Guide to Exporting

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Guide to Exporting

…designed to provide existing and new exporters with the skills and advice to help them grow exports

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This guide is designed to provide existing and new exporters from Kenya with the skills and advice to help them enter and expand their export business. The guide makes references to well known and reliable sources of information and encourages the reader to complement the information with some research of their own.

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English

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Foreword

The Government of Kenya's Economic Recovery Strategy (2003-2007) identifies trade and, in particular, export expansion as one of those activities that will assist in economic recovery and growth. For this reason, the National Export Strategy (2003-2007) was prepared and the Cabinet approved it for implementation in 2004. The strategy encourages Kenyans to engage in international trade and identifies sectors and products that provide opportunities for expansion.

However, international trade transactions are complex and involve many players, regulations, standards and financial relationships.

Reports and testimonials are published almost daily on businesses that are exporting and are enjoying success in foreign markets as a result of their initiative, efforts and perseverance. There are also less glamorous stories of companies that found it painful, expensive or that just simply failed at getting started in exporting. Many reasons are invoked to explain this situation, and some of those are often, lack of information, inadequate preparation and deficient planning. This Guide to Exporting seeks to address these issues and to help increase the success rate of our exporters, whether new or existing.

In preparing this Guide to Exporting, extensive reference was made to the International Trade Centre's (ITC) series of publications under the "Programme for building African Capacity for Trade". The technical materials are outputs of ITC's e-Trade Bridge Programme managed by the Enterprise Management Development Section.

For purposes of benchmarking with the best internationally, similar publications from other countries were also reviewed and referenced where appropriate.

Work on the Guide to Exporting was informed by the "Needs survey on trade training through Asia-Africa Cooperation in the Republic of Kenya by JICA". This was further validated by an Export Readiness Assessment conducted on 50 firms that revealed the nature of information enterprises are seeking in their endeavour to be successful at exporting.

The contents of the Guide to Exporting were compiled on behalf of the Export Promotion Council (EPC) by Andrew Otsieno, Business Engineer, Teknosell Digest Ltd. He is certified by the International Trade Centre as an Enterprise Management Development Expert.

All this would not have been possible without the financial support from the United States Agency for International Development (USAID) Mission to Kenya, under the USAID/EPC Trade Development Programme.

Introduction

Background

The need for this guide arises out of the significant role that international trade plays in economic and social development and the importance of having more Kenyans understand and participate in the process effectively. The export of Kenyan products to several markets in Africa, Europe, the Middle East, Asia and the US, earns the country millions in foreign currency and generates significant employment opportunities. With a liberalized economy and globalization of markets, Kenyan exporters and importers are expected to be more competitive and innovative in international trade if they are to effectively exploit the opportunities that world markets present.

Exports from Kenya

The leading commodities exported from Kenya include horticulture, tea, coffee, iron and steel, petroleum products, essential oils, tobacco and tobacco manufactures, fish and fish preparations, and articles of plastics. Regarding services, tourism tops the list while others such as transportation and construction are significant.

Leading export destinations

The leading market for Kenya's exports is Africa with Uganda and Tanzania as Kenya's top importers. Other major African importers of Kenyan goods are the Democratic Republic of Congo, Egypt, Rwanda and Sudan. Important regional groupings include the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). Kenya's next largest market is the European Union, mainly the United Kingdom, the Netherlands, Germany and France. In Asia, major importers of Kenyan goods include Pakistan, India and the United Arab Emirates in the Middle East. From the American continent, the United States of America is the main customer.

About this guide

This guide is designed to provide existing and new exporters from Kenya with the skills and advice to help them enter and expand their export business. The guide makes references to well known and reliable sources of information and encourages the reader to complement the information with some research of their own. Below is an overview of the contents and objectives of each chapter in the guide:

Chapter	Objectives
1. Getting started in exporting	• Learn about the benefits and challenges of international trade and the questions that you should ask when considering exporting. • Be more aware of Kenya's trade policy, export incentives and trade agreements and how they can affect your export activities.
2. Designing your export strategy	• Know what to do before you go get export orders. From defining your business and (potential) buyers; to developing your products to conform to technical requirements and adapt to buyers needs/wants; and to formulating a delivery, image and pricing strategy. • Learn how to design an export business strategy and write your export business plan.
3. Developing your marketing plan	• Understand the importance of a sound marketing plan that summarises the strategies and tactics that will be used to achieve specified objectives in a given time period. • Know the main sections of a marketing plan and the path to follow in developing and reviewing the plan.

4. Selecting an export market	• Have a better understanding of the trade research process and how your company can successfully manage it. • Know what kind of information you will need for your export market research, where to find it, and how to use it. • Know what to keep in mind when trying to identify new markets for export.
5. Building production capabilities	• Know what "production capability" means and what specific factors your organization must consider when producing for an international market. • Understand the importance of knowing each of your markets and how to adapt production to suit their specific needs. • Learn how to estimate production costs.
6. Setting up distribution channels	• Learn about the various types of market representations and the functions, roles and responsibilities of each type. • Consider the benefits of taking advantage of fair trade opportunities. • Identify what types of distribution arrangements might be most suitable for your organization.
7. Understanding international terms of trade – Incoterms	• Learn the specific obligations for the buyer and the seller in an international transaction. • Have a better understanding of the cost and risks involved in the physical movement of cargo from an exporter to an importer. • Discover how Incoterms affect your export pricing structures and which ones best suit your export needs.
8. Pricing for export	• Learn how to set pricing objectives for your company and how best to price your products for export. • Understand the main methods used to make pricing decisions and how your company can use them. • Have a better understanding of the different determinants of export price.
9. Marketing and promoting your company and products	• Be able to make an informed decision on whether or not a trade fair would be advantageous to your organization. • Understand the importance of selecting an appropriate promotion strategy for your organization/products. • Have a better comprehension of how to prepare and present an internationally accepted quotation.
10. Putting «e» to work	• Understand how to build a presence on the web and use electronic media to meet the needs of marketing. • Learn how to use the Internet to identify buyers, competitors and suppliers, and understand their strategies and priorities.
11. Financing and getting paid	• Know what different types of export financing exist and the factors that will influence your company's choice. • Know what sources to contact in order to obtain export finance. • Gain a better understanding of the main methods of payment and when each method should be considered.
12. Packaging and labelling	• Understand the differences between protective packaging and point of sale packaging and their importance. • Be aware of the major factors to consider when deciding on appropriate packaging and labelling. • Know how to design effective labels for your international market.

13. Preparing and processing export documents	• Have a better understanding of the export documentation process, including specific roles of the exporter and importer. • Know which documents are used in international trade and what specific information must be included to complete them. • Understand the procedures required to export from Kenya.
14. Getting your goods to market	• Understand how to choose the appropriate method of transporting your company's goods. • Have the ability to calculate freight costs. • Have a better understanding of the role of the freight forwarder and how they can help your organization.
15. Contracting	• Understand how to navigate the legal side of international trade. • Learn what a sales contract is and how to use it to safeguard your rights as the seller.
Appendix	**Objectives**
A. Export readiness	• Have a better understanding of what is required for your company to be "export ready". • Discover some steps which are especially important to the export success of your business. • Start making a list of the specific things you need to do to get your business ready for exporting.
B. References	• Know where you can get support for trade facilitation, information and know-how. • Find out sources for more information.
C. Glossary of terms	• Meaning and descriptions of commonly used terms in export transactions.
D. Export documentation samples	• Enquiry Record Form • Commercial Invoice • Packing List • Bill of Lading • Certificate of Origin (EUR 1) • Letter of Credit (LC)

Chapter 1:
Getting started in exporting

- **Successful exporting**
- **Exporting for the right reasons**
- **International trade agreements**
- **Tariffs and customs classification**
- **"Made-in" and rules of origin**
- **International standards**
- **Packaging and labelling**
- **Intellectual property rights**
- **Trade incentives you can take advantage of**
- **Formal barriers to market entry vs informal barriers**

Successful exporting

The main keys to successful exporting are commitment and planning. Management commitment and effort are crucial to the whole process of exporting and building effective relationships. Planning is an essential step before you start exporting. It will help you to recognise:

- exporting options;
- success factors;
- the value of a timetable for achieving each milestone;
- who you will need to involve in your venture; and
- the real resource costs of time, people and money.

Successful exporting is about covering costs, obtaining a return on investments and getting paid. Exporting that is not profitable in the long-term wastes resources and can result in company failure.

Whatever your product or service, as a potential or existing exporter you must understand key issues such as:

- clients and their needs;
- matching the product to market needs;
- rules or regulations affecting exports;
- the price the client is prepared to pay for the product or service;
- costs of delivering products or services to the export market;
- levels of service expected in the market;
- the competition; and
- any relevant cultural factors.

Critical success factors when exporting are: management commitment and effort to the whole process, strategic market selection, market orientation, and personal contact. These are highlighted in this chapter and explained in more detail in the chapters that follow.

Exporting for the right reasons

Exporting offers considerable opportunities for many Kenyan companies. It is the only way for some to grow their business. For others, exporting offers the advantages of a larger market with greater economies of scale. There are many other valid reasons for exporting. These include:

- expanding production to use plant more efficiently and enjoy economics of scale;
- increasing sales to even out and reduce seasonal demand fluctuations;
- increasing production to lower unit costs and gain more competitive domestic prices;
- increasing your competitiveness by exposing a product to world markets;

- increasing profitability; or
- developing a broader customer base.

You should carefully consider whether or not to export. Avoid taking a short-term view, or reacting to an uninformed appraisal of domestic or international trends. For example, exporting may be unwise if it is undertaken to:

- offset falling sales in Kenya;
- cash in on short-term price booms in a market;
- relieve short-term over-capacity; or
- react to unsolicited enquiries from overseas.

However, these events may be useful triggers for you to assess trends and develop a longer-term view about exporting. For example, consistent unsolicited requests for a product from overseas buyers may suggest potential export markets.

