

## Defining of Export Marketing Process in Automotive Industry

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**Abstract:** *Result of export marketing process depends on five stages (sub process). The first export marketing stage is review of export capacities, internal review of company's advantages and disadvantages relating to export possibilities. Identification of market to be exported to is the second stage. The third stage is development of export strategy, penetration of company on market. The fourth one is preparation for marketing drive (action). Finally, the company should implement the plan – stage 5. This paper presents structure and contents of mentioned stages. At the end, there is an example of export marketing in automotive industry.*

**Keywords:** *Marketing, Export, Process, Market*

### 1. INTRODUCTION

On open world market the sale of a number of various products is lower than their available capacity for production. From that reason a severe fight for a single customer has appeared especially for any potentially perspective market.

According to the SME (strategy marketing export) the exporters traditionally identify their disadvantage of export marketing skills as one of constrains for development of sustainable international market and better competing position. The most frequent disadvantages are:

- Overloading – how many markets may be exported to with no disturb of present customers?
- Financially justified use of market resources – what markets should be concentrated to and why?
- Winning of new markets – who to speak to (agents, potential customers) if willing to win a new market?
- Preparation – how to embark to that market and if new skills not present in a company are necessary?

Companies may waste much time and finances trying to win markets with no potential or with their products not corresponded to them. To be successful in export marketing any exporter should focus on specific products and markets and should prepare itself. The question is what products and what markets to choose?

Support to export marketing is also to apply the Quality management system (QMS) as per ISO 9001:2008 standard i.e. the SRPS ISO 9001:2008. Applying the QMS the processes and regulatory rules of these processes are identified and defined. In that way the management of processes is facilitated, the necessary documents, responsibility and tasks are defined as well as the bases for decision making and predictions are created.

This paper describes component processes of export marketing to be applied to automotive industry.

While applying the QMS in export processes it is important to focus on process approach, principles of quality management, requests of SRPS ISO 9001:2008 as well as on international trade regulations.

## 2. PROCESS OF EXPORT MARKETING

Any activity or a group of activities receiving inputs and converting them into outputs may be observed as a process.

In order the organizations work effectively they should identify a number of mutually linked and interacted processes.

Frequently the outputs of a process are the inputs of the next one. Systematic identification of processes used in an organization and in management of these processes and especially in these process

interactions may be qualified as "processed approach".

Goal of a series of ISO 9000 standards is to encourage the adoption of processed approach in organization and process management.

Process of export management is integrated, all component processes (P) are mutually linked, depend on each other and a success of entire attempt depends on their interactions.

The process of export marketing (figure 1) is featured, as down presented, by its structure and contents.

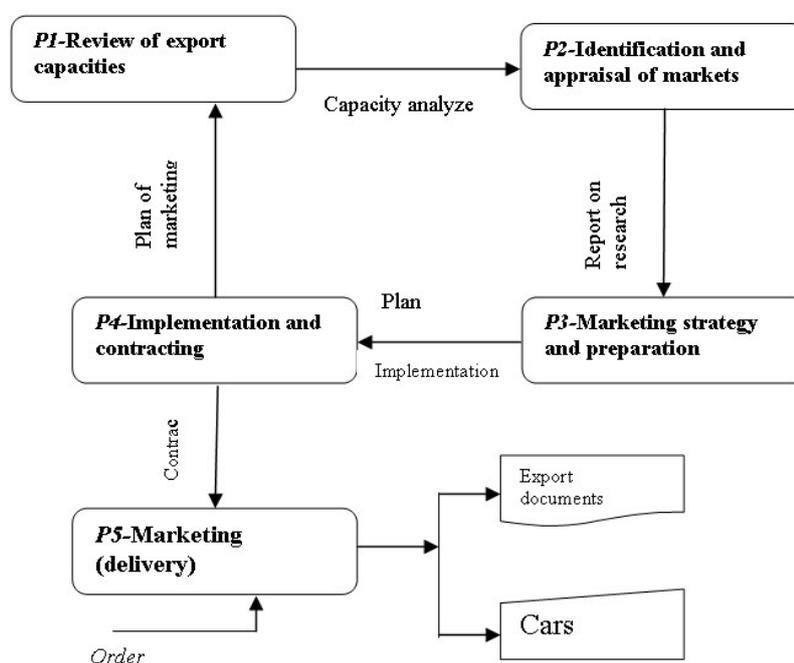


Figure 1 – Processes of export marketing

### P1 – Review of export capacities

This is an analyze of advantages and disadvantages, test of all company's work segments to find out if each segment is advantage or disadvantage to a company to develop export market.

