BACHELOR OF INTERNATIONAL BUSINESS
Year Three
Semester One
Export and Import Management
MRK 3126

INTRODUCTION TO EXPORTAND IMPORT MANAGEMENT

Course Objectives

(a) to provide an understanding of the basic principles of international trade and ways of interaction with a foreign client /supplier;

(b) to provide an understanding of the international sales environment from a strategic and operational view point;

(c) To enable students become familiar with the legal, technical, commercial and financial aspects of export and import operations.

Understanding Export and Import

1. **What is Exporting?**
   The process of selling a product produced in one country to another Country. Both Goods and services can be exported. However, services are unique and their export process is very different from that of commodity products. The exporter is usually the producer or the seller of the product. The Importer is always the buyer of the exported products.

   Types of exports:

   Goods: Tangible products such as machinery, electronics, vehicles, agricultural products, and raw materials.

   Services: Intangible products like financial services, education, software development, and tourism.

The first questions most small businesses ask are:

Why should we export? (This may be because the business has capacity to export, having the need to expand the business or they could be looking at the advantages they will gain out of exporting)

How should we export? (the entry modes for example direct exporting and indirect exporting such as licensing, franchising, piggybacking, agents, Export management companies) and

Where should we export? (It is important to know the market where you’re taking your product)

- It is important to carry out research about the destination of the products know the tastes and preferences of that market and all the legalities.

2. WHY IS EXPORTING IMPORTANT/BENEFITS OF EXPORTING

- **The first of course is the prospect of increasing sales and revenue**. There are many rapidly growing economies in the world ready to buy your goods and services, who can help you expand your market.
- **The second is that exporting can increase your ability to compete domestically** and internationally. The experience you will gain of working in different markets, such as an increased awareness of other products and services and exposure of new ways to market, will enhance your business.
- **It will also allow you to diversify your markets so you are no longer dependent on any one market for your success.** By using your domestic sales to cover the fixed costs of exporting you can also increase your profitability. For example, if you have excess capacity domestically, international markets can use that capacity, to lower your per unit costs; therefore, helping your bottom line.
- **Exposes the product to new customer segments** (this will in the long run increase sales and revenue)
- Exposes products to foreign competition which **improves technology** in the country as companies attempt to improve their production
- Creates employment opportunities for people of the exporting country
- **Technological evolution:** The rapid and relentless improvements in technology make our world an ever smaller and increasingly accessible marketplace with e-commerce providing much greater connectivity. The internet and email are now the norm for people and businesses to communicate and source information. It is easier for every business to trade overseas. But we're ahead of the rest of the world on e-commerce, and that gives you a competitive edge for a while.
- **Spreading risk:** Exporting spreads financial and business risk by widening your footprint and sales across a larger range of markets and customers in different countries. Normally export firms sell in a number of overseas markets. If they are affected by risks (losses) in one market, they may be able to spread business risks due to good return from some other markets.
- **Reduce seasonality:** Exporting evens out seasonal demand by allowing you to provide your products and services to accommodate needs. You can create a sales schedule to maximise opportunities in seasonal markets.
- **Increase productivity, efficiency and profits:** Research shows that exporting is great for businesses of all sizes. It makes them more productive, innovative and resilient to economic downturn, achieving a stronger bottom line, enhancing reputation and profile and ultimately making them more likely to stay in business.
- **Extend your product lifecycle:** Exporting can enhance cash flow and sustainability – an extended range of markets offering an increased number of contracts and clients with subsequent financial benefits. It can also extend the product lifecycle – by catering for the needs of different clients in different parts of the world over a longer timespan based on seasonal demand.

- **Get a competitive advantage:** Exporting helps you to keep pace with your competitors – some of them will undoubtedly be trading overseas – even though you may not know it - and benefiting from doing so.
- **Encourage innovation:** Exporting drives innovation in your products and services as you discover and implement new ideas and opportunities to meet the needs of clients in different countries.

3. EXPORT READINESS

Determining whether you are ready to enter the international business arena requires both an examination of your commitment in terms of resources as well as your ability to compete with international competition.

Evaluating your Export Potential

Below are a few relatively simple exercises you can take to determine if your firm is export ready or not.

a) SWOT Analysis

The first is the SWOT Analysis. This acronym stands for Strengths, Weaknesses, Opportunities and Threats.
Analysing your strengths and weaknesses requires you to have a hard look at what your company does well and what it does not do very well. This not only highlights the strengths you can use to give you a competitive advantage in the international market(s) you choose to enter, but can also highlight the changes or improvements you can make to your business to limit or eliminate your weaknesses.

