

THE NON-PRICE ASPECTS OF AN EXPORT PROMOTION
STRATEGY FOR CARIBBEAN COUNTRIES

by

Arnold McIntyre
Research Fellow

Institute of Social and Economic Research
(Eastern Caribbean)

University of the West Indies
Cave Hill, Barbados

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distilling the salient features of the strategies of successful exporters notably the newly industrializing economies (NIE's) in Asia.¹ The essay examines the importance of export marketing and is not a comprehensive analysis of the set of non-price factors. The approach is to outline some key patterns and sequences of export marketing derived from a detailed analysis of the East Asian economies which have been the most successful developing countries (DC's) in this area. In addition, it looks at the most effective, least cost forms of institutional support to export marketing for small manufacturing firms in the Caribbean.²

KEY PATTERNS AND SEQUENCES IN EXPORT MARKETING

In exporting to a major industrial market economy the exporter faces a variety of informational barriers to entry with respect to design, packaging, distribution etc. So that in an economy with limited export experience the manufacturer is forced to rely on a "buyer who knows what the market requires and will supply the design and take the risks and costs of holding inventory and distributing the product.....".³

Keesing (1988) argues that the available evidence clearly shows that an exporter to an industrial market economy must supply exports to satisfy design and materials requirements and labels and packaging so that they can go straight to the retail store or the warehouse. There is little margin for error and poor performance first time around creates reputation problems for the firm and the country of the firms origin. One finds that given the strict requirements that must be met by inexperienced exporters they tend to rely on foreign buyers for a wide range of assistance.

Typically the 'first buyers' tend to be importers-wholesalers specializing in launching "new low-cost sources of supply in particular products".⁴ Generally, these buyers search the globe for countries with relatively low labour costs that have some installed productive capacity. The evidence from the NIE's suggest that they are ready to teach exporters what must be done and how they can do it in return for very low-priced exports. So, that to be attractive to this type of buyer it requires relatively 'cheap labour' resulting in low unit costs. This is so for a variety of labour-intensive consumer goods e.g. clothing, toys, footwear, textiles, printed matter. But for the more skill-intensive manufacturing exports e.g. computers, consumer electronics,

pharmaceuticals etc. firms tend to do their own marketing. The experience has been that as a country's industrialization effort becomes more sophisticated and it diversifies into more skill-intensive industries its major firms have acquired a variety of information and skills that allow them to undertake their own marketing efforts with some institutional support.

Now, these first buyers tend to place orders for products with slowly changing designs, so that long lags in delivery which are to be expected initially do not lead to substantial losses. The first buyers tend to teach the exporters how to adapt their production management techniques at each stage of the process to meet the specific requirements of each market. After meeting a succession of orders the manufacturers become familiar with the strict quality standards, packaging, packing and shipping arrangements and overall management tasks that are involved in supplying the goods at least cost, in the least possible time and at the desired quality. The importance of the learning process is that the information and skills acquired can be applied to other activities i.e. there are some positive externalities to be derived. Kossing & Lall (1988) suggest that in 1979 managers that were interviewed at one of Korea's largest conglomerates stated "that they learned quality control from Sears Roebuck in making shirts for them in the 1970's, then applied the lesson to other products".⁵

The learning process for manufacturing is not simply related to quality control and other things, but also on how to market your own firm. Manufacturers via their interactions with buyers must learn how to market their firms experience, know-how and production capacity and overall efficiency. This helps to establish the firm's reputation and quickly puts the firm in the mind of a wider range of buyers. Furthermore, after the initial

orders, buyers only continue to maintain relationships with a firm if they are satisfied with the overall performance of the firm. The poor performance of a firm adversely affects the prospects of future manufacturers from that country. Conversely, a good performance enhances the country's reputation and provides further stimulation for manufacturing orders. The observed sequence is that other categories of buyers come in and offer higher prices to the experienced manufacturers and these firms expand via new investments. The other firms and the new firms will imitate the successful manufacturers. The industry gradually expands and firms as they grow get increasingly involved in design and marketing that is related to their product and market.

Successful firms develop upon the initial learning from buyers by acquiring more detailed knowledge about design, manufacturing technology, relationships with foreign firms, overall management, employee training and other aspects of business. These insights are usually acquired by overseas travel, hiring experienced managers (foreign or local), getting expert advice and any other available means. Increased learning in these areas assists in marketing the firm for the more the firm can convince buyers it knows about the business the more likely buyers are to place orders with them.

