Canada bilateral agreement and European Markets through the new European Economic Partnership Agreements (EPAs).

The European Economic Partnership Agreement (EPA), currently being negotiated and scheduled for conclusion in 2008, are intended to replace the current CARICOM preferential trading arrangements with Europe, with new reciprocal (i.e. featuring two-way preferences) trading arrangements, covering trade in both goods and services. For further information on EPA negotiations, see [http://www.crnmm.org/private\\_sector.htm](http://www.crnmm.org/private_sector.htm).

With the assistance of their Ministries of Trade and Caribbean Export, even small entrepreneurs must follow developments in these agreements to be informed about implications for their business. For detailed information see the CARICOM website at [www.caricom.org](http://www.caricom.org), the Caribbean Regional Negotiating Machinery (CRNM) at [www.crnmm.org](http://www.crnmm.org), the Trade Policy Portal at [www.carib-export.com](http://www.carib-export.com) or subscribe to TRADEWATCH by e-mailing [tradewatch@carib-export.com](mailto:tradewatch@carib-export.com).

#### **4.4 OPTIONS FOR MARKET ENTRY AND DISTRIBUTION**

Most Caribbean SMEs are focused on market penetration through direct selling to buyers or consumers. There is a need to expand this perspective towards the consideration of alternatives options; which may require the formation of strategic partnerships. These arrangements may add value to buyers by offering them exclusivity in access to products where they may have specific interests. They include:

- Recruitment of agents
- Appointment of distributors
- Joint venture arrangements
- Retail
- E-Commerce
- Licensing.

**Recruitment of agents** allows an enterprise to expand the geographic reach of its product and service offerings, by appointing representatives to promote the business and generate additional orders. The key issues to consider in recruitment are the image and reputation of the potential agent, access to sales channels and levels of commission fees required.

**Appointment of distributors** allows an enterprise to expand the geographic reach of its product and service offerings and economize on shipping and promotional costs, by partnering with other enterprises located in the target market on marketing and sales initiatives. Distribution agreements are typically based on the existence of a well developed brand image and values. The key issues to consider in appointment are the experience of the distributor with moving similar product lines, access to desired sales channels and levels of margins applied to wholesale prices.

**Joint venture arrangements** are strategic alliances between firms based on joint investments of finance or other resources. Through these partnerships expertise, technology, intellectual property and finance may typically be acquired to enhance market entry and ultimately profits.

**Retail** establishment of wholly or partially owned store outlets is one option for gaining a presence in an overseas market. Retail is a specialized business, requiring knowledge of the local business environment, legislation including labour laws and licensing requirements, regulations as well as common purchasing practices based on culture.

**E-Commerce** or **electronic commerce** involves establishing a global presence through a website on the world-wide Web (Internet). Based on the interconnectivity of millions of personal computers, the Internet provides the potential of 24 – hour access to millions of potential customers, everywhere in the world. Sites may function as 'virtual' product catalogues, or be fully enabled to process electronic payments for purchases.

**Licensing** refers to the practice of authorization by owners of intellectual property rights, such as patents, trademarks, industrial designs and others, to allow users of these rights to make commercial use of the property, under specific conditions in return for agreed compensation. Distinction is made between brand licensing and image licensing as different forms of licensing; which relate to brand names and images respectively. A license fee can take several forms, including a one-time fee, a periodical payment as a fixed amount (each year) and a percentage of the profits or turnover of the licensed product.

#### **4.5 COPING WITH EXPORT: ASSESSING COMPETITIVENESS**

Competitiveness involves an enterprise or industry developing and then maintaining an advantage over other enterprises in the same market space. Improving competitiveness is a function of increasing efficiency, improving quality, pursuing product differentiation, influencing demand or a combination of these individual strategies. Most SMEs do not have sufficient bargaining power with buyers in the market to influence demand. Questions to be explored in assessing enterprise competitiveness include:

- What are my production costs and methods? What is the relationship between methods and costs?
- Will changes be required to sourcing of inputs in order to compete effectively?
- Will my company need to undertake Business Upgrading\* to achieve productivity and efficient production costs? (\*introduction of technology, staff development, other investments)
- How will I/ we finance appropriate market promotion?
- How will I/ we handle the need for constant innovation?
- Is seeking entry to this market the most efficient use of available resources? (Human, financial, etc.)
- How will I/ we handle the need to undertake appropriate business planning and assessment of risks?
- What linkages should I/ we form with other companies and institutions?
- In what directions do I /we expect to achieve growth in the overall business through export? (e.g. new markets, new products, additional sales) What are the implications for costs and organisational structure and functions?
- What support services will I/we need to access through local, regional and/or international agencies?



## 4.6 CREATING A SIMPLE EXPORT PLAN

The table below outlines the framework for creating a simple export plan. Export plans are most useful when generated within the enterprise (as opposed to externally by agencies or consultants). This is because there is value in the brainstorming and decision- making process which precedes the final plan.

### OUTLINE OF A SIMPLE EXPORT PLAN

#### 1. Background

History of the business, how started and when, major milestones in development to date, number of employees, ownership, formal and informal experience in export (if any), key export objectives

#### 2. Past Performance

Summary of products launched, markets penetrated and sales achieved to date

#### 3. Customer Profile and Target Markets

Who is the customer and where are products currently sold? Where are target markets for the future?

#### 4. Market Requirements

Provide a summary of main market requirements: regulations, legislation, product standards and packaging requirements

#### 5. Competition

What is the competition like? Are similar products produced in the domestic market? How will you differentiate your products from the competition?