The following is reviewed: personnel (trained and skilled to sell on international level), base of products, company resources, use of production capacity,

physical and administrative infrastructure, current sale (data base of clients and markets), previous experiences, existing marketing and present contacts abroad i.e. on certain markets.

### P2 – Identification and appraisal of markets

The second process is identification/research of the market where

one wants to market the products. The traditional review of possibilities is used, the multiple research, for systematically reduce of world potential markets to one or two to become the goal. In each step, use of various criteria cuts the number of target markets.

In this case the first step i.e. activity eliminates all small markets not meeting certain values since the exporter is mostly interested in large markets developing rapidly and having the best potential. The first step criteria include:

- Value of markets as per segments (as per product-car) to be used for elimination of small markets;
- Growing rate to be tested for elimination of markets that stagnate or have a trend of decline;
- Type of request for testing the market to secure the products of a company are equally searched;
- Market influences or the one conditioning market variations (average earnings will probably affect demand of products), thus chosen markets should have positive influences and
- Future market aspects (to select markets having good aspects in the future).

**Table 1 – Eight groups of CKD cars**

1. Car body, not painted in assemblies
2. Complete engine
3. Complete gear box
4. Lower parts
5. Steering mechanism in assemblies, subassemblies and parts
6. Inside equipment in parts
7. Electric equipment and instruments
8. Other not mentioned assemblies, subassemblies and parts

In implementation of these activities for export of cars in CKD (completely knocked down), it should be taken into consideration the markets having assembly capacities.

CKD means a motor car, not assembled, second grade of disassembly having customs tariff number 87.03.

Groups of assemblies, subassemblies and parts producing CKD is presented in the table 1.

*The second activity* will test the distribution system to eliminate markets being very demanded, integrated and hardly accessible. The criteria of elimination are as follows:

- Customs tariffs and taxes used on the world market affecting possibility of a company to be competitive with local producers (markets having high customs tariffs will be eliminated - high customs tariffs usually means the Government protects domestic producers and it is very difficult and expensive to enter the market);
- Mandatory standards that have to meet either national or international standards (if the product is already subject to these standards the market is then acceptable but if there are new standards to be used, the market may be eliminated or to include the price of work on new standards for export);
- Markets requiring health and safety regulations that take care of the consumers may be eliminated if those regulations cannot be met with optimal investments and in real time;
- Market requirements not mandatory such as taste of customers or ethnic aspects (for example if a market mostly requires green or red cars) and
- Business law and practice, how to work on any target market and what are standard business conditions.

*Third step* will eliminate markets having difficult entering. The criteria include the following:

- Distribution systems, how the market works and what are the entrance points for importers, distributors, producers (in reality these points are usually the combination of them);

- Administrator identifies potential customers in every segment;
- It is searched what dominant participants are and how much, prices and market conditions
- Identification of key contacts presenting details (name and surname, address, number of telephone, fax, E-mail, web site) of future customers (potential customers) and of competitors.

*The fourth step i.e. activity* will eliminate those markets having high competition or with requested prices being too low. The competition analyze considers the following:

- Competition on local and international markets;
- Their market share; their size; details of their products and production capacities; future plans, industrials connections, if a producer is owner of products.
- If the prevailing market prices are competent and what market offers the best return of investments.

Based on previously shown process any company may select 1, 2, 3 or more markets in entire world depending on finances and potential being identified by review of export capacities.