Opportunities and threats are the forces external to your company that may influence its performance or perception. For example, government legislation could open potential opportunities for your business but may also be a threat if the politics in the region are unstable. Threats can also include competitors entering the same market or residents of the country mistrusting your products.

a) Competitor Analysis

After determining your organizations own strengths and weaknesses, it is necessary to evaluate your future competition in the new market. Your competitive analysis should identify the indirect and direct competitors your business faces and then focus on the latter.
Direct competitors are other import-export companies. (Definition*: Direct competition is when two or more businesses offer the same product or service and compete for the same market)*

-*An indirect competitor is another business that offers a different solution to the same target market as your business.*

Knowing your own value proposition as well as your competitors can lead to a successful market entry. Entering in a highly competitive market with seasoned competitors, who have deep pockets and high levels of customer loyalty can result in failure, even if you have a superior product. As a new entrant to an unfamiliar market, a competitor's strengths and weaknesses should be identified and understood.

Developing your competitor analysis requires a significant amount of market research, using both primary and secondary sources. When conducting your research, it is important that you go beyond just strengths and weaknesses. Your research must also identify:

1. How they manage/ make decisions.
2. Who the key personnel are and what are their drivers.
3. What the company's overall objective is for both their business and their individual products.
4. How satisfied they are with their present position in the market.
5. The changes in that position they are likely to take and how can you threaten their current position.
6. Where they currently conduct business and any known expansion plans.
7. Their investment history, both giving and receiving.

b) Benchmarking (evaluation by comparison)

Benchmarking or competency analysis is an evaluation process designed to determine your own company's capabilities against competitors. The analysis evaluates marketing, finance, manufacturing and organizational functionalities to determine a weak or strong position against your competitors.

After completing a competitor analysis, swot analysis and benchmarking the next steps are to develop a market entry strategy and a market plan.

c) **Company Commitment**

Understanding your executive leadership commitment to exporting and/or willingness to dedicate the time, staff and resources is crucial for exporting success. In addition, deploying resources and staff to travel internationally, meet with potential buyers and attend trade shows plays a vital role in ensuring success.

d) **Planning & Strategy**

Having an international marketing plan with defined goals, strategies and target markets will allow your team to understand quickly and test what is working and what is not working such as: Is your digital marketing plan luring in international leads? Are you able to fulfil international orders in a timely manner? Do you have a translation mechanism? Moreover, many organizations fail to have adequate knowledge on how to protect their company's intellectual property rights internationally; therefore, this should ALWAYS be at the top of your list before you begin exporting.

e) **Product Readiness**

Are your products or services commercially available? Is it possible to modify your products and/or services to adapt to cultural needs and norms? Do you need to translate marketing material to meet demands? Do you have enough production capacity to meet large international orders? These are all questions that need to be addressed before entering a new market.

f) **Export Mechanics (Having adequate knowledge about processes and documentation)**
There are many processes and documentation requirements that you may not be aware of or have dealt with until you've decided to export. Having adequate knowledge about shipping products (e.g., completing the right documentation or managing freight forwarders), export financing options (e.g., letter of credit, trade insurance), export licensing requirements and foreign legal and regulatory requirements is a MUST for any small business looking to export.

4. WHAT IS IMPORTING?

An import is a good or service bought in one country that was produced in another. An import is a product or service produced abroad and purchased in your home country.

- **When are imported goods attractive?**
  Imported goods or services are attractive when domestic industries cannot produce similar goods and services cheaply or efficiently.

Types of imports:

Consumer Goods: Items such as electronics, clothing, and food that are purchased by individuals for personal use.

Capital Goods: Equipment and machinery used in the production of goods and services.

Intermediate Goods: Components or materials used in the manufacturing of final products (e.g., raw materials, parts).

Services: Includes things like tourism, consulting, and IT services.