Unsolicited enquiries

You should be cautious when responding to unsolicited enquiries. It is not necessary to respond to every unsolicited enquiry, as they can often be very speculative queries from people who are not committed buyers. First-time exporters can make the mistake of responding in detail, which can be very time-consuming, and provide little or no results. Be selective about which enquiries you respond to, and concentrate on those ones from your main target markets. Validate any enquiries carefully, by confirming the importer’s ability to pay before sending any goods. You may want to use an agent to check the potential importer’s financial credentials, such as how long the importer has been operating.

International trade agreements

One of the first tasks for the potential exporter is to determine what trade agreements will influence their export activities to a given market. Depending on the nature of the agreement, your products could be more or less competitive in the target market. One should also bear in mind that these agreements can change; for example, special preferences granted to a specific product or country may be eliminated in future agreements, reducing the competitive advantage.

Kenya is a signatory to a number of multilateral and bilateral trade agreements that open up market access opportunities for Kenyan exporters:

Regional Trade Agreements

Kenya is a member of the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) trade agreements within the African Region. The EAC partner states comprise of Kenya, Uganda and Tanzania. Membership entails extending preferential tariffs to goods imported from member states subject to agreed conditions (the Rules of Origin). Goods originating in Kenya also enter into the other member countries at preferential rates. This provides an incentive to import from or export to other members of the regional trading bloc.

> For more information on the EAC, visit the EAC website: www.eac.int or contact the EAC desk, Ministry of Trade and Industry, Telposta Towers, Nairobi.
>
> For more information on COMESA, visit www.comesa.int or contact the COMESA desk, Ministry of Trade and Industry, Telposta Towers, Nairobi.

ACP/EU Cotonou Partnership Agreement

The ACP/EU Cotonou Partnership Agreement is a trade, aid and political agreement signed in Cotonou, Benin, between 77 African, Caribbean and Pacific (ACP) countries and the European Union (EU). Under the agreement, Kenyan exports to the European Union enjoy duty free entry and freedom from all quota restrictions. Duty-free entry is on all agricultural products and a wide range of industrial products.

> For updates and more information on the ACP/EU, visit www.acp.int or contact the KEPLOTrade Project, Ministry of Trade and Industry, Telposta Towers, Nairobi.

African Growth and Opportunity Act (AGOA)

Kenya qualifies for duty free access to the United States of America (USA) market under AGOA. Over 6000 products are eligible for export to the USA duty and quota free under AGOA. Virtually all Kenyan products qualify under AGOA with the exception of horticultural products.

> For updates and more information on AGOA, visit www.agoa.gov or contact the AGOA desk, Ministry of Trade and Industry, Telposta Towers, Nairobi.

Generalised System of Preferences (GSP)

Under the GSP, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the US, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria, and other European countries. Almost all agricultural products are covered, in addition to footwear, luggage, handbags, leather work gloves, leather apparel, and watches.

Bilateral Trade Agreements

Kenya also has bilateral trade agreements with a number of other countries such as Argentina, Bangladesh, Bulgaria, China, the Czech Republic, India, Iran, Lesotho, Nigeria, Pakistan, Poland, Romania, the Republic of Korea, Thailand and Russia. Under these agreements, Kenya and its bilateral partners accord each other the MFN (Most Favoured Nation) treatment in all matters with respect to their mutual trade relations.

Tariffs and customs classification

Each country has a tariff schedule, or list, indicating various tariff rates. However, a product may have several rates. For example, there is often a rate applicable to MFN (Most Favoured Nation), a non-MFN, or preferential, according to the specific trade agreements. The tariff structures of countries vary. Tariffs tend to be high in developing countries and lower in developed countries. Tariffs on agricultural products tend to be higher than on others. It is important for the exporter to obtain the most updated schedule for information on the major tariffs and duties of the target market.

Most trading nations have adopted the HS system (the Harmonized Commodity Description and Coding System) to assign a product a code that is recognizable by customs officials in other nations. The HS system is an international six-digit commodity classification developed under the auspices of the Customs Cooperation Council. Individual countries have extended it to ten digits for customs purposes, and to 8 digits for export purposes.

> To find out the HS Code for a product,
> visit www.foreign-trade.com/reference/hscode.htm.

The basic six digit code that makes up the HS is made of three parts.

The first two digits identify the chapter the goods are classified in. For example:

07
Edible Vegetables and Certain Roots and Tubers

The next two digits identify groupings within that chapter:

07.06
Carrots, Turnips, Salad Beetroot, Salsify, Celeriac, Radishes and Similar Edible Roots, Fresh or Chilled.

The next two digits are even more specific:

07.06.10
Carrots and Turnips

Some questions to ask:

- What is the HS code for your product or service?
- Under this code, are there tariffs, entry barriers or non-tariff barriers that would either hamper or help market entry of a product from Kenya?
- Are there specific tariffs, taxes, duties and/or permits that apply to this product?
- Would you have the option to alter the product slightly to take advantage of preferential treatment?

Most importers demand that exporters inform them the HS Code of their products so that they can confirm the duty or preferences accorded. This would determine the competitiveness and aid in deciding where to source.

"Made-in" and rules of origin

Today's supply chains are global. This means the activities required to get a product from the point of its conception to its design, production, distribution and so on, are undertaken by various firms or links along the chain that are spread across geographic regions.

Materials may be sourced in one county, the pieces put together in a second and third country, and the distribution managed from another country.

Due to the fact that regional trade agreements give preference or apply tariffs according to agreements between countries, governments have to know the product's country of origin. If it passes through processes in many different countries, customs must use the rules of origin to know which agreement applies. Thus governments demand stamps/marks of "Made in Kenya" to be put on the product.

For imports under preferential agreements, the importing country has to make sure the lower rate is applied if it originates from the country that is supposed to receive the preference. Therefore, they need evidence to indicate clearly that the product was produced either entirely, or at least substantially, in the preference-receiving country.

National systems used to determine rules of origin vary. However, they are based on the two following principles:

1. Value added: a product is considered to have been manufactured in the country where a specified percentage (40-60% - it depends on the national legislation; e.g. under COMESA raw materials or value added component be above 35%) of the product value has been added.
2. System of classification (HS): a product is considered to have originated in the country where, as a result of processing, its tariff classification changes.

> **AGOA (African Growth and Opportunity Act) and rules of origin**
>
> One of the key issues for African textiles manufacturers in the extension of AGOA was the renewal of a provision that excludes African beneficiaries from complying with the normal, stringent rules that define where textiles and apparel products are made to determine if they are eligible to receive AGOA benefits – the so called 'Rules of Origin'. AGOA III extends this waiver to 2008. In effect the designated African country beneficiaries known as the 'Lesser Developed Beneficiary Countries' (LDBCs) under the Act can continue using fabrics produced in countries not covered by AGOA (so-called third country fabrics) in the production of clothing products for export to the US. Kenya is deemed to be an LDBC for this purpose.

International standards

Countries require that imported goods conform to mandatory quality, health, safety and environmental standards. Standards are an important tool in international marketing of products and services because they convey information that makes it easier for the buyer to understand and trust in their quality and specifications. Buyers may be hesitant to purchase products that are based on standards which are different from the buyer's own country. Standards also exist to protect the health and safety of populations as well as the environment.

Complying with international standards makes it easier to access foreign markets. Like everything else, standards change and exporters should stay on top of these changes. Stay in touch with Kenya Bureau of Standards and they can provide you with the latest information on standards.

> For the latest information on standards, contact Kenya Bureau of Standards, P.O Box 54974 Nairobi 00200, Tel: 020 6948000/605490, Mobile: 0722 202137/8, 0734 600471/2, Fax: 020 604031, 609660, Email: info@kebs.org, Website: www.kebs.org

Product standards, health and environmental regulations

An increasing number of countries are adopting strict regulations to protect consumer health and the environment. However, these regulations differ enormously in various parts of the world and change on an almost daily basis. The problem of constant change applies particularly to food products (e.g. Genetically Engineered Organisms – and the use of pesticides and fertilizers), prescription drugs, chemicals, and common consumer products (aerosols, powder and liquid household products, toys for babies and young children, etc.).

When standards differ so widely from one country to the next, they become a kind of trade barrier. This is because adjusting production processes to suit various countries' standards can be costly. Regulations may also require product testing in the importing country, which may require stricter tests or higher fees than the domestic competitors. This can be quite challenging for small businesses.

In addition, some countries impose restrictions/quarantines on imports from certain countries in fear of introduction of harmful organisms into their countries. For instance the quarantine by Japan and USA on fresh horticultural produce is due to fear of introduction of pests from Africa.

Here is a list of products to which countries may apply mandatory safety and health regulations and the agricultural products that are subject to sanitary and phytosanitary regulations in most countries. This list is not exhaustive.

Products subject to technical regulations		Products subject to sanitary and phytosanitary regulations
• Consumer articles • Automobiles • Toys • Pharmaceuticals • Cosmetics • Household electric appliances • Video and TV sets • Cinematographic and photographic equipment • Synthetic detergents • Machinery and equipment • Medical equipment	• Food-processing equipment • Metal and woodworking equipment • Boilers • Electricity-driven construction and assembly tools • Raw materials and agricultural inputs • Fertilizers • Insecticides • Hazardous chemicals	• Fresh fruit and vegetables • Fruit juices and other food preparations • Meat and meat products • Fish and fish products • Dairy products • Processed food products

For more information on technical barriers to trade, contact the WTO-TBT national enquiry point, Kenya Bureau of Standards, P.O Box 54974 Nairobi 00200, Tel: 020 6948000/605490, Mobile: 0722 202137/8, 0734 600471/2, Fax: 020 604031, 609660, Email: info@kebs.org, Website: www.kebs.org

Packaging and labelling

The exporter must adjust product packaging to adhere to regulations regarding language, labelling, and consumer protection and product classifications in force in the destination country. (Refer to the Packaging and labelling module for further detail).