### **P3 – Marketing strategy and preparation**

The first step of the third marketing export process is definition of marketing strategy. Marketing strategy is based on information collected from review of export capacities and identification of markets. A useful tool is SWOT analyze (table 2). Strategy should include details on possibilities and limitations of any target market. Second, all conditions for entering the market should be researched (conditions needed for sale of products on the target market) as well as the destinations.

Third, the strategy should include details on potential customers to whom the

market will be directed to.

Above mentioned information should be in interaction and compare with company advantages and resources, reached market tools to complete a marketing plan.

It is necessary to choose a product having the highest potential for successful sale on any target market (if a company produces a lot of products and just some of them may correspond to a target market it may vary from market to market). Thus, a way should be found for the product to be different from the others as well as the staff (having certain skills) to take necessary steps. Good return of marketing investments requires positioning, projecting of realized targets and tasks and defining of method of sale (direct sale, whole sale, and marketing combination) and advertising.

Next step is preparation for the marketing action (campaign). Appropriate data of a company, leaflets and advertising material are presented to a potential customer as a recommendation and assistance at decision making. Price list of products should, in certain way, show competitiveness.

Way of sale varies from market to market and it is conditioned by different factors. Analysis should be made depending on product complexity and its price with the most serious customers.

### **P4 – Implementation and contracting**

When the marketing strategy is done as well as the company and staff is ready we reach the implementation plan. It is not the end since the plan is not completed. Progress and results of the plan should be monitored and evaluated. Based on that the activities are to be estimated and the plan if necessary changed and improved. Contract is concluded with chosen dealer.

### **P5 – Marketing (delivery)**

Upon conclusion of Contract and based on partner's order it is started with working of

the export documents, customs clearance and shipment of cars.

While working the export documents it should respect the Contract, Company's instructions and QMS procedures,

Incoterms, Customs law, Foreign trade law and other international regulations and requirements of state institutions, where the cars are exported to.

**Table 2 – SWOT analyze**

<p><b><u>S – Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Long lasting business relations with a number of perspective customers on target market</li> <li>• Low price</li> <li>• Lower customs taxes for the cars relating to competition</li> <li>• Well trained "export" staff</li> <li>• Low car maintenance costs</li> <li>• Previous export experience</li> <li>• Skill of market demands (cultural and specific climate conditions)</li> <li>• Large interior room for 5 passengers</li> </ul>	<p><b><u>O – Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Price product position</li> <li>• Availability of spare parts of confirmed reliability and low prices</li> <li>• Demand growth relating to previous period</li> <li>• No direct producers in surrounding countries</li> <li>• Availability of servicing</li> <li>• High probability to repeat business</li> <li>• Potential conditions for export/assembly in surrounding countries</li> <li>• Good relations among countries</li> </ul>
<p><b><u>W – Weakness</u></b></p> <ul style="list-style-type: none"> <li>• Design</li> <li>• Image</li> <li>• Insufficient range of products and optional</li> <li>• Expensive over sea transport</li> <li>• Continuity and precise deliveries</li> </ul>	<p><b><u>T – Threats</u></b></p> <ul style="list-style-type: none"> <li>• Potential competition</li> <li>• Political crises in region</li> <li>• Liberation of import of second cars</li> <li>• "Introduction" of EURO regulations</li> </ul>

**3. MARKETING (DELIVER) OF CARS**

This point presents structural procedure for delivery of cars in Complete Built-up Unit (CBU) and in CKD (completely knocked down).

Flowchart of CBU cars

1. PURPOSE
  2. SUBJECT AND FIELD OF IMPLEMENTATION
  3. DEFINITIONS AND ABBREVIATIONS
- LOT – Defined quantity of products to be delivered by Contract  
 CKD – products in knock down condition (LOT standard)  
 OI – Export office under marketing department

4. RESPONSIBILITY AND AUTHORIZATION
5. INPUT ELEMENTS  
 Contract elements with customer  
 Specification of CKD  
 Order
6. FLOW OF ACTIVITIES  
 Providing of necessary documents  
 Planning of LOT production and follow up of realization  
 Printing of delivery documents  
 Taking over of elements – parts  
 Packing of elements  
 Stocking of lot parts  
 Successive customs clearance  
 Claims of customers. Procedure on claimed parts