As the firm gains greater knowledge and expertise in design the firm in some industries begins to develop its own designs and distributes its exports via its own agents and distributors in the importing countries. This is an expensive venture that can only be achieved after a certain firm size and sales volume have been established. Generally, the manufacturers from developing countries usually develop their own agents and distributors for products whose design doesn't change frequently. Therefore, they concentrate on developing the products that tend to be standardized in a few

designs over long production runs. This precludes small/medium-sized firms entering large markets so they concentrate on developing their own distributors in the smaller and in some cases less lucrative markets. However, in most labour-intensive consumer goods which developing countries usually adopt first manufacturers always produce to buyers orders and this is the relevant lesson for Caribbean manufacturers.

In summary, the benefits that accrue from manufacturing exports, come not only from the foreign exchange and employment generated but from the learning effects that arise from staying internationally competitive in a wide range of activities that are important to the development of these exports. Notwithstanding these benefits most case studies in developing countries point to the need for some form of assistance to export marketing for manufacturing firms.

INSTITUTIONAL SUPPORT TO EXPORT MARKETING

Recent research at the World Bank has focused on trying to devise cost-effective institutional support in developing countries to export marketing mainly for manufactured goods. The focus is on developing countries that have limited industrial experience but are trying to enhance the process of development via industrialization.

The experience of export promotion organizations (EPO's) in most developing countries has not been encouraging and most observers tend to view them as a sheer waste of money in terms of their results. The only known exceptions have been the EPO's in the leading export-oriented economies in East Asia i.e. Taiwan, Hong Kong, Korea and Singapore and in some industrialised countries.

Keesing (1988) argues that "official institutions and ordinary officials in developing countries rarely know enough about the business side of exports to do these tasks well." However, when these organizations are well founded they do provide some information that is useful in export marketing.

Generally, the principal function of EPO's in developing countries (DC's) is the provision of a variety of information services. In the area of support to export marketing there is only limited support e.g. arranging firms' exhibits in trade fairs, organizing periodic trade shows and trade missions and a range of other activities.

A serious weakness of EPO's in DC's is that the organization is involved in a variety of other tasks that are not really compatible with export promotion e.g. trying to represent exporters needs to government officials, designing and implementing policies towards exports and monitoring the administration of export incentives (including special lines of credit). In countries with limited export experience this is an unnecessary range of responsibilities to demand of EPO's whose sole responsibility should be support to export marketing by firms themselves.

EPO's are also restricted from selectively favoring more successful firms at the expense of disfavoring less successful firms. So they are forced to provide the same range of services to all firms. Consequently the information they provide for foreign buyers contains little data on individual firms and as a result is not particularly useful.

In terms of the future of EPO's in DC's one of the issues that must be posed is whether an established public sector EPO, is the appropriate organizational structure, for providing assistance to firms in export marketing in the early stages of a country's industrialization effort. Given the

consistently poor performance of public sector EPO's in DC's one can argue that DC's should channel advice and promotional support to export marketing via private or quasi-private organizations. In contrast to most DC's the successful East Asian economies had a lot of experience and success in manufactured exports before their EPO's were started. In the early stage of their export development the strategy was to depend on institutional support by private manufacturers and/or exporters associations, individual industry associations and other similar organizations. The impressive Chinese External Trade Development Council in Taiwan probably the most outstanding of all East Asian EPO's was not started until 1970. Taiwan's official adoption of an export promotion strategy occurred at least 10 years prior to the formation of its EPO. In Singapore the Trade Development Board was not started until 1983.

LESSONS FROM EAST ASIAN EPO's

In getting exports well started a developing country must ask itself what are the most important things an EPO can do to promote export expansion. East Asian EPO's have tended to focus initially almost exclusively on providing basic advice and help on the supply side. Of course, this is in contrast to most EPO's in DC's that focus on trade information. One can argue that an important form of assistance to inexperienced exporters is to tell them what type of product package is required and how they can achieve it. As a result of this EPO's may assist firms in solving problems related to production technology and the management and organization of exports, design and quality control. Thus enabling the exporters to meet the specific requirements of buyers from the "harder" and more demanding markets in the industrialized countries. If this can be achieved then EPO's can accelerate exporters learning experience and make them more attractive to buyers.

Keasing (1988) argues that this has been successfully achieved in East Asia and has provided further encouragement to an already expanding export sector.

