

Periodic Research

A Paper on Promotional Objectives of Exporters

Abstract

Promotional decisions have an important place in the marketing mix. Promotion is persuasive communication. Generally, there are four elements of export promotion i.e. advertising, foreign tours, sales promotion and publicity. Promotional objectives of the organization are going to affect its promotional budget allocation. The study has been conducted to find out that which promotional objective gets priority with exporters while determining its promotional budget. The analysis has been carried on aggregate basis, status wise and industry wise.

Keywords: Promotional Objectives, Indian Export Units, Promotion Budget.

Introduction

In the world of competition, promotional decisions have an important place in marketing mix. Promotion by definition is persuasive communication. It is the process of marketing communication involving information, persuasion and influence. It is a form of non-price competition that can create and stimulate demand, capture the market share of competitors and maintain demand for the products. Generally, there are four elements of export promotion - advertising, foreign tours, sales promotion and publicity. Advertising is one of the major promotion tools. It informs, guides, educates as well as protects buyers so that they can buy intelligently. In the marketing programme of a business enterprise, advertising is an indispensable tool. Personal selling is another important element of promotion. No other element of promotion is so strong as foreign tours when it comes to convince the buyer and seek an export order. Foreign tours/personal selling enables understanding of the buyers' problems and preferences. It is the best means of two-way communication between the firm/company and its buyers/customers. Sales promotion comprises a variety of tactical promotion tools of a short-term incentive nature designed to stimulate stronger market response. Another marketing communication tool is publicity. It comes to the public as truth rather than as a commercial. However, partly the product evaluation/reporting by the media are not controlled by the company. Defective products and unfair trade practices etc. often result in unfavorable publicity. Reducing the impact of bad news is as important as creating good publicity. Every firm tries to build good public relations with a view to promote its corporate goals.

Objective & Research Methodology

This study makes an attempt to identify the objectives considered by firms while determining promotion budget. As Haryana contributes significantly to the export basket of India, it was decided to concentrate the research only to this state. Sample constitutes 76 exporting units from textile industry, 32 exporting units, from food-processing industry, 20 exporting units from engineering and other industry 24 exporting units.

To collect the information, the questionnaire was administered to sample units personally. Secondary data was collected from various published sources including but not limited to offices/libraries of Texprocil, APEDA, EEPC, ITPO, CII (Delhi, Chandigarh). The reference year for collection of data is 2014-15. The analysis of the data has been carried out by using arithmetic mean, percentage and ranking of objectives of exporters. The analysis has been carried out Aggregate and Status-wise and Industry-wise.

The unit enjoying any special status by D.G.F.T. (Director, General of Foreign Trade) e.g. Export House, Trading House etc. have been termed as special status units and other units that do not possess any of such status are termed as non-status units.



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Review of Literature

Melitz and Redding (2014) suggests that firms self-select into exporting if their productivity is sufficiently high to cover the fixed or sunk cost that exporting entails. Dhingra and Morrow (2014) highlight that the amount of entry generated in a competitive market is only socially optimal in very special cases. In more general settings, benefits associating with increased entry provide additional reasons for export promotion. As per Volpe Martincus and Carballo (2010) for a small firm with a differentiated product, effects are especially strong for entry into new destination markets. Nazneen Shahid (2013) concludes that export promotion organizations

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are also encouraging international trade by giving opportunities to exporters in order to expand and diversify their exports.

Promotion Budget Objectives

Through primary research, a list of objectives was identified which included targeted sales, increasing sales of slow selling items, introduce new item(s) in the market, develop new market(s) and to obtain new dealers.

Table-I incorporates the response pattern and ranking based on number of responses for a particular objective. Every respondent firm was allowed to state any number of objectives out of an optional list of 5 objectives.

Table - I
Objectives of Promotion Budget: An Aggregate and Status-Wise Analysis

Objectives	Special Status		Non-Status		All Exporters	
	% firms	Rank	% firms	Rank	% firms	Rank
Targeted Sales	72.09	II	59.38	2.5	65.73	II
Increasing sales of slow selling items	06.98	V	12.50	V	9.33	V
Introduce new item(s) in the market	53.49	IV	31.25	IV	44.00	IV
Develop new market(s)	90.70	I	78.13	I	85.33	I
To obtain new dealers	65.12	III	59.38	2.5	62.66	III
No. of firms	43		20		75	

Aggregate and Status-Wise Analysis

Analysis carried out in aggregate terms brings out that a large majority of firms (85% approximately) consider developing new markets as the important objective while determining the size of promotion budget. Second Position is occupied by 'targeted sales' approximately 66% of exporters say that promotion budget is decided keeping in view 'sales target'. As many as 63% firms, talk about 'to obtain new dealers'. The objectives 'introduce new item(s) in the market' (44%) and 'increasing sales of slow selling items' (9.1%) surface at fourth and fifth position respectively.

No significant difference is observed in status-wise analysis. Ranking pattern for 'special status' category is exactly similar as that of exporters. However, 'non-status' firms after assigning first rank to develop new market(s) have assigned equal rank to those objectives which obtained second and third position in case of 'all exporters'.

Industry-Wise Analysis

Industry-wise analysis exhibits significant differences in the set of promotion objectives in case of textile and food processing industry. But the engineering industry exhibits an identical ranking pattern with regard to objectives as that of 'all exporters' category. Gearing the promotion budget to the developing of new markets occupies the top position with the textile exporters. However, both 'targeted sales' and 'introduce new item(s) in the market' share a second position. Barring the textile industry, the objective of 'introduce new item(s) in the market' obtained a low position (4th) in other categories (food, engineering and all exporters) and that too with very small percentage of firms supporting it. It is noteworthy that 68% of textile units the introduction of new items as a basis for fixing promotion budget. It reflects that textile industry is subject to frequent changes in fashions.

Table - II
Objectives of Promotion Budget: An Industry Status-Wise Analysis

Objectives	Textiles		Food Processing		Engineering	
	% firms	Rank	% firms	Rank	% firms	Rank
Targeted Sales	67.74	2.5	85.00	2.5	50.00	II
Increasing sales of slow selling items	03.23	V	15.00	V	12.50	V
Introduce new item(s) in the market	67.74	2.5	25.00	IV	29.16	IV
Develop new market(s)	93.55	I	85.00	2.5	75.00	I
To obtain new dealers	61.29	IV	90.00	I	41.66	III
No. of firms	31		20		24	

In case of food processing industry as many as 90% of the firms have expressed the opinion that the objective 'to obtain new dealers' is of paramount importance to them in terms of determining the size of promotion budget. This objective is ranked third and

fourth by engineering and textile industry respectively. Both the 'targeted sales' and 'develop new markets' obtain second position in case of food processing industry. It may suggest that the exporters of

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processed foods are still trying to cultivate their markets.

Conclusion & Findings

According to this study 'develop new market(s)' is considered to be the most important promotional budget objective irrespective of status of units. 'Targeted sales' and 'obtain new dealers' occupy second and third position respectively.

Industry-wise analysis shows that 'develop new market(s)' objective is of prime importance to Textile industry and Engineering industry units while objective 'to obtain new dealers' finds favour with Food Processing units. Whereas 'targeted sales' and 'introduce new products in the market' get equal weightage with textile industry. While 'introduce new product to the market' is not a popular objective with Food processing and engineering units.

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