Intellectual property rights

Another challenge for exporters is the question of protecting their product or service against intellectual property infringement. Intellectual property (IP) refers to inventions, designs, writings, films, plants and seeds. These are governed by international rules that allow people, companies and institutions to "protect" them through:

- copyrights and trademarks;
- patents;
- industrial designs;
- geographical indications; or
- in the case of electronics, "integrated circuits topographies".

Though your company may have intellectual property protection in Kenya, it is also necessary to obtain the same or similar protection in the country to which you will be exporting. As intellectual property law is complex, it is advisable to seek legal assistance in your foreign market's country as well as advice from the Kenya Industrial Property Institute. Unless you have taken the precaution of registering international trademarks for your products and services, you could find yourself in conflict with the trademarks of a company in the country to which you wish to export.

For more information on intellectual property rights, contact Kenya Industrial Property Institute (KIPI), Weights and Measures Building, Kapiti Road, off Mombasa Road, P.O. Box 51648 Nairobi 00100 GPO, Tel: 020 602211 / 606326, Fax: 020 606312, Email: kipi@swiftkenya.com

Costs related to securing intellectual property rights in foreign countries can vary and are sometimes high. You must investigate the intellectual property issues in your industry and as they apply to your product or services. You should also decide whether there is need for local legal representation. In some cases it may not be necessary or even worth the trouble to obtain intellectual property rights.

Trade incentives you can take advantage of

The Government of Kenya offers the following export promotion incentives:

Duty/VAT Remission Scheme

An exporter can have Duty and VAT inputs related to any export sale redeemed. The exporter can opt for single order arrangement relating to one specific importation or a 6-month continuous arrangement for on-going imports. Those eligible are manufacturing companies registered in Kenya, which import raw materials, that are directly or indirectly utilised in production for export. Applications for this facility should be made to the Tax Remission for Export Office (TREO) located at the Ministry of Finance.

> For more information on the Duty/VAT remission scheme, contact the Ministry of Finance, Treasury Building, Harambee Avenue, P.O. Box 30007 Nairobi 00100, Tel: 020 252299, Fax: 020 310833, Website: www.treasury.go.ke

Export Processing Zones (EPZ) Programme

This programme provides: 10-year corporate tax holiday and a flat 25% corporate tax rate for the next 10 years; exemption from all withholding taxes on dividends and other payments to non-residents during the first 10 years; no restrictions on management or technical arrangements, i.e. work permits for technical, managerial, and training staff; exemption from stamp duty and VAT; customs inspection of goods at zone rather than at port; exemption from import duties on machinery, raw materials, and intermediate inputs; and operation on one license for most goods. Those eligible are companies incorporated in Kenya for the sole purpose of rendering the following services: export-oriented manufacturing or processing; commercial activities related to exports or preceding export manufacture e.g. break of bulk, re-labelling, packing, etc; export services including brokerage, consulting, information services, repair, etc. The administering agency is the Export Processing Zones Authority.

> For more information on the EPZ programme, contact the Export Processing Zones Authority (EPZA), Athi River EPZ, Viwanda Road off Nairobi-Namanga Highway, P.O. Box 50563, Nairobi, City Square, 00200, Tel: 045 26421-6, Fax: 045 26427, Email: info@epzakenya.com, Website: www.epzakenya.com

Manufacturing Under Bond (MUB)

The exporter is exempted from Duty and VAT on imported machinery and raw materials used in manufacturing goods for export. Those eligible are manufacturing companies registered in Kenya that export all or part of their products. Bonded manufacturing enterprises can be licensed to operate within a 30km radius of a Customs office. This programme is facilitated by the Kenya Investment Authority and administered by the Kenya Revenue Authority.

> For more information on the MUB scheme, contact the Kenya Investment Authority, National Bank Building, 8th floor, Harambee Avenue, P.O. Box 55704 Nairobi 00200, Tel: 020 221401-4, Fax: 020 243862, Email: info@investmentkenya.com, Website: www.investmentkenya.com

Formal barriers to market entry vs informal barriers

The formal barriers to exporting, such as tariffs, quotas and standards, can cause challenges for exporters. However, many of the difficulties stem from informal barriers. Obtaining the right documentation, such as certificates of origin, delays at customs offices, harassment of smaller firms, complicated procedures and unofficial “fees” are examples of informal barriers.

Smaller firms dealing with these issues may want to work through a local association or join hands with other small firms to try to resolve difficulties. There are many examples of smaller firms forming successful joint export groups or associations to improve their ability to cope with costs and interchange with policy officials to make better use of their potential.

Classic mistakes made by exporters, related to regulation and day-to-day operations include the following:

- Failure to conduct research on regulations in export markets. One may discover when it is too late that the product is prohibited after shipping is done.
- Assuming domestic product or marketing strategies are compatible with foreign regulations.
- Failure to modify products to meet foreign requirements or failure to take advantage of foreign regulations (for example, by modifying a product to classify for a lower tariff).

- Failure to ensure that the packaging or labelling of products conforms with the legal standards of the export market.
- Failure to take sufficient precaution with respect to intellectual property rights in foreign markets.

Chapter 2:
Designing your export strategy

- **Defining your business**
- **Defining your (potential) buyers**
- **Adapting to technical requirements**
- **Adapting to buyers needs/wants**
- **Formulating a delivery strategy**
- **Formulating an image strategy**
- **Formulating a pricing strategy**
- **Justification of the export strategy in a plan**
- **The contents of your export plan**

Defining your business

Strategy design begins by defining the business. To define a business, all you need to know is which product do you offer and which market do you offer it to. What you make may not be what you are selling. To decide what you are in fact making you should think about why they buy from you. While thinking about "who buys from you," you must think about who is responsible for the financial success of your enterprise.

This definition of your business, formulated in terms of what you produce for whom, will be the basis of your strategy. While writing your strategy, you will progressively refine your ideas in terms of whom you are targeting with your offer and what it is you are offering them, until you reach a specific segment and a specific offer.

Defining your business in terms of what you sell to whom is not sufficient to succeed. The way you define your business determines whether the business is likely to earn you more money than the amount your competitors are earning. Thus, a good business definition is one which enables the business to make more money than its competitors.

A good business definition identifies a market for the enterprise where its bargaining power is likely to be maximum so that the business can make more money than its competitors. With this in mind, ask yourself the following questions:

- Have I defined my business so that I am not one amongst many like myself?
- Who are my (potential) buyers?
- What do I really know about them?
- Why are they buying from me and not from my competitors?
- To which type of buyer does my enterprise owe its financial well being?
- What should I really offer them? Do I have too many competitors?
- What bargaining power does my enterprise have?
- Can I negotiate with my buyers from a position of strength?
- Are my competitors threatening my enterprise?
- Can I redefine my business so as to avoid surrounding myself with too many competitors?
- If I redefine my business, what should my enterprise make?
- To whom should my enterprise offer what it is making?

Think about all these questions. If you are not satisfied with your business definition, it is time to study the competition. You want to be able to distinguish yourself from your competitors who are out there to get your business. To maximise your bargaining power, you must find a market where there are no competitors, or competition is weak and can be defeated.

A strategy is the positioning of an offer (the mix of quantity, quality, time and cost of a product or service) applied to a market segment.

Defining your (potential) buyers

One of the greatest mistakes made by small businesses is failing to define clearly the market to be served. Making such a mistake is a great loss for a small business since it is specifically small enterprises that are ideally suited to reaching the market segments that their larger rivals either overlook or consider too small to be profitable. The most successful businesses, on the other hand, have well-defined portraits of the customers they are seeking to attract. The effectiveness of their programmes strongly depends on how concise their definition is of their targeted customers.

Often reasons for entering a market are confused with the market definition itself. Suppose a company finds there is a boom in demand for its product in Japan. Or a company decides to target Western European consumers because of their purchasing power. Whilst these are valid reasons for investigating a market, they are not in themselves market definitions.

One essential aspect of defining your market is to distinguish between *buyers* and *users* of your product. In some cases the buyer is also the user. However, often this is not the case, as the buyer may be purchasing on behalf of someone else.

Defined markets need to be segmented to reduce or eliminate the alternatives as perceived by a specific group of buyers and potential buyers in your market. A segment is a group of buyers who are similar to one another (and different from the rest of the market) in terms of the problems that they have ("needs"), the benefits that they expect and the similarity of their purchasing habits and product usage (in short, "wants"). The segment is worth targeting if you can meet these "needs" and "wants" better than your competitors. If they are not already met by any other offer, you have found a segment where there is no competition. By finding a segment in which there is little or no competition, you are more likely to become a "preferred supplier".

Market research may help you to collect and analyze the information you need to define and segment markets (see module on “Selecting an export market”).

Adapting to technical requirements

You need to make inquiries about whether you can meet the specific technical and non-technical requirements of your potential buyers concerning your product. Foreign markets differ in many ways to your domestic market to the extent that acceptance of your product can be influenced. Factors that may affect how your product is made and marketed include: climates, sizes of people, space, language, religion, cultural preferences and taboos, standards, income levels, business practices, legal environment, and bilateral and multilateral agreements.

Because of these differences, buyers may expect you to modify your products with respect to its technical and non-technical specifications. Success in exporting strongly depends on your ability to meet these requirements of your potential buyers. Without making inquiries into expectations of the potential buyers you have targeted, your export strategy is incomplete.

You can seek support from the WTO-TBT National Enquiry Point (NEP) in Kenya located at the Kenya Bureau of Standards (KEBS).