5. IMPORTANCE OF IMPORTING TO THE IMPORTER

- Quick way to start business and improve incomes
- Increases product variety in the country
- Enjoys technology transfer
- Quicker way of starting a business
- Exposure to new ways of doing things.
- Imported goods put pressure on local producers to improve their quality and production methods

To the importing country

- Source of tax revenue
- Can be used for diplomatic and international relations
- Source of raw materials: both Intermediate and Capital goods for further production.
- Improved Customer welfare due to improved and increased imported products
- Reduced prices of products due to competition

6. THE BAD ABOUT IMPORTING

- Externalization of jobs, every imported product denies local producers the ability to produce and employ local labour
- For weaker economies, importing affects the value of the currency of the importing country. The more you import the more of foreign exchange a country needs and the less the value of the importing country's currency.
- Importation hinders local production by outcompeting local products which affects their production.
- Sensitive sectors to the economy can be destroyed if no import control is instituted.
- Cheaply produced import products could be dumped in the economy making prices of locally produced products appear expensive thus affecting their competitiveness.

NB: Imports and exports are the components of international trade.

"Why might a country that produces coffee, tea, fruits, fish and minerals still import so many manufactured products?"

7. THE MAIN ACTORS IN GLOBAL EXPORT AND IMPORT BUSINESS

- Seller/exporter

  This can be a company or an individual that produces or sells the product. It can also be an agent working on behalf of the seller such as the Export Management Company (EMC) which trades products on behalf of the producer.

  The roles of the seller shall be well explained under INCOTERMS because roles vary depending on the incoterm used.
- Buyer/importer

  It can also be an individual, company, government/state that purchases products.

  Buyer is also called an importer.

  More details of the roles of the importer shall be discussed when doing INCOTERMS.
- Government: (The Ministry of Trade and Cooperatives, The Uganda Export Promotion Board).

  Government can take different shades; In Uganda, the government through the Ministry of Trade and Cooperatives regulates the business practices of exporters and importers. It issues licenses and certificates of origin to exporters wanting to export to; the COMESA and the EAC region. The Uganda Export Promotion Board (UEPB) is a government agency that registers all exporters. It also identifies markets for export products. The Government also plays a role of policy maker. The trade policy influences what is exported or imported. **Government as a policy maker**: A country's trade policy can determine which goods can be legally traded and those that are prohibited. For example: Under the pressure of Covid19 lockdowns, some countries began legislating on what should be exported. United Kingdom put restricts on export of essential medicines fearing that there could be shortages if lockdowns were not lifted in the long term. Others limited exportation of PPEs- Personal Protective Equipment(s) to protect their healthcare systems and population. In times of food shortages, governments can limit exportation of certain essential foods. Government can also limit importation of products as safeguard measure against import surges that may affect local production.

- Freight Forwarders

  These facilitate the transportation or movement of cargo from one point to another. They play a great role in facilitating overseas movement of cargo to the points of destination on behalf of the shippers. They also help with processing documentation needed to enable export and import trade to take place smoothly. They perform other roles related to shipments of cargo including but not limited to; cargo tracking, transfer of cargo from one carrier to another, loading and offloading of the cargo. They also advise exporters and importers on the most efficient modes of transport and routes. They book space for storage and warehousing, pickup of goods and delivery Examples: Maersk, Spedag Interfreight, Bollore, DHL, Kuehne + Nagel, etc.

- Clearing Agents

  These are very popular in developing countries where some exporters and importers are unable to use freight forwarders but are also incapable of clearing their goods and opt to use agents who are cheaper and readily. They are usually more localized than Freight Forwarders who are international in their operations. They understand the dynamics of a given market and experienced in handling the unique issues of a given customs territory or country. In Uganda, clearing agents are trained by East African School of Taxation run by Uganda Revenue Authority. They are certified after doing the course. The certificate is basis for their being licensed to do the functions of clearing and forwarding.

- Custom and Immigration Authorities

Customs departments are concerned with a number of things; Customs evaluation and assessment, fighting against smuggling, fighting against contraband goods, Collection of taxes/customs revenue, tracking transnational cargo tracking through ASYCUDA (Automated System for Customs Data) World.

Immigration authorities are concerned with the movement of people across the border. They ensure that rightful people enter their territories. They ensure that those who cross borders are known and well documented. They issue visas that allow travelers access to territories of other countries. They help in preventing unauthorized people/travelers from entering their territories.

- Carrier Companies/shipping companies

  These are companies that own ships or aircrafts that transport cargo. They can lease the ships out or hire/charter them to different groups. Some freight Forwarding companies own their own vessels and aircraft that transport cargo belonging to their clients. Others hire or charter the ships, aircraft that transport cargo.