#### 6. Marketing Objectives

Sales and development of products and time frame

**Price** (wholesale vs. retail, credit terms, payment terms, special deals/ discounts)

**Product(s)** (quality, brand name, packaging, benefits)

**Promotion** (mail, advertising, brochures, in-store promotions)

**Placement** (distribution, geographic coverage, e-commerce, transportation, locations)

**People** (experience, personality, skills, professionalism)

#### 7. Export Activities

Action Plan for activities (trade fairs, missions, product launches, website development, etc.), time frame and estimated costs

#### 8. Financial Objectives

Investments and expected returns over specific time frame, assumptions and risks

Proposed product costing vs. selling price, basic cash flow, profit and loss statement, sales growth, number of units, investments required, sources of export financing

#### **4.7 UNDERSTANDING SOME KEY TERMS IN EXPORT MARKETING**

**Air way bill or Bill of Lading-** document which serves as shipper's receipt, contract of carriage and temporary title document

**Certificate of Origin-** document certifying that goods satisfy country of origin criteria and are "wholly produced" or undergo "substantial transformation" within the exporting country

**CFR price (cost and freight)-** price of goods including transportation to port of disembarkation; seller does not assume responsibility for insurance and pays for unloading only if included with freight; otherwise this is for the buyer's account.

**CIF price (Cost, Insurance, Freight) -** FOB Costs, plus insurance and freight to buyer

**Commercial Invoice -** request from exporter to buyer for payment for goods specified in original order (proves ownership of goods by buyer to Customs)

**Ex-works (ex-factory) price -** price of finished product including raw materials, production costs (overheads plus labour) and profit

**FOB price (Free on Board) -** ex-works price plus costs of handling before shipment

**Minimum order quantity-** the smallest quantity which a buyer may order to obtain wholesale price- because of the limitations in terms of dimensions of standard size boxes used in the shipping process, this must coincide with the smallest economical quantity for shipping

**Packing List** –a form which accompanies any shipment of goods which provides a detailed itemized description of the goods in each individual package, including the quantity of items, weight and measurement. Details of transport vessel, routing of the journey, buyer's contact details, application of licenses, commercial invoice and payment details and the type of package, such as a box, crate, drum, or carton are included. Packing list forms are available from commercial stationers and freight forwarders.

**Pro-forma Invoice-** a formal quotation from exporter to buyer which outlines terms of sale, including negotiated price of goods and shipment terms. The pro-forma invoice precedes the commercial invoice and only has different information from the commercial invoice where further changes are made to the order or terms of sale by the buyer before shipping of goods. In some countries, Customs at port of entry can use the pro-forma to inspect goods and assess duties, provided that a commercial invoice is produced within a specific period of time after entry.

**Wholesale price** – discounted price for ordering in volume

#### **4.8 STANDARD SHIPPING AND CUSTOMS PROCEDURES: AN EXPORTER’S CHECKLIST**

Below is a checklist of standard shipping and customs procedures. For a first time exporter, it provides a general indication of the steps involved in preparing goods for export.

##### **CHECKLIST**

Goods approved for export by Government Certifying Authority and Certificate of Origin obtained	<input type="checkbox"/>
Goods properly labelled by exporter for export: Country of origin, materials and care instructions	<input type="checkbox"/>
Goods tagged or identified by exporter with style number and description /packaged according to buyer’s instructions	<input type="checkbox"/>
Goods packed properly and marked and addressed correctly	<input type="checkbox"/>
Commercial Invoice prepared	<input type="checkbox"/>
Packing List prepared	<input type="checkbox"/>
Goods inspected by Shippers and Customs in exporting country	<input type="checkbox"/>
Air way bill or Bill of Lading prepared	<input type="checkbox"/>
Goods properly insured	<input type="checkbox"/>
Completed Export Documentation accompanying goods	<input type="checkbox"/>

## ENTERPRISE EXPORT READINESS ASSESSMENT

Assessing export readiness is the first place to start in examining if exporting is a viable option for a company. This assessment helps the company to make an effective decision to enter new markets based on logical, systematic thinking. The following checklist is intended to be a self-assessment guide for enterprises contemplating formal export. Read through carefully the points to consider, and then note your company's current position on the columns on the right.

**Section 1: Target Market considerations-** Does my business and its products/services have what it takes to succeed in regional/ international markets?

POINTS TO CONSIDER	YES	NO	I/WE NEED TO GET MORE INFORMATION
I/ We know who is our typical customer (business and/ or consumer) and can describe the customer profile			
I/ We can articulate a unique selling point for our products and/or services			
I/ We have selected specific markets to penetrate and know our priorities			
I/ We have conducted market research to determine what lifestyle conditions in the target export markets are significantly different from those in the domestic market (socially, culturally, economically, politically and environmentally.)			
I/ We have identified the competitors in the market and know their products and strengths and weaknesses through market research			
Through market research, I/ We have identified the <b>market requirements</b> including: <ul style="list-style-type: none"> <li>• product standards</li> <li>• consumer health and safety regulations</li> <li>• environmental regulations</li> <li>• packaging and labelling requirements</li> <li>• rules of origin criteria, and</li> <li>• the legal framework for distribution</li> </ul>			
I/ We have identified the duties and taxes applied to our product categories in the target markets			
I/ We have identified the main sales/ distribution channels in the market and know who controls them			
I/ We have identified the intermediaries ("middle-men" such as importers and agents) in the target markets			
I/ We know the pricing structures and margins at each level of distribution			
I/ We have considered possible strategic alliances to assist market entry			
I/We are comfortable with the availability and suitability of logistics to guarantee on-time delivery of our products to the target market			