> For more information on technical barriers to trade, contact the WTO-TBT national enquiry point, Kenya Bureau of Standards, P.O Box 54974 Nairobi 00200, Tel: 020 605490, Mobile: 0722 202137/8, 0734 600471/2, Fax: 020 604031, Email: info@kebs.org, Website: www.kebs.org

Adapting to buyers needs/wants

You need to make inquiries about the possibility of adapting the features of your product, beyond what competitor's are doing, to the needs and wants of your prospective buyers to enhance your bargaining position with them. Product features can be discussed under the following headings:

- Physical features (weight, size, colour, ingredients, packaging, etc)
- Extended features
- Price (high-low price)
- Image (country, company, product)
- Distribution (exclusive, non-exclusive, fast, direct, etc.)
- Generic features, the need(s) and want(s) satisfied by the product

Your decision relating to the relative quality and quantity of these features is called the product positioning strategy.

Each of these can be used to increase your bargaining power with your buyers if you can succeed in meeting specific needs and wants of your potential buyers better than your competitors. In that sense, the need and want satisfied by your product is probably the most important element of your product positioning decision.

Formulating a delivery strategy

Delivery is the last stage of the distribution related tasks of the production function. Enterprises can improve their bargaining power by faster and more reliable delivery. Therefore, the way you plan to deliver your product is an important decision to be made before exporting.

The details of the actual delivery commensurate with your strategic decision can be worked out later once you have a clear written description of the delivery strategy you would like to follow (e.g. in what way the direct mailing envelopes are to be designed or stuck closed, sent etc.).

Often the traditional modes of distribution i.e. through wholesalers, retailers, or a combination, etc. are the first to come to mind. However, while designing your strategy, evaluating alternate modes of delivery to improve your bargaining power are essential. For example some enterprises seek to improve their bargaining power by using courier service, the internet, direct mail, etc.

Formulating an image strategy

The image of a product is a composite of how the product, the producer and the origin are perceived by the buyers. Sometimes the origin of the product works for you, sometimes it may work against. For example, while an industrialized country may enjoy a favourable image as a source of electronic equipment, Kenya may not. Certain companies enjoy favourable images which make the acceptance of their products in foreign markets easier; Microsoft is a good example.

Naturally, the way your product is positioned, that is, how its physical features, price, distribution and the need it satisfies are combined, will be a factor affecting how it is perceived by the buyers.

One must also identify weaknesses related to country of origin, company and product images and plan to capitalize on the strengths.

Formulating a pricing strategy

While designing your strategy, pricing decisions are often confined to a choice between "low" and "high". At this level, one should decide whether one wants to be a "low cost" supplier or "a high end" one. The notion of a "low cost" supplier is probably clear. However, often small and medium size enterprises do not consider the possibility that they can compete as high-end suppliers, that is, competing with high prices.

Naturally, a high price needs to be justified on the basis of other factors which will increase your bargaining power. Factors such as the features of your product, its distribution and delivery, its image and the image of your company, or the services you provide can compensate the disadvantages of charging a high price.

Once you decide on your pricing strategy, in calculating your prices you must take various factors into consideration. These factors include:

- Internal factors (constraints dictated by conditions in your enterprise and product)
  - direct and indirect costs of the product
  - comparative product features and overall quality
  - product life cycle position
  - current profit levels
  - recent price history and trends in the domestic market

- External factors (constraints by the environment in which you are doing business)
  - accepted mark-ups in the target market
  - tariffs and taxes
  - your competitors' pricing policy
  - inflation and possible currency fluctuation in the export destination
  - 'anti-price-dumping' legislation in the country of export
  - government and industry performance standards in the country of export

- Market factors
  - elasticity of demand of your product in the target market
  - your projected target market share
  - feasibility of price discrimination in the target market
  - availability of substitutes in the target market
  - customer attitudes toward price in the target market
  - size and growth trends of the target market
  - density of the products on the target market

Justification of the export strategy in a plan

You are now ready to justify your export strategy in a plan.

Why plan?

The most important reason to plan is very simple: If you plan your export venture with care, you have a better chance of success in your target market. Conversely, a business that does not plan will almost certainly fail. And in the worst case, such a failure can bring down the business's domestic operations.

Financial institutions and other lending agencies know this and will not provide funds to a business that lacks a well-developed export plan. At other stages of the export process, potential partners and investors may commit themselves only if your plan clearly sets out your objectives along with the processes and resources you'll use to achieve them.

In other words, you'll get nowhere without an export plan. Your export plan should clearly articulate and justify:

1. Which product/s are to be selected for export development?
2. What changes, if any, must be made to the product/s for the export market/s, to ensure that they meet international requirements?
3. Which countries will be targeted for sales growth, remember it is better to look at two or three markets initially as acquiring market information may be costly and time consuming?
4. In each country, what is the basic end user profile?
5. What marketing and distribution channels should be used to reach these potential end users?
6. What special challenges pertain to each market (competition, cultural differences, import controls, technical requirements… and how will these challenges be addressed?
7. How will you calculate the export price of your products?
8. What operational steps need to be actioned and by when?
9. What personnel and company resources will be committed to the export drive?
10. What are the costs, in time and money for each?
11. How will results be assessed and used to update the plan?

The contents of your export plan

An export plan is really just a business plan that focuses on international markets. It identifies your target market(s), export goals, necessary resources and anticipated results.

Your export plan should contain the following:

1. Introduction	• business history • vision and mission statement • purpose of the export plan • organizational goals and objectives • international market goals • short and medium-term objectives for exporting • location and facilities
2. Organizational issues	• ownership • management • staffing • level of commitment by senior management • relationship between exporting and other operations • corporate experience and expertise in exporting • strategic alliances • labour market issues

3. Products and services	• description of products and services • key features • adaptation and redesign required for exporting • production of products and services • future products and services • comparative advantage in production
4. Market overview	• market research • political environment • economic environment • size of market • key market segments • purchase process and buying criteria • description of industry participants • market share held by imports • tariff and non-tariff barriers • industry trends and other market factors • market outlook
5. Market entry strategy	• target markets • description of key competitors • analysis of competitive position • product positioning • pricing strategy • terms of sale • distribution strategy • promotion strategy/development of sales leads • description of intermediaries and partners
6. Regulatory and logistical issues	• intellectual property protection • other regulatory issues • modes of transportation and cargo insurance • trade documentation • use of trade service providers
7. Risk factors	• market risks • credit and currency risks • political and other risks
8. Implementation plan	• key activities • evaluation criteria and process

9. Financial plan	• revenues or sources of funding • cost of sales • marketing and promotion costs • other expenses or expenditures • operating budget

Chapter 3: Developing your marketing plan

If you want your target export audience to know about your product or service and to perceive it in the way you want and pay the price you're asking – it has to be marketed effectively and efficiently.

A sound marketing plan is the blueprint for a company's marketing activities, summarising the strategies and tactics that will be used to achieve specified objectives in a given time period.

Work your way through the steps in this checklist and you will have your core document for directing and coordinating your marketing effort.

Checklist

The checklist below shows the main sections of a marketing plan and the path to follow in developing and reviewing the plan.

1. Information inputs You will be making decisions in sections 2, 3, 4 and 5 based upon the information you gather, analyse and summarise in this section. Hence the quality of your plan and the decisions you make based on it, will be very much determined by the quality of the research and the information that goes into it.	**Objectives of the plan:** This is an introduction to the marketing plan and describes its reason for being. Any objectives, guidelines or constraints imposed by management should also be identified here. **Market size:** If the market being analysed is an existing one, state the size in terms of units and dollars or Euros. If helpful, show historical sales. Predict future trends for whatever period is most helpful. **Analysis of the marketing environment:** You should be alert to any trends in the environment at large (i.e. beyond your control) that could affect either the magnitude of the business potential or the strategy you might adopt. **The trade:** Identify those organisations in the trade (if any) which are potentially important and report the findings of your research into their needs or wants, problems, desired profit margins, attitudes to competitors, and so on. **The consumer:** Summarise here the key information concerning any qualitative and/or quantitative research conducted by, or for, you. Include: date(s) of research, who did it, type of research project, and key findings. **Company analysis:** This is the place to summarise the key factors in the SWOT analysis unless they have been covered elsewhere. **Other points:** State key or critical assumptions so that they are not forgotten and/or can be challenged by readers.
2. Customer motivation and market segmentation	**Consumer motivation:** Describe the consumer's buying motive. It may be a benefit, fulfilment of a need or want, solution to a problem, elimination of an irritation or frustration, etc. It usually has both rational and emotional components. **Market segment:** Describe the group of people you are seeking in ways that differentiate them from all other people. This may be done in terms of lifestyle, activities, interests, attitudes, opinions, demographic characteristics, value (e.g. purchasing history), etc.