7. LINK WITH OTHER DOCUMENTS

- Evaluation of purchased product
- Scheduling, launching and follow up of production
- Process quality control
- Control of special process
- Control of production process in series
- Procedure with non conformed products

- Stocking business
- Identification and conformity of products

8. Review of departments anticipating process realization

- 9. Attachments
  - Chart on activity flow
  - Bill of standards
  - Card on materials
  - Packing list
  - Internal shipment order

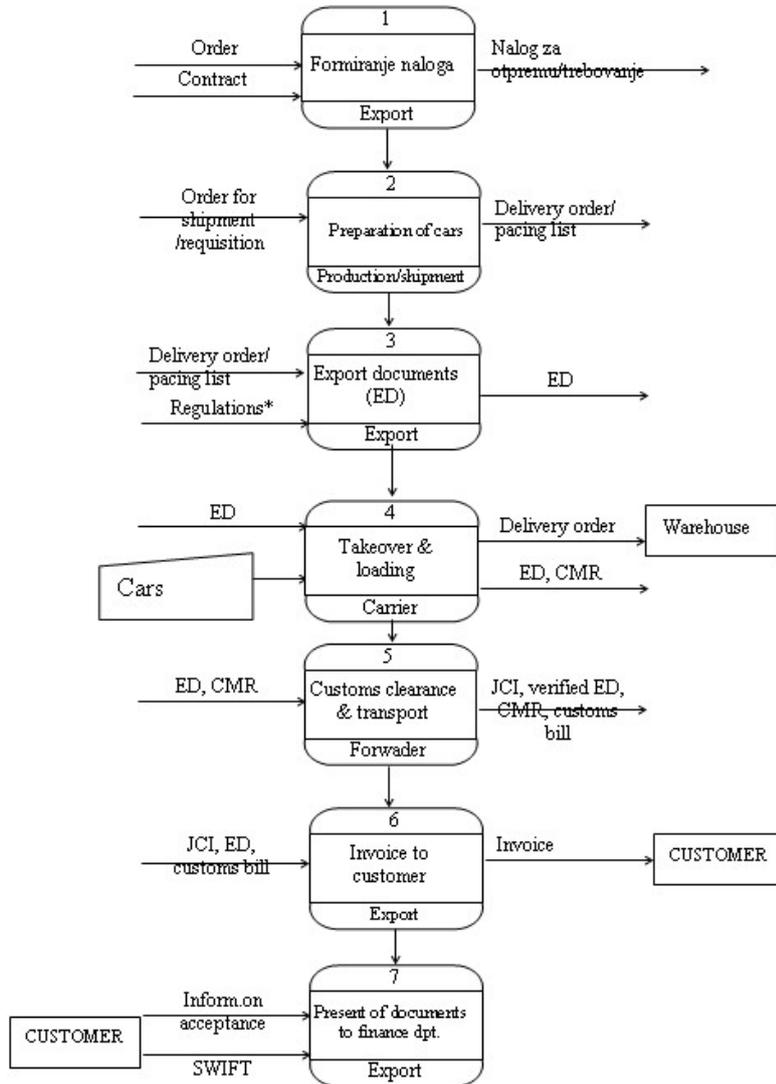


Figure 2 – Delivery of CBU cars

#### 4. CONCLUSION

Key of successful export marketing is segmentation and definition of target markets. To test advantages and weakness of a company – focusing on advantages and competent products. To target to larger markets with rapidly development and show the best potentials. It is necessary to chose a product having highest potential for successful sale on each target market. After, to define strategy based on information collected during revision of export capacities and identification of markets. To define feasible targets and tasks to increase marketing investments.

To prepare properly marketing plan and to implement strategy containing necessary elements.

Such focus will help to export process be actual and effective. It will not guarantee secure success but improve chances for better success. Along with marketing research and actions automotive producers will have chances to export markets also, first of all to – “ niche “ markets.

Based on mentioned theoretical description of processes and samples it may be concluded that any support to management of export processes is also the implementation of QMS.

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