**Section 2: Motivational Factors:** Why does my enterprise want to export and what objectives am I trying to achieve?

POINTS TO CONSIDER	YES	NO	I/WE NEED TO GET MORE INFORMATION
The enterprise goals in relation to exporting are clearly defined. They are to: <ul style="list-style-type: none"> <li>• Earn foreign exchange</li> <li>• Expand potential markets for products or services, increasing profits and growth</li> <li>• Reduce dependence on small and/or unstable domestic markets</li> <li>• Sell higher volumes in order to gain greater return on investment</li> <li>• Increase visibility and recognition of brands and trademarks owned by the enterprise</li> <li>• Access or exploit unique technology</li> <li>• Increase overall competitiveness</li> </ul>			

### Section 3: Organizational Factors: Is my enterprise sufficiently well organized to commit to sustainable export?

POINTS TO CONSIDER	YES	NO	I /WE NEED TO IMPROVE OR GET MORE INFORMATION
I / We view export as a long-term objective, not a short-term payoff			
I/ We have a strong Management commitment to export			
I/ We have identified available funding support for export development and have adequate knowledge of assistance and support offered by Business Support Organizations, such as trade promotion agencies, Chambers and associations			
I/ We have created an adequate budget for export activities. Sufficient funding is allocated/ available for: <ul style="list-style-type: none"> <li>• working capital, operations such as staffing, communications, and travel budgets and medium term credits to overseas customers</li> <li>• product modification, and</li> <li>• marketing and promotion</li> </ul>			
I/ We have the necessary expertise, staffing and/or experience to facilitate entry into the international marketplace or have a plan to acquire the same			
I/ We have an awareness of the language and culture of target markets			
I/ We are confident in our production capabilities and know our production capacity in relation to producing the product/ service efficiently. The enterprise possesses the space and equipment needed to produce to specifications and has considered the additional production capacity required to handle and store additional orders			

### Section 4: Product considerations Is my product/ service sufficiently developed to be well received in export markets?

POINTS TO CONSIDER	YES	NO	I /WE NEED TO IMPROVE OR GET MORE INFORMATION
I/ We are able to adapt/ modify our products in response to specific requests from buyers in the target markets			
In developing the products we have considered quality levels, standards and regulations set by the respective target countries. We are familiar, based on research, with the government regulations that may require special testing, safety, quality and technical conformity measures.			
In developing the products, I/we have considered that some countries impose tariffs and taxes on certain product classifications, while others enforce non-tariff barriers, such as certification, inspections and quota limitations			
In developing the products, I/ we have considered functionality, versatility, superior quality, unique appeal, product differentiation and value for money			
In developing products, I/ we have considered rules of origin criteria and eligibility for origin certification			
In developing products, I/ we have considered appropriate labeling, packaging and packing for delivery and sale to the consumer			
In pricing and costing, I/we have considered where the products are likely to be sold in the market and the relevant markups which may be applied			
In pricing and costing, our enterprise is capable of providing potential buyers with accurate quotations and terms			
Our enterprise has the ability to introduce new products at least twice a year, respond to buyer feedback with adaptation and extend a thematic idea into a range of related products as a collection			
I/ We have identified reliable and consistent raw material supplies to fill potential orders			
Our enterprise has a system to manage quality through monitoring key variables in the process, as well as critical inspection points on each product			

## Self Evaluation Exercise

Maximum benefits from the exercise are derived from honest introspection. Remember that many of the best companies which your enterprise will be competing against regionally and internationally will be seriously considering similar questions, on a regular or ongoing basis.

Review your answers in the columns on the right. Pay particular attention to the markings in the column headed "NO" and the specific areas where there is a need to get more information or improve.

First, consider that if the challenges and costs of exporting outweigh the potential likely benefits, perhaps your enterprise should focus on domestic business instead; building capital, organizational competence and experience to consider exporting at another time, when it is a more viable option. Experts suggest that sustained management commitment is the number one determining factor of export success. On an organizational level, you need not only the management commitment to sacrifice short-term profits for long-term sales, but also the capacity to undertake product adaptation, manufacture and store a greater number of units and arrange logistics to provide on-time delivery. Caribbean enterprises are particularly challenged by consistent availability and reliability of good quality raw material supplies. Adequate funding to sustain medium/ long-term market penetration and promotion is critical and equally challenging.

If you are convinced that export is a current possibility for your enterprise, review the columns again. The YES answers provide an indication of your competitive strengths, which you should expand and promote during market penetration efforts. Create an action plan to address the NO answers and those which indicate the need to get more information or improve. This could include approaching your local business support organization (BSO), trade promotion agency, Chamber of Commerce, association or business network for assistance; or obtaining independent professional advice.

Also note within which section there is the most need to improve (i.e. Section 1: Target Market considerations, Section 2: Motivational Factors Section 3: Organizational Factors and/or Section 4: Product considerations). A concentration of answers in any section may need specific remedies, including:

- **Section 1: Target Market considerations-** greater clarification of target market conditions through market research (including Internet research), an initial market visit, contact with Chamber of Commerce or BSO in the target market and/or development of a strategic alliance with a market-based distributor/ agent or partner;
- **Section 2: Motivational Factors-** Ambiguity about specific goals reflects the need for increased management commitment to pursue export at this particular stage in the enterprise's growth;
- **Section 3: Organizational Factors-** Inadequate production capability, staffing and/or funding and expertise reflect a need to restructure operations and responsibilities and/or access appropriate process inputs to cope with the additional demands arising from export ;
- **Section 4: Product considerations-** Any aspect of under-development in products will yield serious challenges in developing a sustained export initiative. First clarify average pricing conditions in the target market, and then determine if it is possible to adjust internal pricing to reflect these realities; recalling that there may be markups depending on the choice of marketing channel(s). To remain viable in this scenario, the enterprise will have to:
  - a) adjust costs of production to meet the revised internal pricing; either through increasing production volumes to achieve greater economies of scale (spreading overhead over a larger number of units),
  - b) develop new product lines/ categories which can attract higher margins, and/ or
  - c) invest in entering new and different markets.