	Market size: Estimate the number of people in your market segment.
3. Financial, marketing and customer objectives	**Financial objectives** (which must be consistent with corporate objectives) may include sales, gross profit, net profit, return on investment, etc. **Marketing objectives** may include unit sales, share of market, trial level, rate of repeat purchases, awareness or recall levels, distribution levels, levels of customer satisfaction, etc. **Customer objectives** may include acquisition of new customers, retention of existing customers, stimulation of existing customers or re-activation of lapsed customers.
4. Marketing strategy	**Overall marketing strategy:** State your overall marketing strategy, e.g. competing mainly on service, product differentiation, innovation, price, etc. **Definition of competition:** Identify those products which are your main competitors. To escape 'marketing myopia', identify products which satisfy the same buying motive identified in section 2. **Market demand:** State whether you intend to achieve your sales target mainly by expanding the total market (primary demand) and/or by gaining a share of the existing market (secondary demand). **Competitive positioning:** State how you intend to position your product relative to competitive products. **Promotional strategy:** Indicate whether you will use a pull strategy, a push strategy, or a combination of the two. **Communication theme:** State the theme or message that you wish to communicate to your consumer via your advertising, packaging, promotion, point-of-sale material, public relations, direct mail, telemarketing, unaddressed mail, multimedia CD-ROM, Internet website, etc. **Customer database:** Describe how you will keep data up-to-date, add new information, integrate with other information, etc. **Legal:** State the legal protection (if any) that you will seek to minimise competition. **Other:** State any other marketing strategies that are relevant to your particular business or situation. For example, will you focus on trial or repeat purchases? Will you focus on selected regions of the country? Will you use technology to establish a competitive advantage? and so on.
5. Elements of the marketing mix The main elements of the marketing mix are: a) Product b) Place c) Price d) Promotion	**a) Product** **Product:** List briefly the main features and characteristics that the product must have to satisfy the buying motive identified in section 2. Also specify the maximum permissible production cost per unit. **Brand name:** State your Brand name criteria (e.g. convey a benefit, be easy to pronounce or remember, etc); then state the name you believe best fits these criteria. **Generic product name:** State your Generic Product name criteria; then state the name you believe best fits these criteria. **Packaging:** List the key structural and graphic criteria which the pack design must adhere to. State any constraints that must be accepted (e.g. cost of the

	pack, transportation costs, retailer realities, etc.). Specify the maximum permissible production cost per unit. **Packaging outer and/or inner:** State how many units will be contained in an inner and, if applicable, how many inners to an outer. List the graphic and structural criteria which the design of the outer and/or inner must adhere to. State any constraints that must be accepted, particularly maximum permissible costs. **b) Place** **Distribution:** State the type of retail outlets - and the area within those outlets - in which your consumer would expect to buy the product. Identify the type of middlemen (e.g. wholesalers and/or distributors) you require to gain distribution in those retail outlets. Also, specify the normal mark-up taken at each level required. State the criteria which these middlemen must fulfil for appointment as your wholesalers and/or distributors. Identify specific companies which you will appoint because they meet your criteria. **c) Price** **Pricing:** Predict the retail price you believe the consumer will pay and provide your rationale. Determine your selling price by subtracting middlemen mark-ups. Use mark-ups that are consistent with your promotional strategy. (Section 4). **Credit:** State whether or not you will grant better credit terms than is standard industry practice (push strategy). If so, specify what you will offer and estimate the extra cost. **d) Promotion** **Consumer advertising:** Specify the media that will be used to reach your consumer (e.g. direct mail, telemarketing, internet, etc.) and your rationale. State the weight of advertising required (e.g. reach and frequency, etc.). Estimate production costs for the period. Estimate media costs for the period. **Consumer promotion:** For each promotion, briefly state the objective(s), type of promotion, timing, rationale and estimated cost. Estimate total cost for all promotions for the period. **Point-of-sale material:** List types of P.O.S. material to be produced and state the design criteria in order to guide creative development. Estimate total costs for all P.O.S. material produced in this period. **Trade advertising:** State the objectives and rationale for advertising in trade journals. State the strategy (message to be communicated, which journals to be used, timing, size of ads, etc.). Estimate total costs (production and media) for the period. **Trade promotion:** For each promotion, briefly state the objective(s), type of promotion, timing, rationale and estimated cost. Estimate total cost of all promotions for the period. **Selling:** State your sales strategy and tactics. Estimate total selling costs in this period (salaries, expenses, costs of meetings, etc.). **Public relations:** State your PR objectives and strategy. Specify actions and activities that will be undertaken. Estimate total costs for the period. **Direct marketing:** State the target groups (customers and prospects) you will contact and the strategies (e.g. up-selling, cross-selling, loyalty programmes) and tactics (offers, testing) for each one. Describe the customer contact plans

	and fulfilment strategies for the management of responses for each group. Estimate the likely response rates, the cost-per-response, cost-per sale analysis, and total cost. **Internet:** Specify the objectives for creating or refreshing an Internet site. Describe the strategy to maximise the web investment, including plans for generating site traffic and the processes for the management of this traffic.
6. Audit activities	State the research activities that will be undertaken to determine whether or not you reached the objective(s) specified in section 3.

Marketing mix expenditure

For each element of the marketing mix, enter the planned expenditure into this table and calculate the total.

Element of the Marketing Mix For [product] From dd/mm/yy to dd/mm/yy	Expenditure
Price, e.g. cost of special credit terms	
Promotion	
Consumer advertising: Production costs	
Consumer advertising: Media costs	
Consumer promotion	
Point-of-sale material	
Trade advertising	
Trade promotion	
Selling	
Public relations	
Direct marketing	
Internet	
Total marketing mix expenditure	

Chapter 4: Selecting an export market

- **What it involves**
- **Tips to assist with market selection**
- **The market selection process**
- **Sources of information on markets**

What it involves

Knowing where to start is sometimes the hardest part of exporting. It is often indicated by your knowledge of your product or service, of world trends in your industry or existing market, or your intuition about likely new markets. The next stage is to test and confirm this, either informally or formally. Many companies use a combination of formal and informal processes.

Formal process: Some companies use a formal market selection process, which considers a wide range of political, geographic, economic and other factors. For instance, they may use a matrix in which various factors essential to success are evaluated and ranked, having first obtained this information from Internet searches or market research by consultants.

Informal process: Others use a less formal process, such as talking with business people.

Market selection requires you to:

- collect information;
- make comparisons; and
- make decisions.

Some things you need to consider will require outside help and some questions will never be answered until you get to the market. The process always involves checking and updating information and learning from experiences.

The process of selecting markets can involve:

- recognising a new market or type of market on the basis of economics and geography;
- assessing the critical market factors (such as market size, demographics, demand for your product or service, trends, interest in new or innovative products, levels of technology adoption, shipping from Kenya and ease of communications);
- assessing the regulatory or legal requirements and how they relate to international practice or Kenyan practice;
- comparing cultural and business factors (e.g. ways of doing business, trade practices, language, and access to people you will be dealing with); and
- adding in personal or other considerations, such as your own preferences or knowledge of the market.

Tips to assist with market selection

- Start with ‘easy’ markets (consider the East African Community seriously). Take into consideration: Proximity; Language; Business environment; Freighting services.
- Keep it simple – don’t over-extend.
- Select a market where you can achieve modest results quickly.
- Undertake preliminary market research for each possible market (it might be easiest to start with a regional focus rather than countries).

- The questions you ask will depend on the product or service you intend to export.
- You will probably need to weigh the relative importance of some factors over others.
- From the results of your preliminary research narrow your focus down to three-to-five countries and apply more specific criteria.
- Balance relative profitability with risk, costs and time.
- Talk to colleagues, exporters, Export Promotion Council, Kenya National Chamber of Commerce, and other advisors to assist in the decision-making process.

The market selection process

We recommend you approach market selection as a two-step process.

Step 1: Gather information on a broad range of markets

Apply some very pertinent questions to a broad range of markets – the questions you ask will depend on the product/service you are exporting. At this stage you want to find out:

- the demand for your product/service;
- the size of the potential market;
- whether your target market afford your product;
- what regulatory issues impact on exports of your product;
- ease of access to this market – proximity/freight, tariff, etc;
- are there appropriate distribution channels for your product/service;
- the environment for doing business – language, culture, politics, etc; and
- whether it is financially viable to export to this market.

You can gather much of the first step information yourself from a variety of sources at little or no cost. Sources of information include talking to colleagues and other exporters, Export Promotion Council and the Internet.

Step 2: Research a selection of markets in-depth

From the results of the first stage, narrow your selection down to three to five markets and undertake some in-depth research relating specifically to your product. You will probably need to commission at least part of this research to consultants. From the results of this research, make your final decision.

Some of the questions you may want to ask at this stage are:

- What similar products are in the marketplace (including products that may not be similar but are used to meet the same need)?
- What is your point of difference? What makes your product unique? What are the key selling points for your product?
- How do people obtain/use these products?
- Who provides them?
- Are they imported? If so from which countries?
- Is there a local manufacturer or provider?

- Who would your major competitors be? What are the key brands or trade names?
- What is the market's structure and shape?
- What is the market's size?
- Are there any niche markets, and if so how big are they?
- Who are the major importers/stockists/distributors/agencies or suppliers?
- What are the other ways to obtain sales/representation?
- What are the prices or fees in different parts of the market?
- What are the mark-ups at different distribution levels?
- What are the import regulations, duties or taxes, including compliance and professional registrations if these apply?
- How will you promote your product or service if there is a lot of competition?
- Are there any significant trade fairs, professional gathers or other events where you can promote your product or service?
- Packaging – do you need to change metric measures to imperial, do you need to list ingredients?
- Will you need to translate promotional material and labelling?
- Is your branding – colours, imagery, etc., culturally acceptable?

Sources of information on markets

You could start by utilizing the following resources:

> **Trademap:** An online database of global trade flows and market access barriers for international business development and trade promotion with export and import profiles and trends - www.trademap.org
>
> **Product Map:** A web portal presenting business information and intelligence in a product context with information on existing market studies, price indicators on cluster basis and links to other product information and data - www.p-maps.org
>
> **Market Access Map:** A comprehensive source of tariffs and market access measures applied at the bilateral level by 178 importing countries to the products exported by 239 countries and territories - www.macmap.org

The market analysis tools were developed by the International Trade Centre and can be accessed directly through the listed websites or through the Export Promotion Council's Centre for Business Information in Kenya at Anniversary Towers 1st Floor on University Way, Tel: 020 228534-8, Fax: 020 228539, Email: chiefexe@epc.or.ke or manager@cbik.or.ke, Website: www.epckenya.org.

> **Centre for the Promotion of Imports from developing countries (CBI):** Registered members of CBI's virtual community can benefit from access to the market information database, download publications, access previews and updates of the fashion forecasts, obtain information about export development programmes and training programmes, access marketing guidelines, hundreds of links to other resources on the internet, and conduct a self-assessment of export readiness. Registration is free at www.cbi.nl.

Chapter 5:
Building production capabilities

Key considerations in building production capabilities

Production is the creation of something new by adding value to inputs via a transformation process in which services and goods are made available for exchange in a marketable form.

