

The Export Department

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Objectives

In this Learning Unit you will learn how to set up and run an export department. We will also discuss the functions and goals of the export department.

This will be achieved by :

- Examining the characteristics of an export manager.
- Outlining the most important functions of an export department.
- Analysing the goals of the export department and how to benchmark them.
- Detailing how to best support the work of the export department.

Learning Unit Summary

Every company wishing to consolidate its export activity has to create its own foreign trade department so it can handle the different tasks that enable its continued presence in international markets. As sales are solely the result of a marketing policy, the export department might be described as an instrument that carries out all the tasks generated by international marketing policies of the company.

The export department has very definite goals: to perform all tasks related to international sales.

Upon analyzing the export activities of the companies that have experienced stable growth in their exports, one observes that, historically, their international contacts started out sporadically and only later started to consolidate. That was when they made the decision to expand their the international trading staff to penetrate other markets to a greater extent and better.

When interviewing companies with consolidated foreign departments, we discover that their reasons for creating the export structures have nothing to do with academic reasoning, instead the reasons were:

- Excess production.
- Given the high stocks, the need to increase sales quickly, at all costs.

This in turn resulted from insufficient penetration of the domestic market, product quality problems, pricing, even distribution problems or lack of promotion.

We note that companies which are large in terms of their sales, number of employees, or own resources, export greater volumes of goods.

We should mention here that Spanish companies, with very high sales figures, are still interested in preserving their share of the domestic market and so are less interested in exporting.

"By large companies we mean the ones which export the greatest value of Spanish goods, yet the value of their exports as a percentage of their total sales (export and domestic) is quite low."

The number of markets in which it has a presence is also related to the size of the company, as a large company have the resources to invest more capital and can therefore diversify into more markets.

The state of development of the destination country inversely reflects the size of the Export Department. The more developed the country the smaller the Export Department. (Fewer complications/barriers involved in exporting).

There are many common elements in the paths taken by various companies to create an Export Department.

Now we shall analyze the options adopted by some for progressive growth. We note situations such as those summarized below:

SITUATION 1:

Resulting from participation in a national trade fair, the company made contact with foreign visitors. These contacts later generated sporadic exports not requiring an Export Department, as they resulted from sales by the company's domestic sales force.

ACTIONS UNDERTAKEN LATER BY THE COMPANY:

Without paying too much attention to the possibility of further developing them, the handling of the sales was undertaken as part of the normal sales.

SITUATION 2:

The company had contact with import/export type Trading Company which occasionally requested sales tenders. Having negotiated the terms with the company, The Trading Company itself, added its own costs to the offer and sent that as **its** offer to the foreign customer. Follow-up of the client, shipment, payments... These are carried out directly by the Trading Companies as if they were the manufacturers.

ACTIONS UNDERTAKEN LATER BY THE COMPANY:

In the event of success, the Trading Company *ex officio*, assumes the role of an Export Department. The manufacturing company has no need of an Export Department of its own, while the Trading Company will continue to do international market surveys to create new opportunities.

SITUATION 3:

A direct international sale was unexpectedly made by the company's R&D department. Again, this is somewhat similar to the first situation where the company makes contacts with clients in a way that has nothing to do with systematic market surveying.

ACTIONS UNDERTAKEN LATER BY THE COMPANY:

The opportunity was developed by the Technical Department taking on the role of an Export Department, not only for this specific operation, but by the technicians facilitating future sales, so generating their first international opportunity.

All these different incidents resulting in the creation of export structures can be combined in a chapter entitled, "Incidents leading to the creation of an international infrastructure".

It is said that "Bad habits, die hard" and those acquired at the start of the export activity are no exception. Such are:

- Excessive involvement of the technical department in the commercial exports tasks with no apparent justification.
- The incorporation of a domestic area manager, with broad experience in the company but lacking fluency in languages being incorporated into the international team.
- With the growth of the market, the company's general manager being overtaken by the requirement to service this market, to the detriment of his other responsibilities.

**COMPLEMENTARY LECTURE:
EXPORT DEPARTMENTS FOR SMALL AND MEDIUM SIZED
COMPANIES**

(See attached document JB_EXPORT_DEPARTMENTS.PDF)

Exercises

1- Please analyse and list all the advantages and disadvantages of outsourcing for an export department. Which tasks would you prefer to carry out in house and which would you outsource? You can take the company you work for as an example, if relevant.

2- Think of the advantages that e-business can offer to the export department.

3- You are the Managing Director of an SME exporting to Africa, Europe and Asia. You need to hire an Area Manager for the Asian markets you trade in. Define the profile of the candidate, their experience, skills, functions, salary, etc.

4. You are a Managing Director of a software company. You have to negotiate an important contract of sale with the Ministry for Development of Iran. In your department of international trade you have two candidates who could take the task:

- John, who has a lot of experience in sales to European countries, but no experience with developing countries.
- Mary, who has a lot of experience with African and Latin American countries and is very open-minded.

Both candidates have more or less the same knowledge of the product. Who would you choose to send to negotiate this contract and why?

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