Product development expertise may need to be required to adapt products to market demands (materials, designs, styling and reproducibility). This could be acquired through the recruitment of external consultants or obtaining specialized training. Simple productivity aids and/or new technology may be available to address capacity or reliability constraints related to the production process.

## CHAPTER 5: BUILDING BUYER RELATIONSHIPS THROUGH TRADE SHOWS AND OTHER MARKETING ACTIVITIES

Successful trade show participation, planning and preparation, effective presentation at the show, follow up activities and additional marketing efforts, building long term buyer relationships and databases

Exercise: trade show participation checklist



Above: Blue Mountain Aromatics of Jamaica produces an exceptionally well packaged range of aromatherapy products. The company received the Best of Show Award in the category of Outstanding Product Line (Gift and Craft) in 2003.

## 5 BUILDING BUYER RELATIONSHIPS THROUGH TRADE SHOWS AND OTHER MARKETING ACTIVITIES

### 5.1 SUCCESSFUL TRADE SHOW PARTICIPATION

The aim of trade shows is to bring volume buyers and sellers together in an atmosphere designed to promote sales. For producers, trade shows offer an opportunity to achieve both selling and non-selling objectives.

<b><i>Selling Objectives</i></b>	<b><i>Non-selling objectives</i></b>
<ul style="list-style-type: none"><li>• Stimulating sales</li><li>• Maintaining relationships</li><li>• Disseminating new information</li><li>• Remediating problems</li><li>• New Product Launch</li><li>• Building company image</li><li>• Brand Promotion</li></ul>	<ul style="list-style-type: none"><li>• Determining market needs</li><li>• Spotting Trends</li><li>• Testing new ideas</li><li>• Making new contacts</li><li>• Increasing exposure</li><li>• Assessing competition</li><li>• Gathering market information</li></ul>

#### ***i. Before the show: Planning and Preparation***

- Plan participation and set goals. If no goals are established ( i.e. orders, sales, new markets) then there is no basis for determination of whether the event is successful or not
- Consider the theme of the show, if any, and plan the exhibit to optimize visual and information impact
- Develop a short, simple, clear statement emphasizing the value of the products/ services being offered- avoid the hard sell and focus on core business and benefits
- Do basic research on the opportunities which may exist in the target market for your product or service to inform the goals to be established and to be conversant with buyers
- Identify available production capacity and time frame for delivery
- Organize promotional material such as business cards and postcards weeks in advance to avoid running out
- Develop wholesale and retail price lists for products and/or packages for services based on accurate costing and determine acceptable methods of payment in advance
- Communicate in advance with buyers in the market to advise that you will be participating in the show
- Plan special promotions, sampling and give-aways - make sure these are carefully designed to be interesting and have lasting impact.
- Pack exhibits for safe transportation to show, secure necessary Certificates of Origin and Customs Clearance, prepare packing lists and dispatch.
- Prepare a toolkit with pliers, scissors, tape, nails, screwdrivers, tape measure, glue, markers, etc. to make adjustments to the booth. Don't forget to take your camera to photograph the booth!



**ii. At the show: Effective Presentation**

- Arrive early before the show opens and introduce yourself to the organizers. Obtain required identification badges and passes
- Follow up on arrival of goods and transportation to the venue
- Ensure that siting of the booth is as agreed and that furniture and signage requested is available
- Ensure that once the exhibit is set up, your display area does not encroach on aisles, exits or other booth spaces
- Review lighting conditions in relation to the products being sold and ensure adequate lighting
- Contact existing buyers, distributors and agents in the market to advise of your arrival. Consider a courtesy call to the diplomatic representative of your country based in the market, if possible.
- Unpack goods for display and mount them effectively once booth and furniture is in place
- Utilize storage space available to stow everything other than products for display to minimize clutter and provide a safe and secure environment
- Brief staff and personnel on required roles and duty assignments. At all times, staff should be smartly dressed
- Ensure sufficient promotional material is available, if not, attempt to acquire some locally
- Try to be present at the opening of the show each day and be ready to discuss business
- It's your job to entice buyers to the booth through good communication and effective use of exhibit space. Greet all visitors standing up and look welcoming
- Be vigilant about collecting business cards to develop your enterprise's buyer database and be professional about offering your business card, contact details or additional information on products or services
- Continually review the stand presentation, to ensure that it is kept clean and tidy.
- Ensure that you take detailed notes of each enquiry and classify enquiries in terms of follow-up required (send catalogues, request sample, confirm order, send pro-forma invoice)
- When confirming orders, confirm quantities, delivery time, packaging, labelling and payment methods
- Identify press visitors and be willing and available to participate in interviews.
- Check with organizers about crafting demonstrations on site which add interest and could boost sales
- Have wholesale and retail price lists as well as order forms readily available.