Consider the following example:

A company may take raw materials (inputs) such as fabric dye, thread, buttons and cotton, and transform them into ready-to-wear clothing, thereby adding value. Equipment such as sewing and pressing machines may be used in the transformation process. Skilled workers must inevitably be hired to operate the machines and to use their know-how, creativity and capabilities to transform raw materials into the final product.

Key production capabilities

The following production capabilities may need to be built in accordance with the configuration of the offer within the business strategy, and when the capability does not already exist:

- Quantities
- Cost
- Time
- Quality

The business strategy determines the characteristics of the offer to be produced and marketed; if the strategy is poorly designed or designed on the basis of erroneous or incomplete information not verified through market research, the characteristics are inadequate for the target market or segment and building the corresponding production capability will be a waste of valuable resources which could mean the end of the business or even of the enterprise.

International considerations

In all probability, your company is currently producing for a domestic market. Producing for an international market is quite different since there are many new factors to consider. Each market has specific requirements, likes and dislikes, and expectations that must be met in order to win their business. While you may have a clear understanding of local quality and time expectations, local demand and cost structures, it is important to carefully examine each market as a separate entity that has different needs to be satisfied.

Your success in international markets will not only depend on your ability to understand their specific needs, configure an offer accordingly and market it, but also on your ability to build the production capabilities needed to manufacture your offer according to your strategy. Differences in quality requirements, safety and environmental standards, packaging and product presentation, ingredient specifications and product labels - these are just a few of the production elements that must be manufactured according to their configuration.

Producing the required quantities

Due to increasing expectations of international markets, and awareness in health and environmental issues, unseen and non-obvious physical characteristics of the product are becoming more and more important in global trading. These include material specifications and ingredients of the product, packaging and printing materials, and even nutritional value of a food product. While your products might conform to expected domestic characteristics, they might not be acceptable in international markets.

Whether we start a production line from zero or expand an existing one, we need to:

- know the market's demand for the goods produced;
- understand the capacity requirements as well as other necessary resources;
- do engineering studies of the production process in order to produce the physical characteristics of the product; and
- evaluate the existing facilities with respect to their capacity to be modified to produce new product characteristics and to their capacity to accept expansion.

How much can we sell?

If an enterprise does not know how much it will be able to sell internationally, it will be almost impossible to make plans for production, marketing, financing, etc. By knowing its international selling capabilities, a company is able to make informed decisions as regards to production modifications, facility locations, additional machinery and equipment needs, product changes, and so on.

Several forecasting methods are used to obtain information about a market. One example is to use market research that has already been done by an export promotion office. This information can assist an organization in determining its present and future capacity requirements for the new market. It is important to remember that even though this research is based on specific data, it is open to fluctuations due to the effect of many unpredictable causes and hence may contain inevitable errors.

Once your organization has determined its selling potential in the international market, it can then evaluate its current operations to see what changes and modifications need to be made in order to be capable of producing at the new product demand.

Understanding capacity requirements

The capacity of a plant is the main limiting factor in producing the required quantities within a given time. Once you begin exporting, capacity will be a critical factor to your company's success. Generally, capacity is defined by unit of output per unit of time, such as the number of fishing flies of a given design produced in one day.

By going global, your market size can expand considerably. Although your organization might be able to sell large quantities of products internationally, if your production facilities are not capable of keeping up with the increasing demand, your export operations will ultimately fail.

If your organization has the resources, it can increase its production facilities in order to satisfy this increase in demand. Several ways to find sufficient funds to expand facilities are:

- obtain a loan or credit;
- create a partnership or joint venture to share resources and risk;
- manage resources more efficiently (labour, materials, machines, transport, etc) to save money; or

- decrease costs (change suppliers, buy in bulk, be organized, maintain machines, etc.).

Expanding production facilities might not be an option for your company. However, there are various alternatives that may enable your company to satisfy an increase in demand:

- Outsource certain elements of production.
- Modify your existing production facility in terms of layout, machines, workflow, safety, etc.
- Re-engineer the production process (change the way in which you produce).
- During slow-moving periods, build up stocks and inventories that can be used when demand is very high.

Producing at the required level of quality

To produce goods that conform to the designed and decided quality, companies must set manufacturing standards. Everything that is incorporated in a company should be considered. Here are just a few examples:

Raw/incoming materials

Are all the materials being used for your final product conforming to legal requirements of your new market? If not, are there suitable replacement materials?

Skilled and unskilled labour

Have your employees been adequately trained to carry out their tasks? Is their work monitored? Are they compensated for their speed or for thoroughness in their job?

Packaging and product presentation

Will your normal packaging be suitable to abide to the quality standards of your international market? If not, what type of change is needed?

Establishing quality standards

When deciding upon standards to set, managers should keep the following in mind:

- Achievable standards should be set and all concerned parties should agree on these standards.
- Standards should be defined and put into writing for the product itself, processes, and activities of all departments of the company.
- In order to analyze the differences between actual and expected performances, indicators should be selected and results should be recorded.
- Changes in the quality expectations of the market should be monitored and company standards should be revised accordingly if necessary.

Quality control procedures

Once a standard of quality is set within the organization, it is important that it be strictly enforced within the whole enterprise. Since quality control directly affects organizational costs, it is essential to ensure that the cost of the quality control system is less than the cost of producing poor quality products (cost in this sense means financial, reputation, lost market shares, etc.). If every parameter of every item produced is controlled, however, quality control costs will be very high. Therefore, a balance must be made between quality and costs.

The desired quality should be compared with the actual quality achieved and any deviations detected should be promptly corrected.

Producing on time: stocks and inventories

In order to ensure prompt delivery of goods, companies should secure inputs prior to production. When doing so, the following questions must be asked:

- How much will be needed?
- When will it be needed?
- How much will it cost?
- How and from where will it be sourced?

Therefore, a production plan supporting the marketing needs should be prepared. Production must be supported by adequate:

- production inputs (raw materials, components, packaging materials, etc.);
- goods under process (semi-finished parts, goods to be finished into a final product, etc.);
- finished goods;
- maintenance, repair and operating materials;
- re-sale materials (scraps, re-usable industrial waste, etc.); and
- financial assets to secure the investment.

While it is true that keeping a large inventory results in a larger financial burden due to cost of storage space and use of resources without immediate financial return, some companies still decide to go ahead with keeping inventories. When a company has slow and busy periods, such as companies that produce seasonal products, it can be an effective way to ensure company stability. That is to say, they can:

- use a smaller production facility at full or near-full capacity at all times;
- make efficient use of resources;
- maintain employee job stability by providing constant work, rather than hiring seasonal staff; and
- result in workers with more skills and motivation.

Purchasing

Cheaper purchases, quality at the required level, delivery on time and appropriate quantity are all important factors for purchasing. An organisation can choose to either buy from one single supplier or from several suppliers.

Buying in larger quantities from one single supplier means:

- cheaper buying rates;
- more customised services; and
- reliable delivery times and product quality.

However, buying from alternative sources means:

- secure supplies;
- reduced dependence on one single source; and
- more purchasing power.

Estimating production costs

The typical cost structure of an enterprise can be represented by the following table:

Prime cost	Factory overhead	Marketing expenses	Administrative expenses
• Direct materials • Direct labour • Other direct costs	• Supplies • Fuel • Utilities • Spoilage • Indirect labour • Storekeeper's wages • Maintenance wages • Supervisor's wages • Cleaners and porters • Watchman's wages • Other indirect costs • Depreciation of equipment • Machinery repairs • Insurance of property • Rent	• Salaries and commissions • Advertising • Samples • Travel expenses • Telephones, internet connectivity • Postage • Trucking and packing • Packing materials • Entertainment	• Salaries • Office expenses • Audit fees • Stationery and printing • Rates and taxes
	Manufacturing costs		
		Total production costs	

Chapter 6:
Setting up distribution channels

- **Getting your products to your customers**
- **Identifying established industry distribution chains**
- **Market entry options**
- **Finding buyers, distributors and agents**
- **Appointing an agent or distributor**
- **A written agreement**
- **Fair Trade**
- **Mail Order**
- **Museum Shops**
- **Handicrafts**

Getting your products to your customers

You have designed a strategy defining the combination of product characteristics you are going to offer to satisfy the need, expected outcomes and buying behaviour of the customers in your target segment. The characteristics of these customers have an influence on how you are going to reach them and how you are going to get your products to them.

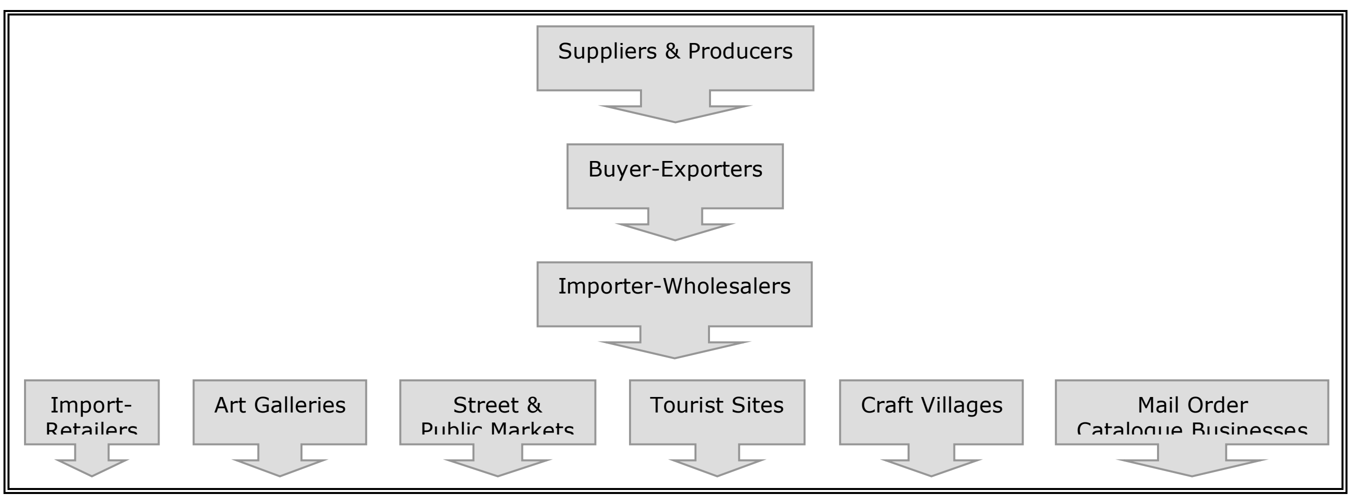
Your strategy statement may or may not already include details as to how you are going to advertise your products and distribute them. Nevertheless, you will have to build your capability to distribute your products either internally or through external means.