The experience of East Asian EPO's points to the importance of assisting inexperienced exporting firms in devising flexible marketing strategies. This would initially probably involve a narrow range of tasks: First, showing firms how to market their production capacity effectively to visiting buyers or in trade fairs. If local expertise does not exist to provide this service then suitably chosen international consultants are an obvious alternative. Second, assisting firms in how to locate and approach foreign buyers. Third, assistance in formulating small advertisements in a specialized promotional publication.

The provision of information services by EPO's is not entirely a waste of resources. Case studies done at the World Bank (See Jaramillo (1981)) suggests that what buyers seem most interested in is "detailed information on each individual firm's size, production capacity and capabilities, its business history including precisely what it has been manufacturing and for what markets, its strengths and problems, its financial situation, the qualifications and ambitions of the people who run it, and details of its export experience, performance, reliability and existing know-how". The supply of most of this information by a well organized EPO can save a buyer a lot of time, effort, frustration and bad experiences that can tarnish the reputation of a country in a major market. Once again one is forced to make the point that reputation building by a country's major manufacturing firms is an integral part of a country's export promotion effort.

As a country gains manufacturing experience and firms expand their production capacity and develop reputations one finds that firms begin to actively search for their own buyers in existing or "new" markets. In most cases EPO's tend to simply provide a list of firms as potential buyers. The more successful EPO's respond more appropriately by providing more detailed information based on a survey (or other forms of enquiry) of firms' needs e.g. buyers type of business, products bought, average size of orders of the firm, the range of product designs it provides and the quality and price range it deals with. Much of this is often considered market research by EPO's but only the successful ones pursue it in such a detailed fashion. Experience suggests that it is only such a comprehensive treatment that is of any use to firms.

At a later stage once exporters become experienced and have achieved some export success a variety of other forms of assistance can be provided. In the East Asian case it is after they achieved some success that EPO's were established and they then tried to achieve objectives discussed previously. Now, at even a later stage further support can be provided particularly in two key areas: First, the provision of information about major events in the country's leading market for manufacturing exports. The vital information in this area are notable trends in fashions and product designs and modifications to the whole product package. Also, the trends in prices paid to overseas manufacturers for each product type, the competition in quality and in a world of rapid technological change the increasing application of modern (cost reducing) technology must be monitored.

Second, the EPO should devote funds to a sustained promotional effort which is aimed at informing a wider range of buyers about the economy's

capabilities and strengths as a source of supply in their industries. This would require attendance at specialized trade fairs which are known to be attended by major buyers from the most lucrative markets. Furthermore, organizing the manufacturers for specialized trade missions to new markets particularly for their "new" products. Now, promotional efforts have only been shown to be beneficial in the World Bank case studies after the country has a track record of export success. Perhaps more importantly, after the firms capabilities can be well marketed and their level of efficiency and/or "competitiveness" easily seen by potential buyers.

EPO'S IN THE CARIBBEAN

In the last decade the major Caribbean economies have all embraced the strategy of export promotion and the idea of providing institutional support to exporters. In most cases this has been provided via a public organization that has a variety of responsibilities - marketing advice, trade information, technical assistance, overseas representation and market research.

Almost continuously the view is expressed that these EPO's are failures and not necessarily because the management is incompetent. In our earlier discussion we can recognize that these EPO's were ill-conceived by their architects and are not really organized to provide effective support to exporters.

First, the experience of successful exporters demonstrates that political commitment to an export promotion strategy and creating the appropriate policy environment that encourages exports to grow must be established first for an EPO to have any chance of success. In other words, the society must begin to acquire an 'export culture' particularly in the business community

to provide the environment for an EPO to operate. Most observers would argue that this is presently absent in Caribbean societies.

Notwithstanding the need for an export-oriented culture one can argue that the EPO's have not been well conceived and are burdened with far too many responsibilities and inappropriately staffed to assist in the business of exporting.

In the area of staffing there are some obvious areas of deficiencies in developing countries. In many cases civil servants are given the responsibility of managing EPO's and they generally do not perform well because they simply do not understand the business of exporting. It is preferable for an EPO to have its management drawn from the private sector or hire professional managers. An alternative is to let the major exporting firms commit some of their management staff on contract to the EPO. Ultimately the private and public sector must understand that the EPO is for the benefit of exporting firms and as such should be managed in their interest. The experience documented in the World Bank case studies is that private sector individuals understand the problems of exporting firms far better than inexperienced public officials. Therefore, an EPO in the Caribbean should be government-owned but managed by a board in which the private sector is heavily represented and its senior management should be drawn from the private sector or business community.