- The Banks and other Financial Institutions

  Banks play a critical role in the import and export business by providing trade finance that is needed by the exporters and importers. Trade financing which involves financing export and import business is well facilitated by banking systems. Banks provide an avenue through which payments can be done for the exporter who has supplied goods to an importer. Banks also help in the arrangement of Letters of Credit, Confirmed and Unconfirmed Letters of Credit are well arranged with banks. Also banks provide an opportunity to an importer who has already received the Bill of Lading or an Airway Bill to borrow against the goods on transit. Insurance firms provide insurance cover of the goods on transit to ensure that if a risk happens to the goods the importer can be indemnified.

- The quality Controllers

  Quality controllers play an important role of ensuring that imported products meet the quality standards expected in the country. They check products to ensure that they are fit for the purpose for which they are imported. In Uganda, the UNBS runs Pre-Export Verification of Conformity (PVoC) for certain products before they are imported into the country. For example, all Motor vehicles to be imported into Uganda must undergo a PVoC certification. https://www.unbs.go.ug/content.php?src=pvoc-key-documents&content

Here you can find categories of goods that have to undergo Pvoc https://unbs.go.ug/attachments/menus/16/Categories%20Of%20Goods%20Covered%20Under%20PVoC

PVoC is done by companies appointed by Uganda Government in the countries of origin.

- Customs Bonded Warehouses

  These are warehouses that are used to store goods that have not yet cleared the customs duties. In Uganda, there are Customs Bonded Warehouses that are overseen by Uganda Revenue Authority. When goods are brought before the importer pays taxes, they are kept in these warehouses until after they have cleared taxes and are handed to the importer Failure to pay taxes, may cause such goods to be auctioned by URA to recover the taxes owed to government. They are a major link between the tax authorities and importers who are still looking for money to clear their taxes on imported products.

- Foreign Embassies

  All countries operate embassies in other countries. A countries' embassies are great source of market information for exporters and importers. An exporter who is interested in verifying the existence of export opportunities in other countries, can go through their embassies and in particular the Commercial Attaches Office to confirm a number of details including importers' addresses before they engage in exporting.

- Regional Bodies- EAC, COMESA, AU, SADC

  With many countries engaging in one or more forms of regional integration, regional bodies have become a major player in the export and import business. These regional bodies influence economic and trade policies which have a strong effect on export import business. Regional integration bodies such as EAC, COMESA or AU influence the level of tariffs, removal of trade and non-trade barriers and encourage preferential treatment of trade from member countries. Importers and exporters have a lot to benefit by understanding which Regional trade arrangements their countries belong and what opportunities are available for their businesses.

MEASURES FOR IMPROVING EXPORT PERFORMANCE

- How can we improve export performance in especially Low developed countries like Uganda?
- What measures can be taken to make these improvements?

Improving Export Performance

- **By lowering trade costs:** Organising and consolidating value chains so as to reduce the real resource costs of moving goods from producers to consumers, both domestically and overseas. (trade costs include transportation, time, information cost, local distribution costs, tariff and non-tariff barriers)
- **Enhance the domestic enabling environment:** For potential exporters (in terms of infrastructures, regulation, access to finance, insurance, fiscal policies).
- **Encouraging value addition:** This is done especially to agriculture products as most African countries tend to export products of lower value or in their primary form. Exporting low value products means that the country will not earn as much as expected.
- **Increasing the availability of credit.** The availability of short and (especially) long-term credit is crucial to exporters. This is decisive for small and medium enterprises (SMEs), for which the credit constraints are more binding than for large firms. Since SMEs make up the large majority of firms in developing countries, improvements in this domain are necessary to favor export growth.
- **Improving the competitiveness of services markets:** Efficient services as inputs are key to increasing productivity in manufacturing and export industries. services sectors like transport, finance, business services, logistics, and professional services need to be improved.
- **Developing domestic supply chains:** Active government efforts to develop domestic supply chains for existing efficient firms would replace imports, add domestic value added, create jobs, and be a source of technological transfers.

- **Facilitating foreign direct investment**: Investment restrictions affecting key partners should be undertaken with a view to facilitating flows of inward FDI, particularly in manufacturing.
- **Promoting Exports**: Export Promotion Board.
- **Production adaptation and customization to suit the foreign market**.