How you distribute your products should contribute to maximising your bargaining power. Design a strategy that is realistic, and achievable.

Identifying established industry distribution chains

When looking at particular markets or market segments, it is important to check whether there already is an established distribution chain going from the producer or service provider through to the consumer. It is also important to identify the various players and mechanisms within this chain, and to assess whether participating in the distribution chain would still allow your company to have good bargaining power, or whether it would be in the interest of the business, and at the same time feasible and economical, to bypass the chain.

In the handicraft sector, for example, the distribution chain would include:



You could reach all the final handicrafts outlets by working directly with sales agents and representatives, or by using websites of craft marketers (including buyer-exporters, and importer-wholesalers). You could also reach the consumers by directly selling to these outlets, or operating the outlets yourself. Another way to reach the consumers is through alternative or fair trade organizations. We will discuss these further on in the section on Fair Trade organizations.

Market entry options

Agents and Sales Representatives

Agents and sales representatives are people you hire to get orders for your products or services either on a commission, or salary basis. You are still selling the products to the consumer, but the agent represents you in the market and maintains the relationship with the end customer, and negotiates when necessary. As the exporter, you set the price you want to sell at in the market and the terms of payment, but this does not necessarily mean that you will automatically have more bargaining power, or that the intended customers will actually buy from you.

Distributors and Wholesalers

Distributors purchase products from you and sell them to another intermediary in the chain, such as a wholesaler or a retailer, at a price that they decide. Unlike an agent, a distributor can establish the price of the product from this point onwards in the chain. It can also be decided in partnership with you, the exporter. The arrangement between the producer-exporter and the distributor is specified in an agreement or contract. Individual sales to that same distributor may require additional agreements.

Buyer-Exporter / Trading Houses

A buyer-exporter or trading house is someone/company, in Kenya, able to handle the exporting aspects for you. They would be responsible for researching and understanding the foreign market, and handling all export and marketing procedures. Typically they attend trade shows and prepare advertising and sometimes even package your goods. They may have their own distribution networks in the foreign countries where they operate.

Manufacture under licence

An agreement with a foreign manufacturer for the production of the exporter's products under licence can save appreciable distribution costs and also possible import duties and other imposts. Goods manufactured on the spot with direct access to the market in that country or countries in close proximity can be an advantage.

There are a number of methods under which this can be undertaken – e.g. patent rights, technology transfers, the use of trademarks, etc. The Kenyan exporter receives his recompense from the licensee in the form of royalties on the number of units produced.

Goods on consignment

Goods on consignment are supplied to an agent who will feed them into the market at his discretion and in order to obtain the best possible price. Ownership of the goods remains vested in the Kenyan exporter and no immediate payment is made to the consignment agent. Once the sale has taken place the agent is remunerated while profits/losses are shared on a mutually agreed basis. What proportion of costs, etc, is to be borne by each party is also made subject to prior agreement.

It is very clear that for goods supplied on consignment a great deal of mutual trust and confidence must be maintained between the exporter in Kenya and the agent abroad. This will require a highly competent agency agreement.

Direct exports

For the multiplicity of companies with quality ranges of goods, the final "graduation" into exporting is the ability, after some years of experience, to export direct without the intervention of intermediaries, all of whom require to be remunerated.

To achieve this goal, it is clear that the company involved must set up in each export market skilled management and marketing teams whose responsibility is to know the major buyers in the markets intimately, to create relationships of goodwill and loyalty with those buyers, and to ensure the utmost integrity in all dealings with them.

Finding buyers, distributors and agents

There are several methods of searching for a distributor or agent:

- Ask commercial attachés in the target country to recommend intermediaries for your type of product, or for intermediaries handling related products whose customers match yours.
- Obtain a list from chambers of commerce in the principal cities of your target export country.
- Advertise in the trade journals that agents and distributors of your type of product would most likely read.
- Search through directories of businesses in the target country.
- Search through agents and distributors associations' publications.
- Seek out the WWW home pages of distributors in the target country using one of the Internet search engines (such as Google, Yahoo, WebCrawler, etc.).
- Go to your product/industry trade show in the target export country. All of the distributors and agents should be there.
- Contact those people who buy from distributors to see who they deal with.

Appointing an agent or distributor

Personal contact is essential. After establishing a list of possible representatives, you need to visit the market to meet them and assess their various merits. Some of the things to consider when appointing an agent or distributor include:

- Personal rapport is vital and is by far the most important factor when determining which representative to appoint. If there is no rapport between you, the relationship will not work, no matter how good the fit between their company and your product, and it would be foolhardy to proceed.
- Do they have good knowledge of the local market? A good representative will assist you in your marketing programme and give you the benefit of his/her local market knowledge.
- Are they confident about your company, your product and your chances for success?
- Are they financially sound? (A credit check should be carried out through their bank or use a credit-checking agency).
- Do they belong to a recognised Association?
- How many years' experience do they have in your market sector? You may want a company that is established with a good network of contacts but is not very flexible or open to change; or you may prefer to appoint a young, energetic company that is out to prove itself, is flexible and innovative but does not offer extensive experience or contacts.
- Do they have a good network of representatives and/or contacts?
- How many employees do they have, in particular sales staff? Ideally, the size of their company should be similar or slightly larger than your company. There can be a clash of cultures between a corporate structure and a family owned business.
- Ask retailers, customers and other exporters to tell you about their representatives, and especially those with good reputations for professional service and support.

- In large markets, use regional distributors (i.e. more than one) for the best market coverage.
- Your chosen representative should have a thorough understanding of competitive products and prices to assist in product modification or advertising requirements/changes.
- Ensure you fully canvass all options before appointing a sole agency – you want to get value for money. Most agents will want exclusivity – we recommend you consider a trial period and advise the agent/distributor they may receive exclusivity of your product if they meet identified performance targets.
- If contact identification research is undertaken, follow up rapidly as interest in new products can evaporate quickly. They will see your lack of follow up as unprofessional and a sign that support will be slow later.

Fair Trade

Consumer cooperatives are an alternative distribution channel worth looking at. The Fair Trade distribution network is relatively small but is growing. It is an important network for small producers from developing countries as they typically purchase from small producer cooperatives.

The network of organizations which make up this alternative trading system include:

- The Fair Trade Standards Organization known as the International Fair Trade Labelling Organization, or FLO International.
- Marketing and distribution organizations all along the market chain, from Fair Trade Producer Organizations, to Fair Trade Exporters, Fair Trade Wholesalers, Fair Trade Retailers, and Fair Trade umbrella organizations such as the International Federation for Alternative Trade (IFAT) and the Fair Trade Federation (FTF).

Fair Trade buyers-distributors provide advance payment to the producers and assist with product development and design.

> If you think your organization can meet the Fair Trade Standards, you can contact the International Fair Trade Labelling Organization, or FLO International, at certification@fairtrade.net.

Mail Order

Certain demographic groups or market segments tend to prefer mail-order purchases. If you are not prepared to launch your own catalogue, you may find it useful to approach existing catalogues to persuade them to carry some of your products.

> For a list of mail order catalogues, visit the Catalog City website (www.catalogcity.com).

Museum Shops

Museum shops also sell crafts and high-end products.

> For more information on how you can sell crafts and high-end products through Museum Shops, visit the Museum Stores Association website www.msaweb.org.

Handicrafts

Handicrafts are sold through mainstream gift and house ware channels. In addition, they are sold directly to consumers' craft shows and through craft galleries. Wholesale buyers of crafts usually do their purchasing at national trade shows. Using a sales representative may be necessary in order to show your product at a national trade show. High-end handicrafts are often sold through galleries, either on consignment, or on arrangement whereby the gallery act as a wholesaler.

Organizations that may assist in identifying agents or distributors include:

> Export Promotion Council (EPC), Anniversary Towers, 1st Floor, University Way, P.O. Box 40247, Nairobi GPO 00100, Tel: 020 228534-8, Fax: 020 228539, Email: chiefexe@epc.or.ke or manager@cbik.or.ke Website: www.epckenya.org
>
> Kenya National Chamber of Commerce and Industry (KNCCI), Ufanisi House, Haile Selassie Avenue, P.O. Box 47024, Nairobi GPO 00100, Tel: 020 220867, Fax: 020 334293, Email: kncci@swiftkenya.com

A written agreement

There are various forms of agreement you can enter into with your international agent or distributor. These range from a simple handshake to establishing a formal joint venture. The more formal the relationship the more control you have in the marketplace, at the same time your time and financial commitment to the relationship must also increase. A brief description of the four common types of exporter and agent/distributor agreements follows:

1. The 'Hand-Shake': Many Kenyan exporters confirm their agent or distributor's appointment and the terms of their relationship on the strength of a handshake. Export Promotion Council does not recommend this approach. If there is no written document the relationship can run into difficulties in areas such as measuring performance, resolution of differences of opinion, terminating the arrangement and payment. It is important to have a written agreement that covers the key components of your relationship.

