

# Selection of Export Markets – A Survey of Exporting Units in India

## Abstract

Before making an entry in the international market, a firm has to identify those markets in which it can sell its products easily and the potential of various foreign markets and their respective marketing environments. Some markets may not have potential while in other markets firm's objectives and resources may not allow it to operate. Therefore, selection of an appropriate market is a very crucial decision. In this study, an attempt has been made to identify the factors that influence the decision of the firm in selection of a market. It was observed that 'market potential' is equally favoured by all exporters irrespective of their status while industry-wise analysis shows 'currency stability' is most favoured by the Textile industry. 'Assured payment' is also a major factor in shortlisting of markets as per 'non-status' and 'all exporters' category. 'Reliable payments' and 'assured payment' are equally important in case of 'special status' firms.

**Keywords:** Export Market Entry, International Trade, Exporting Units Analysis.

## Introduction

Selection of export markets is of paramount importance for the organizations. It is a crucial decision from the viewpoint as it is going to direct future activities of the firm. On one hand firm's resources are at state on the other hand a right decision in this regard has the potential to contribute significantly to the revenue earning for the firm. Therefore, a proper analysis is necessary for selecting the proper, appropriate and suitable foreign market keeping in mind the firm's objectives, resources and other limiting factors.

## Objective & Research Methodology

This paper makes an effort to find out the selection and preferences for export markets of exporting units of Haryana. 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 24 exporting units and other industry.

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. Comparative analysis was conducted on the types of industry and export status. 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.

## Review of Literature

Douglas (2011) suggests that for selection of export market a systematic approach is to be followed by making use of extensive information search of objective market and country factors. Algita, Viktorija & Justina (2013) found that there were different methods and models for foreign market selection, so there is no unique method, the usage of which would allow the company to export successfully its products into foreign markets. Each company should adapt the selected model for particular situation. Gaston-Breton & Martin (2011) state that selection of foreign market is an important question in the strategy of international marketing and international business, as well as in management of that business. They propose a macro-segmentation model, which according different

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criteria evaluates the foreign market attractiveness. Noorzadeh, Mahdilo, & Saen (2013) argue that the quantitative methods being used, as well as decision making skills will help to attain better results related with evaluation of marketing strategies. However, such approaches can become too complex to be applicable in practice (Papadopoulos, 2002). Andersen and Buvik (2002) talks about the unsystematic approach where they identified socio-cultural proximity as a key influencer and the same was validated by Johanson and Vahlne (2009) in their research work. Ellis (2007) also establishes that it a firm should enter culturally close countries to home market as it lowers the entry and customer acquisition costs. Macher and Richman (2008) talks about the importance of the political stability and law as it ensures in contractual guidelines and its contingent enforcement. All literature related to the study have been reviewed and added as best of author's knowledge.

**Factors in Market(s) selection**

A strategic market planning issue relates to the choice of export markets. Ratings on the extent of consideration of particular factors while selecting the export market(s) were obtained from the firms with a view to identify key factors.

**Status-Wise Analysis**

Table-I enlists the average score and rank for each probable factor bearing influence on market selection of export market.

Interestingly, the response patterns for 'all exporters' category is in perfect harmony with response pattern in case of special and non-status firms. Thus, three important factors in the selection of export markets are market potential, currency stability and political stability. Political relationship and income are rated very low and as such do not seem to be important to the exporters.

**Table – I**  
**Factors Influencing Selection of Export Market: A Status-Wise Analysis**

Factors	Special Status		Non-Status		All Exporters	
	$\bar{X}$	Rank	$\bar{X}$	Rank	$\bar{X}$	Rank
Socio-Cultural Proximity/ ethnic links	1.42	VI	1.54	VI	1.47	VI
Market Potential	3.46	I	3.64	I	3.54	I
National and Per Capita Income	2.21	V	1.67	V	1.97	V
Political relations with Home Country	2.23	IV	2.03	IV	2.14	IV
Political Stability	2.25	III	2.51	III	2.37	III
Currency Stability	3.32	II	3.39	II	3.35	II
No. of Firms	43		33		76	

**Note:**  $\bar{X}$  represents total number of affirmative responses divided by total number of respondents from the grouping.

**Industry-Wise Analysis**

Industry-wise analysis is presented through Table-II. 'Market potential' and 'currency stability' emerge as two most important factors influencing selection of export market. Market potential and currency stability have respectively obtained first and second position in both the food processing industry

and engineering industry. The scores of these two factors are almost equal in case of textile industry and therefore, they appear to be equally important to the process of market selection. While textile industry has given fourth position, the food processing and engineering units have accorded third position to political stability.'

**Table – II**  
**Factors Influencing Selection of Export Market: An Industry-Wise Analysis**

Factors	Textiles		Food Processing		Engineering	
	$\bar{X}$	Rank	$\bar{X}$	Rank	$\bar{X}$	Rank
Socio-Cultural Proximity/ ethnic links	1.50	VI	1.45	VI	1.46	V
Market Potential	3.31	II	3.70	I	3.71	I
National and Per Capita Income	2.59	III	1.75	V	1.363	VI
Political relations with Home Country	2.28	V	2.20	IV	1.92	IV
Political Stability	2.37	IV	2.40	III	2.33	III
Currency Stability	3.34	I	3.45	II	3.29	II
No. of Firms	32		20		24	

**Note:**  $\bar{X}$  represents total number of affirmative responses divided by total number of respondents from the grouping.