Generally, one can argue that in the conception of the responsibilities of EPO's in the Caribbean, far too many functions have been given to them. The Barbados Export Promotion Corporation (BEPC) was established by statute in October 1979 and was charged with the following responsibilities:⁶ First, to advise, monitor and report on all matters relating to Barbados' export trade.

Second, to facilitate, encourage and implement measures necessary to promote Barbadian exports. Third, to provide research, training and consultant services in export promotion. Finally, to compile information and issue publications to aid the export of specified products.

In a similar fashion the Jamaica National Export Corporation (JNEC) was established by an Act of Parliament in 1969 to devise and implement policies and programmes to expand and facilitate Jamaican exports. The services provided by the JNEC include:⁷

- Marketing, advisory and promotional services
- Trade commissioner services in major overseas markets
- Trade related training
- Certification of exports and security audits.

It thus appears that the BEPC and the JNEC offer too many forms of assistance to exporters. The World Bank case studies indicate that in countries with limited industrial experience the most effective form of assistance to exporters is to help them to overcome supply problems and assist them in improving their supply capabilities. This is mainly in the form of technical assistance by providing engineering or technical expertise but also includes assistance in improving systems of organization and management. Both forms of assistance improve overall efficiency of an exporting firm and increase the firm's attractiveness to overseas buyers. In addition, an overseas representative, market research, trade missions and exhibitions, export awards and assistance to overseas buyers are not really useful forms of assistance to exporters at this stage of the industrial development of Caribbean economies. The evidence suggests that these forms of assistance

are far more effective after export success has been achieved and firms are moving into marketing more sophisticated product packages. Therefore, they should be part of the long-run development plans for a Caribbean EPO but are not really useful now.

The market advisory service and the trade information service should be added to the technical assistance function (which can also be called the industrial extension service) to complete the set of objectives of a Caribbean EPO. By working in close collaboration with the Chamber of Commerce and other relevant private sector organizations e.g. industry associations, the EPO can devise marketing strategies for penetration of extra-regional markets by individual firms. Much of the actual promotional effort involved in market penetration can actually be done by the private sector organisations and/or the firms with the EPO providing funding and any needed technical advice.

The trade information service should concentrate on: First, market information focussing on the country's major markets and existing trade barriers, quality requirements, market trends distributorships and existing competitors. Perhaps, most importantly developing detailed information on the home country's individual firms' capabilities and overall strengths that foreign buyers will find useful. Second, there should be a technology information service that tries to assess the impact on the home country's major export industries of recent technological changes. This is a challenging responsibility and requires some depth of technical skills - some combination of scientific and engineering skills. A related objective of the technology information service is to assist exporters in the search for "new" technology. The EPO should keep up to date information on the cheaper and most reliable sources of technology for the home country's export industries.

In conclusion, the experience of public-sector EPO's in developing countries has not been particularly encouraging and most analysts suggest they have been a sheer waste of money (Keesing (1988)). A variety of case studies done at the World Bank attempted to document the patterns and requirements in marketing manufactured goods. Furthermore, to assess the best forms of institutional support to export marketing by analysing the experience of the successful East Asian EPO's. The important lesson to be derived for CARICOM countries is that EPO's should be private sector organizations focussing on improving on individual firms' supply capabilities via technical assistance in a variety of areas together with complementary assistance in marketing and trade information. One should also note that private EPO's have been relatively more successful in countries other than those in East Asia. In Peru the majority of the support was effectively provided by ADEX (Asociacion de Exportadoras). In 1980 in Argentina a large amount of its foreign trade promotion activities was handled by delegating them to the private sector Chamber of Industry (Comoros de Industrios) in the various manufacturing industries and they usually spent public funds.

FOOTNOTES

1. Here we are referring to Taiwan, Korea, Hong Kong and Singapore.
2. We specify small firms since most indigenous manufacturing firms in the Caribbean are of the small to medium-size variety (i.e. less than 100 workers).
3. See Keesing & Lall (1988) p.8.
4. See Keesing (1988) pp.19. We should note that 'first buyers' could also be retailers or manufacturers who still design their product under their established brand names but subcontract all part of the production.
5. See Keesing & Lall pp.12.
6. This is excerpted from the BEPC's promotional brochure.
7. Excerpted from a JNEC promotional brochure. One should note that in 1989 the JNEC and JAMPRO will be merged into one promotional organization for Jamaica's exports.

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