### **iii. Effective Use of Exhibit Space**

- Effective use of exhibit space achieves a good display of product range and information without clutter
- Choose neutral colours for table coverings and back-board displays, which enhance the products being shown
- Select the most important product lines and merchandise them in a way that makes purchase tempting within the constraints of space (i.e. place garment separates on model forms, decorative accessories on tabletops)
- Ensure branding, trademarks and logos are displayed on product labels, business cards and promotional material to give a cohesive appearance to the presentation
- Consider maximizing the use of space by stacking small three dimensional items (such as mugs and bowls) attractively and wall mounting two dimensional items ( such as pictures, bags and wall hangings) to create an attractive display
- Do not block the aisles, walkways, exits or access to other booths
- Ensure adequate lighting and consider electrical requirements for space in advance
- Consider incorporating awards and interesting photographs within the overall display

### **iv. After the Show: Follow Up**

- Dismantle booth and fixtures
- Ensure final payments are made to organisers and/ or service providers
- Remove and re-pack exhibitors materials (for return shipment or disposal)
- Where necessary, complete banking business (convert currency, change cheques, reconcile credit card transactions)
- Review show achievements ( measure immediate sales and orders)
- Visit potential buyers in the market who did not attend the show
- Record new product ideas/ possible product adaptations based on feedback
- Immediately follow up on enquiries received during the show (confirm orders)
- Immediately follow up with all interested potential buyers who have exchanged business cards after the show. Thank them for their interest in specific products and indicate the willingness of your enterprise to receive orders and/ or form a mutually beneficial relationship. In addition, provide information on any upcoming promotional activities for the enterprise, i.e., trade shows, market visits and promotional discounts.
- Prepare product development, marketing, production, finance and exhibition plans for the following year.

A Trade Show Participation Checklist appears below.

## TRADE SHOW PARTICIPATION CHECKLIST

### 1. Site arrival (up to five days before)

- Contact the organizer (check on all pre-arrival requests for booth furniture, security, staff passes, car-parking, interpreters, press and promotional releases and activities)
- Contact overseas agent (if applicable)
- Call principal customers

### 2. Stand construction and installation (up to one day before opening or according to organizer's rules)

- Progress of on-site booth construction with contractor engaged before arrival
- Product installation and stand labelling
- Storage of promotional material
- Functioning of lighting, phones and computer equipment

### 3. Before opening day

- Final staff-briefing at booth (dress code, attendance rotas, routines)

### 4. Opening day

- Attend Receptions

### 5. Daily routines during the exhibition

- Staff attendance rosters (meal breaks, rest periods)
- Recording visitor details
- Registering and classifying inquiries
- Booth tidiness and cleaning
- Review of contacts made each day (with possible immediate follow-up)
- Daily closing activities
- Daily review of action (with follow-up for next day)

### 6. Dealing with visitors

- Exchanging company information (business cards)
- Identifying visitor requirements (products, prices, special queries)
- Recording inquiry information and classifying inquiry priority
- Agreed export price per piece (FOB/CIF)
- Quantities required
- Copies of all paperwork for these items
- Products being ordered (product name or code number)
- Total value of order per product
- Delivery dates and addresses
- Packaging/ labelling requirements
- Payment methods (bank details, letters of credit, money orders, advance payments)
- Special terms and conditions (customs regulations in customer's country)

**7. Exhibition closure**

- Dismantling of stand
- Removal of exhibitor's materials (for return shipment or disposal)
- Payment of final accounts to organizer and other service providers
- Evaluation of exhibition

**8. Immediate follow-up and evaluation (In exhibition country)**

- Immediate follow-up of specific contacts made during show
- Visits to existing customers (who did not visit show, to show new items)
- Market research tour for following year (in exhibition country or nearby)

**9. General follow-up (on return to home country)**

- Review exhibition
- Estimate cost-benefit: ratio of orders to investment
- Assess enterprise's performance at show
- Identify activities to be improved
- Record new or adapted product ideas
- Create new or modified ranges
- Create customer specific product/range lists
- Identify new technology requirements
- Analyze exhibition costs

**10. Forward planning**

- Prepare marketing plan for following year
- Prepare product development plan for following year
- Prepare exhibition plan for following year
- Prepare production plan for following year
- Calculate budget for marketing, product development and exhibitions for following year
- Forecast expenditure on production plan
- Identify sources of finance for marketing and production plans

**CHAPTER 6:**  
**ANALYZING OPERATIONAL EFFECTIVENESS**  
**FOR GREATER PROFIT**

Planning production and scheduling and reviewing critical areas of savings to increase profits  
Exercise: production self assessment



**Above:** Consistent CGCS participant **Just Art** of Jamaica received the 2003 Best of Show award for the Best Handcrafted Product. In a 2003 evaluation of the previous year's participation, Artist and Owner Powell noted *"Just Art has grown from strength to strength within the past three years. Our product has become recognised in the region...." I am very production conscious and proud."*

## 6 ANALYZING OPERATIONAL EFFECTIVENESS FOR GREATER PROFIT

### 6.1 PRODUCTION PLANNING AND SCHEDULING

The efficiency with which you produce your products affects their cost and quality, as well as the overall image of your business. Planning and scheduling production can make all the difference to efficiency, since it allows for a clear view of required action areas. Planning involves the breaking down of larger tasks to be accomplished into more manageable objectives. Scheduling involves assigning a time frame to each task. An example of a simple production plan and schedule for a new product development project is shown below.