The factor 'national and per capita income' obtaining third Position by textile industry, is accorded least importance (5<sup>th</sup> or 6<sup>th</sup> position) by the other two industries. Clearly though the 'national and per capita income' factor is considered insignificant by food processing and engineering industries, it is regarded as a significant factor by the textile industry. Textile products are considered to be fashion products prone to frequent changes and purchased by upper income groups. Therefore, the significance of the factor

'national and per capita income in selection of export market for textile industry cannot be under-rated. Contrary, the engineering products are generally purchased by customers on the basis of reliability and safety. Therefore, factor of 'national and per capita income is relegated to a low position when an export market is chosen. In case of food processing industry, the main item of export is rice. Despite being a consumer item, 'national and per capita income factor does not influence the selection of export market.

Consumption of rice is an outcome of culturally bound food habits and hence, income of individuals is unlikely to exert any influence on the market selection for exporting.

**Factors behind Preference of Markets**

Firms have been found to prefer certain markets. In some cases, they prefer operating in existing markets. In other cases, the firms have been found to favour export markets where in they are not operating at present and have plans to enter these

markets in near future. Factors behind preferences of these markets have been analysed in aggregate terms, industry-wise, and status-wise.

**Status-Wise Analysis**

Table-III shows the ranking pattern of the firms regarding factors behind preference of markets status-wise and in aggregate terms. Ranking pattern obtained for 'all exporters', special status, and non-status categories is almost similar.

**Table – III**  
**Factors Behind Preference Of Markets: All Exporters And Status-Wise Analysis**

Factors	Special Status		Non-Status		All Exporters	
	$\bar{X}$	Rank	$\bar{X}$	Rank	$\bar{X}$	Rank
Higher Margin	.37	4	.42	4	.39	4
Bulk Orders	.63	3	.67	3	.64	3
Less Competitions	.32	5	.27	5	.30	5
Reliable Market	.81	1.5	.76	2	.79	2
Assured Payment	.81	1.5	.79	1	.80	1
No. of Firms	43		33		76	

**Note:**  $\bar{X}$  represents total number of affirmative responses divided by total number of respondents from the grouping.

There is an insignificant difference between the scores obtained by the factors 'assured payment' and 'reliable market'. Overall, these two factors turn out to be most important factors for preference of certain export markets. After that, it is the bulk orders that attract an exporter to a particular market. Higher margin and less competition factors are given much less weight compared to other factors.

**Industry-Wise Analysis**

Depending upon its needs, an industry may accord different influencing a preference for particular export market(s). Table-IV presents industry-wise ranking pattern of factors responsible for the preference of markets. 'Reliable market' seem to be basic conditions for preference of particular export markets in case of textile and food processing industry.

**Table – IV**  
**Factors behind Preference of Markets: An Industry-Wise Analysis**

Factors	Textiles		Food Processing		Engineering	
	$\bar{X}$	Rank	$\bar{X}$	Rank	$\bar{X}$	Rank
Higher Margin	.34	IV	.50	III	.37	IV
Bulk orders	.69	III	.45	IV	.75	II
Less competition	.31	V	.35	V	.25	V
Reliable market	.78	I	.90	1.5	.71	III
Assured payment	.71	II	.90	1.5	.83	I
No. of Firms	32		20		24	

**Note:**  $\bar{X}$  represents total number of affirmative responses divided by total number of responses.

However, 'assured payment' has been ranked first by engineering industry. Furthermore, in this industry, the reliable market factor and bulk orders factor is accorded third and second Position respectively. 'Less competition' is ranked last (5th position) in all the three industries, indicating that either competitive conditions exist in every market or Indian exporters operate only in niche markets. After 'reliability of market' and 'assurance of payment', 'bulk orders' is considered to be a significant factor in establishing preference for markets in case of textile industry. However, in case of food processing industry higher margin' gets slightly higher score than 'bulk orders'. 'Higher margin' do not seem to carry weight as in competitive markets it is difficult to charge higher prices. But in case of food processing industry, it seems inspite of competitive conditions there are certain markets wherein comparatively higher margins are available. Overall assured payment, bulk orders, and reliable market are the major factors influencing

preference of export destination of engineering industry.

**Conclusion & Findings**

Findings of the study show that 'market potential' and 'currency stability' are two major factors that influence selection of export markets irrespective of the status of the firm. 'Political stability' is also a factor to reckon with at third place in all the three cases.

Industry wise analysis shows that Textile industry gives high priority to 'currency stability' while 'market potential' is preferred by Food processing industry and Engineering industry in the selection of export markets. After 'market potential' the factor which assumes importance with Textile industry is 'national and per capita income' while the other two industries rate this factor as insignificant.

All exporters consider 'assured payment' as a main factor behind preference for a particular market. Along with it, the other factor which is

considered is 'reliable market'. In industry wise analysis, after 'assured payment' it is 'bulk orders' which remains highly significant from the view point of Engineering industry. Whereas for the other two industries, 'assured payment' and 'reliable markets' remains of high significance from export market selection perspective.

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