**SIMPLE PRODUCTION SCHEDULE**

Task No.	Task Name	Duration	Start	Finish	MONTH											
					J	F	M	A	M	J	J	A	S	O	N	D
<b>1</b>	<b>PRODUCT PREPARATION</b>	<b>68 days</b>	Jan	Mar												
1.1	Initial Collection- Develop Concepts	3 days														
1.2	Choose colours and styling- prototyping	2 days														
1.3	Resolve production issues-test pieces	6 days														
1.4	Manufacture samples	10 days														
1.5	Raw material ordering and procurement	15 days														
1.6	Packaging and labelling development	15 days														
1.7	Source and procure labels and packaging	15 days														
1.8	Work out shipping costs and product costing	2 days														
<b>2</b>	<b>MARKETING</b>	<b>27 days</b>	April	May												
2.1	Photography	2 days														
2.2	Develop promotional material	15 days														
2.3	Develop database of targets	10 days														
2.4	Mail out	1 day														
<b>3</b>	<b>MANAGE ORDERS</b>	<b>62 days</b>	May	ongoing												
3.1	Build inventory	20 days														
3.2	Website Development	20 days														
3.3	First Shipment	21 days														

Each elemental task may be further broken down to allow for production tracking, troubleshooting and control. This is illustrated in the table below which provides a plan and schedule for the manufacturing of samples. Once the action areas are defined, the assignment of the necessary raw materials, labour, machines and other resources is faster and easier.

## SIMPLE PRODUCTION PLAN

### Manufacturing Samples- 10 days

Task	Week 1- no. of pieces					Week 2- no. of pieces				
	M	T	W	T	F	M	T	W	T	F
Item 1- preparation of pieces	24									
Item 2- preparation of pieces		30								
Item 3- preparation of pieces			36							
Item 1- assembly of pieces		12	12							
Item 2- assembly of pieces			15	15						
Item 3- assembly of pieces				18	18					
Item 1- finishing of pieces						12	12			
Item 2- finishing of pieces						15	15			
Item 3- finishing of pieces								18	18	
Item 1- labelling, packaging and packing								24		
Item 2- labelling, packaging and packing									30	
Item 3- labelling, packaging and packing										36

## 6.2 REVIEWING CRITICAL AREAS OF PRODUCTION TO INCREASE PROFITS

As an enterprise grows, there is need to continually review production and examine areas where improvement may be possible to increase profits. Some critical areas which may reduce the profitability of an enterprise are:

- **Sourcing of raw materials and inputs-** enterprises should investigate substitutes and compare cost and quality on an ongoing basis
- **Inventory-** higher than necessary inventories of raw materials and finished goods drain the enterprise of cash
- **Unused capacity in production-** idle machines, work in progress not moving towards completion also represent working capital not being used effectively
- **Use of outdated technology** may compromise production reliability and result in increased costs
- **Uncollected debts and accounts receivable** (in particular goods on consignment) require follow up to reduce the funds owing to the company.

## PRODUCTION SELF-ASSESSMENT EXERCISE

Here are some questions you should consider about your production activities. You can write your answers in the boxes on the side

QUESTIONS	ANSWERS
How many months of raw material and supplies do I keep in storage? What is the value of this inventory? Can this be reduced?	
How much raw material is wasted in production? Can this be reduced by product or process redesign? Can raw materials be recycled?	
How much work is stored part-finished on the production floor? What is the value of this inventory?	
Could improved technology increase my production? Will it be worth the investment at current rates of financing? What technologies are my competitors using?	
How often do I receive customer complaints about quality? How confident am I about the ability to deliver quality most of the time? How much time is spent in rework?	
What is the capacity of my operation (how many units of each product can I produce a week or month? How much of my operation is unused/ idle?	
How often do I deliver on time with quality according to customer expectations?	
How much finished goods do I have in storage? What is the value of these goods? Can this be reduced in any way?	

**HAVE YOU IDENTIFIED ANYTHING IMPORTANT TO ADDRESS IN YOUR ANSWERS?**

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## CHAPTER 7: FINANCING AN EXPORT INITIATIVE

Costing and pricing for export, pricing worksheet and cash flow forecasts, considering payment terms, letters of credit and trade financing  
Exercise: Simple Costing Exercise



Above: In 2003, Caribbean Export in collaboration with the British European Design Group, Denzil Phillips International and the ACP-EU Centre for the Development of Enterprise ([www.cde.int](http://www.cde.int)) hosted the **“Treasures of the Caribbean”** special exhibition within the Caribbean Gift and Craft Show. Exhibiting companies from across the Caribbean presented a wide range of natural therapy products including essential oils, soaps, candles, cosmetics, toiletries and herbal teas to invited commercial buyers from the Caribbean, North America and Europe.

## 7 FINANCING AN EXPORT INITIATIVE

### 7.1 COSTING AND PRICING FOR EXPORT

As markets become more competitive, costing and pricing may challenge most small and medium sized artisanal enterprises (SMEs). It is common for artisans to produce work that costs more to produce than it can be sold for in the market. To be commercially successful, they need to work beyond their own creative agenda towards the demands of a specific market; otherwise there is a risk that work will remain unsold. Dialogue with buyers is key to understanding these demands. The major determining factors of price are:

- Seller's costs
- Competition's price
- Market demand.

#### i) *Calculating Unit Costs*

Most artisans do not typically work a 40-hour work week. Calculating unit costs can therefore be difficult unless both costs and units produced are considered over a period of time. To calculate unit costs, add up all costs over a period of time and divide by the number of units produced during the period. The table below shows how.

OVERHEAD (commitments whether work is produced or not)	+	PRODUCTION COST (if products are made efficiently)	+	SELLING COST	=	TOTAL COST	÷	NUMBER OF UNITS PRODUCED DURING PERIOD	=	UNIT COST
Rent/ mortgage Insurance Stationary & Office Supplies Equipment Utilities Professional fees Publications Membership fees Maintenance		Labour costs Material Cost Packaging cost		Advertising Trade Show / Event fees Samples Commissions Photography Printing (brochures, cards) Sales Labour (yours and others) Travel Meals Entertainment Credit card processing fees Bank Charges Brochures Invites Postage						

## ii) **Determining Wholesale Price**

**WHOLESALE PRICE= PRODUCTION COSTS + OVERHEAD COSTS + SELLING COSTS + PROFIT**

Profit provides a cushion for growth in the business and support during lean times. It is therefore not optional and must be viewed as a necessary component of operating expenses.

## iii) **Wholesale vs. Market Price**

Market price may be between 2 and 4 times the wholesale price for any item; depending on the product, the number of intermediaries involved in its sale and where in the market the goods are sold. The example below, which features hypothetical figures, illustrates this.

### **PRICING WORKSHEET**

	<b>US\$</b>	
Factory Wholesale Price (ex-works)	15.00	
Transportation costs-factory to port	4.00	
<b>FOB cost</b>	<b>19.00</b>	
Insurance cost/ unit	3.50	
Transportation costs-air freight/unit	10.00	
<b>CIF cost</b>	<b>32.50</b>	
Import duties	6.50	+20%
Other costs (storage, fees)	10.00	
<b>Landed cost price</b>	<b>49.00</b>	
<b>Importer margin</b>	2.45	+5%
Selling price to wholesalers	51.45	
<b>Wholesaler margin</b>	5.15	+10%
Selling price to retailer	56.60	
<b>Retailer margin</b>	16.98	+30%
<b>Selling price to consumer (Market price)</b>	<b>73.58</b>	
Value added tax	14.72	+20%
<b>Consumer price</b>	<b>88.30</b>	

## 7.2 FINANCING

In general, export consumes significant resources and obtaining financing may be challenging. Exporters must study the structure of the industry that they are operating within as well as the financial resources of competitors, as part of the process of assessing their financial position. In general, additional financing is required for the following:

- investment in the production process
- bridge financing to cover working capital requirements based on payment terms
- coverage of commercial risks including consignment and insurance for possible claims
- export documentation and certificates of origin, and
- communication costs.

The most likely source of financing is retained earnings. Alternatively, some exporters make use of commercial overdraft facilities (lines of credit). EX-IM Banks may offer special facilities to support small exporters. In order to access financing, exporters must keep excellent financial records and document sales and earnings as the basis of their request for financing.

### i) **Cash Flow Statements**

*Cash flow* is the most important factor for business success. A *cash flow statement* is a method of forecasting how much money will come into a business and how much will be spent. It predicts the costs of keeping the business going until income from sales comes in. Cash flow predictions are normally prepared for one year and organized month by month (see example). They are required by most financial institutions as a pre-requisite to the extension of loan financing facilities.

### ii) **Considering Payment Terms**

Sellers should consider available options in payment terms, the benefits to the business' cash flow of each and the levels of risk assumed by both buyer and seller in each case. Here are some common terms of payment:

**Cash in advance** - price is paid in full before shipment is made. In this case the buyer assumes all the risk, so this is generally used only for small orders or custom jobs. Appropriate receipts must be issued.

**Cash with order**- buyer pays when ordering and the transaction is binding on both parties. This is the case where credit card payments are involved. Appropriate receipts must be issued.

**Consignment-** delivery of merchandise from an exporter (consignor) to an agent (consignee), with the agreement that the agent will sell the merchandise for the account of the exporter. The consignor retains ownership of the goods until they are sold. The consignee sells goods for a commission basis and remits proceeds to the consignor. Here the seller assumes the major portion of the risk; however this arrangement may be necessary in the case of new and untested products. Where consignment is done in foreign markets, producers will need to be able to keep track of sales and agree on who pays for return transportation if goods are not sold.

**Credit-** Payment terms are agreed between buyers and sellers; normally 30, 60 or 90 days. Terms should be noted on order form.

**Letters of Credit-** A document, issued by a Merchant or EX-IM bank according to buyer instructions, authorizing the seller to draw a specified sum of money on specified terms; usually on the receipt by the bank of certain documents.

## CASH FLOW STATEMENT

<b>Projected Cash Flow 2007</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total (\$US)</b>
Beginning Cash Balance	\$6,000.00	\$2,762.45	\$1,011.90	(\$1,738.65)	
Cash Inflows (Income):					
Accounts Receivable Collections	\$500.00	\$300.00	\$500.00	\$300.00	\$1,600.00
Sales & Receipts	\$1,500.00	\$2,500.00	\$4,000.00	\$9,000.00	\$17,000.00
<b>Total Cash Inflows</b>	<b>\$2,000.00</b>	<b>\$2,800.00</b>	<b>\$4,500.00</b>	<b>\$9,300.00</b>	
Loan to purchase equipment	\$8,000.00				\$8,000.00
Available Cash Balance	<b>\$16,000.00</b>	<b>\$5,562.45</b>	<b>\$5,511.90</b>	<b>\$7,561.35</b>	
Cash Outflows (Expenses):					
<b>Advertising &amp; Marketing</b>					
Samples (Promotional)	\$150.00	\$0.00	\$150.00	\$0.00	\$300.00
Sales Commissions	\$300.00	\$500.00	\$800.00	\$1,800.00	\$3,400.00
Advertising Campaign (print)	\$200.00	\$200.00	\$200.00	\$200.00	\$800.00
Trade Show- booth payment	\$500.00	\$0.00	\$500.00	\$0.00	\$1,000.00
Delivery & Automobile Expenses	\$75.00	\$100.00	\$150.00	\$200.00	\$525.00
Insurance (Equipment, Motor Vehicle, Fire, Theft)	\$75.00	\$75.00	\$75.00	\$75.00	\$300.00
<b>Equipment &amp; Machinery</b>					
Purchase	\$6,000.00	\$0.00	\$0.00	\$0.00	\$6,000.00
Installation	\$1,700.00	\$0.00	\$0.00	\$0.00	\$1,700.00
Inventory Purchases incl. Supplies & Packaging	\$500.00	\$0.00	\$1,000.00	\$0.00	\$1,500.00
Office Expenses	\$400.00	\$400.00	\$400.00	\$400.00	\$1,600.00
Licenses & Permits	\$50.00	\$0.00	\$0.00	\$0.00	\$50.00
Direct Labour	\$800.00	\$1,000.00	\$1,500.00	\$2,000.00	\$5,300.00
Rent or Lease	\$500.00	\$500.00	\$500.00	\$500.00	\$2,000.00
New Product Development incl. Testing	\$200.00	\$0.00	\$200.00	\$0.00	\$400.00
Utilities & Telephone	\$250.00	\$250.00	\$250.00	\$250.00	\$1,000.00
Miscellaneous	\$250.00	\$250.00	\$250.00	\$250.00	\$1,000.00
<b>Subtotal</b>	<b>\$11,950.00</b>	<b>\$3,275.00</b>	<b>\$5,975.00</b>	<b>\$5,675.00</b>	
<b>Other Cash Outflows</b>					
Owner's Draw (Salaries)	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$4,000.00
Loan commitment Fee/ Charges (0.15% )	\$12.00	\$0.00	\$0.00	\$0.00	\$12.00
Loan Repayment	\$275.55	\$275.55	\$275.55	\$275.55	\$1,102.20
<b>Subtotal</b>	<b>\$1,287.55</b>	<b>\$1,275.55</b>	<b>\$1,275.55</b>	<b>\$1,275.55</b>	
<b>Total Cash Outflows</b>	<b>\$13,237.55</b>	<b>\$4,550.55</b>	<b>\$7,250.55</b>	<b>\$6,950.55</b>	
Ending Cash Balance	<b>\$2,762.45</b>	<b>\$1,011.90</b>	<b>(\$1,738.65)</b>	<b>\$610.80</b>	

## SIMPLE COSTING EXERCISE

Study the examples of costing below, and then complete the table for one of your products.

### Making a Ceramic Jug:

Assume on average it takes 40 minute to make 4 jugs, 20 minutes to glaze and decorate and 20 minutes as a proportion of the time spent firing the kiln. This means that the making time for one jug is:  
 $(40 + 20 + 20) \text{ minutes} \div 4 = 80 \text{ minutes} \div 4 = \mathbf{20 \text{ minutes}}$

A. Overheads 20mins (1/3 hour) @ hourly rate of US\$5.00	<b>US\$</b> 1.66
B. Labour 20mins (1/3 hour) @ hourly rate of US\$10.00	3.33
C. Materials	6.00
<b>Making price (A+B+C)</b>	<b>10.99</b>
Contingency & Profit (20%)	2.19
<b>Cost Price ( without VAT)</b>	<b>13.18</b>

### Making a bracelet:

Assume the bracelet takes 5 hours to make

A. Overheads 5 hours @ hourly rate of US\$5.00	<b>US\$</b> 25.00
B. Labour 5 hours @ hourly rate of US\$10.00	50.00
C. Materials	12.00
<b>Making price (A+B+C)</b>	<b>87.00</b>
Contingency & Profit (20%)	17.40
<b>Cost Price ( without VAT)</b>	<b>97.40</b>

## Your Product

Assume the product takes \_\_\_\_\_ hours to make

A. Overheads	US\$
B. Labour	
C. Materials	
<b>Making price (A+B+C)</b>	
Contingency & Profit (    %)	
Cost Price (without VAT)	



## CHAPTER 8: CONCLUSIONS



**Above:** Consistent CGCS Participant **Natuartes S.A.** of the Dominican Republic is a multiple winner of Best of Show Awards, including the 2003 Award for Outstanding Product Line, for their exotic line of scented candles, tastefully presented in an array of sizes and colours.

## 8 CONCLUSIONS

Successful export on a sustained basis poses a challenge to the small enterprise, based on the need to invest human and financial resources. Despite this, many small and medium enterprises are able to export, by learning the systems and procedures involved and gaining the market knowledge over time to avoid costly mistakes.

It is recommended that exporting enterprises become aware of specific opportunities in the global and regional markets and target major growth segments, focusing on meeting buyer expectations. It can be expected that there will be an ongoing need for new product development activities, based on an understanding of market requirements and undertaking market research. Investments in marketing should be centred on building a company image and brand which extends to appropriate packaging, labelling and packing for export. In order to communicate with foreign buyers, enterprises should become familiar with important terms used internationally by buyers, shipping and customs procedures.

Beyond the identification of markets and planning for new market entry, assessing export readiness involves reviewing variables across organization. Trade show participation should only be undertaken as one element of a cohesive marketing plan, which allows for identification of specific goals as part of thorough planning and preparation, effective presentation at the show and follow up marketing efforts and techniques for building long term buyer relationships. Internally, marketing objectives must be translated into planning and scheduling of production and continuous review of potential areas of savings to increase profits. Being able to remain in business and thrive requires willingness to access appropriate trade financing based on sound export plans, including accurate costing and pricing, cash flow forecasts and realistic payment terms.

It is hoped that the review of this manual and exercises, will assist small firms in tackling the challenges of understanding these issues and providing solutions based on self assessment, which allow them to take their place as key players in the regional and global marketplace.