2. Exchange of Letters: In the majority of cases, an Exchange of Letters is the best starting point in terms of an export and agent/distributor agreement. Such an agreement implies trust and a formal relationship and is a good mechanism to protect your interests. However, it does not involve the time and cost of working through lawyers. The agreement should include the following:

- products involved – description;
- territory covered by the representative;
- the timeframe of the agreement;
- termination clauses – under what circumstances the engagement may be terminated by either party (it is important to think about these at the start of the relationship when you and your representative are on good terms);
- review clauses – when you want to review the agreement and what you want to review; and
- performance targets – these could cover such things as amount of sales, number of customers, number of advertising campaigns etc.

3. Formal Agent/Distributor Agreement: This is a formal agreement that requires the services of a lawyer, considerable time and money on your behalf. Just as too many Kenyan exporters rely on the handshake agreement, too many also jump in at this stage. Whilst the handshake is too flimsy, the formal agreement at the outset can be a waste of time and money if the relationship only lasts for a few months. It is usually better to start with a Heads of Agreement or Letters of Exchange and progress to this stage once the relationship has proved itself to be ongoing. Be aware, however, that formal agent/distributor agreements should not be seen as legally binding, except perhaps for the East African Community. It would normally be too expensive for a Kenyan company to sue an offshore partner who breaks such an agreement, despite its legal basis. The key advantage of a formal agreement is that it is a written statement of intent that ensures everyone understands the rules and is working to the same objectives.

4. Joint Venture: Once you have an established and successful relationship with your representative, you could consider entering into a joint venture with them. This is a public show of your commitment to each other and sends good market signals.

> The International Chamber of Commerce (ICC) provides model contracts for both agency agreements and distributorship agreements… www.iccbooks.com.

Chapter 7: Understanding international terms of trade – Incoterms

- Importance of Incoterms
- Incoterms: risk, cost and responsibility
- Types of Incoterms
- Seller and buyer obligations

Importance of Incoterms

In any international trade contract, the SELLER and the BUYER have certain responsibilities when it comes to cost, delivery and receipt of the goods. The exporter is responsible for ensuring that the cargo is supplied in complete conformity to that of the importer's order. This includes packing, labelling and transporting the cargo (if required to do so) to a place of acceptance as agreed upon by both parties. Consequently, the buyer has to pay for and take receipt of the goods at the place agreed upon in the sales contract.

The International Chamber of Commerce (ICC) has developed a set of standard commercial terms pertaining to the costs and responsibilities to be borne by the seller and the buyer. These standards are internationally understood and accepted by all traders and have implications on the physical movement of the goods and the related costs and risks. These standards are called INCOTERMS, or International Commercial Terms.

Incoterms: risk, cost and responsibility

As an exporter, it is important to have all the information pertaining to your costs above and beyond the cost of your product at your premises included in the calculation of your export price. This will ensure that you have adequately covered all your expenses.

Some examples of costs to consider:

- The cost of loading the cargo into a container or other means of transport
- The cost of obtaining necessary documentation
- Freight costs
- Applicable duties
- Insurance costs

Your export price should be quoted in an internationally accepted format. The importer needs to understand the exact breakdown of the price that you have quoted and what additional costs they may be expected to pay in order to take final receipt of the goods. Additionally, the importer must understand what their responsibility is with regard to the physical movement of the goods.

Incoterms define certain critical locations or points relating to the physical movement of the goods from the exporter's premises to that of the importer's place of final receipt. The cost and risk relating to the movement of the goods, and the responsibility for ensuring that the goods are moved to a particular point in the chain, are clearly defined when the exporter states a specific Incoterm on an invoice, transport document or sales contract. In order to define this "point", the Incoterm quoted must always be followed by a named place, such as Arusha, Tanzania, or a port such as Dakar, Senegal. It would be at this named place or port that the risk, cost and responsibility would pass from the seller/exporter to the buyer/importer.

Types of Incoterms

There are 13 Incoterms, ranging from an early transfer of risk, cost and responsibility from the seller to the buyer to a late transfer of risk, cost and responsibility to the buyer.

The terms within the Incoterms are not mandatory, either by international convention or by national law, in any trading country. They have, however, proved to be of great assistance because they establish the parameters of responsibility between the seller and buyer, in a manner that is internationally recognised and accepted in the international trading community.

In fact, Incoterms have proved to be very effective when settling trade disputes. Courts of law in most countries accept Incoterms standards as binding when settling an international trade dispute for a transaction that included an Incoterm.

Incoterms – As per Incoterms 2000 ICC Publication

Term	Meaning	Description
EXW	**Ex works**	You make the goods available at your premises. Your buyer is responsible for collecting and shipping the goods from your front door.
FAS	**Free Alongside Ship**	You must place the goods alongside the ship at the named port. Your buyer must clear the goods for export. This term of agreement is suitable for maritime transport only.
FOB	**Free On Board ship**	You must load the goods on board the ship nominated by your buyer. The cost and risk carried by each party is divided at the ship's rail. You must clear the goods for export. This term of contract agreement is suitable for maritime transport only.
CFR	**Cost and Freight**	You must pay the cost of freight to bring the goods to the port of destination. However, risk is transferred to your buyer once the goods have crossed the ship's rail. This term of contract agreement is suitable for maritime transport only.
CIF	**Cost Insurance Freight**	Exactly the same as the CFR, except that you must in addition procure and pay for insurance.
FCA	**Free Carrier**	You hand over the goods, cleared for export, into the custody of the first carrier - named by your buyer- at a named location. This term of contract agreement is suitable for all modes of transport.
DAF	**Delivered at Frontier**	You make the goods available, cleared for export, at a named location on the frontier. This term of contract agreement is suitable for rail/road transport.
DES	**Delivered Ex-Ship**	You make the goods available to your buyer on board the ship at the port of destination, not cleared for import.
DEQ	**Delivered Ex-Quay**	This is one step further than DES, the goods must be unloaded into the quay at the port of destination and import clearance must be obtained by you.
CPT	**Carriage Paid To**	This term is the multi-modal equivalent of CFR. You pay for carriage to the named point of destination, but risk passes when the goods are handed over to the first carrier.
CIP	**Carriage and Insurance Paid to**	This is the multi-modal equivalent of CIF. You pay for carriage to the named point of destination, but risk passes over when the goods are handed over to the first carrier.
DDU	**Delivered Duty Unpaid**	You must deliver the goods all the way to a named location in the country of destination. However, your buyer must clear the goods for import and pay necessary duties.
DDP	**Delivered Duty Paid**	This contract is the maximum obligation for you, since you have to pay for delivery of the goods all the way to your buyer's front door.

Seller and buyer obligations

Certain essential obligations are assigned to both the seller and buyer regardless of the Incoterm quoted.

The seller's obligations:

- Supply the correct quantity, quality and value of the goods in accordance with the buyer's order.
- Supply the goods on or before the stipulated dispatch date, or within the agreed time span.
- Prepare, produce or manufacture the goods and then pack them, ensuring that they are ready for dispatch.
- Pack the goods at the seller's own expense in the form of packing that the buyer requires. If the buyer has not provided special packing specifications, the goods should be packaged so that they can withstand the mode or modes of transport to their final destination. When the goods are shipped without packaging, the seller is responsible for protecting the goods against natural hazards such as rust and corrosion, in accordance with normal trade practice.
- Mark and individually number packages to correspond with any packaging list that the buyer requires. This includes marking the weight and dimensions of packaged/unpackaged goods, cautionary marks to indicate methods of handling, and where appropriate, international labels indicating the hazardous nature of the goods.
- Provide the buyer with a commercial invoice and a parking list where required, as well as any certificates concerning the origin of the goods and any other necessary documentation to enable the buyer to take delivery of the goods in the country of destination.

The buyer's obligations:

- Accept all risks, as well as loss of, damage to the goods from the place and time agreed upon, until the moment and port or place the buyer receives the goods.
- Pay all additional costs that may arise from the buyer's own failure to accept delivery of the goods in a timely manner.
- Provide the seller (if requested to do so) with appropriate evidence that the goods have in fact been appropriately and successfully delivered to the buyer.

In addition to these above-mentioned obligations, both the seller and the buyer must recognize the importance of communication. The seller must always give sufficient warning to the buyer prior to the movement of the goods as to when the buyer can expect to receive them or when the buyer could be expected to pay costs such as sea freight charges. This is vital to enable the buyer to arrange for smooth and problem-free movement of the goods, thus avoiding any additional expenses.

The buyer must ensure that his/her instructions to the exporter about any matters that the exporter is responsible for, are efficient and clear.

Chapter 8: Pricing for export

- **Initial pricing analysis**
- **Pricing policy**
- **Calculating prices**
- **Costing sheet 1 – prices based on real costs**
- **Costing sheet 2 – export pricing workback**

Initial pricing analysis

A critical part of researching a market is gaining a thorough understanding of pricing. Your aim should be to charge the price the market will bear. This will often be set by the market for similar products or services. It may be hard to go above certain levels, which are often referred to as 'price points'. Recognising a price point in your market may be your first clue to your ability to enter the market. Your price should reflect your quality levels, delivery and promotion. It is not easy to increase prices in a market or under a particular contract once you have agreed to deliver at a certain price.

Pricing policy

Your pricing policy for the market should be based on current competitor prices for your type of product or service. The final price should reflect your manufacturing and any other costs at home, plus the estimated costs involved in delivering, promoting and supporting your activities in the market. Flexibility is needed to allow for variation in shipping and stocking costs, as well as in-market and after-sales servicing costs as your market grows. If you are also selling from a web site, make sure you do not undercut your stockists or licensed suppliers in their markets. If you are involved in serious price negotiations, you should anticipate as much as possible what you may be asked to do and allow for this in your price. You also need to consider the effects on your costs and returns of any discounts or charges that might be expected in some markets to get the business.

Calculating prices

Pricing a product often means calculating two scenarios, based on both the Kenyan perspective and the in-market perspective. The first of the following two costing sheets allows you to calculate the costs of getting your product to market by using your production and distribution costs. The second starts at the retail price for similar products in the market and allows you to work backwards to estimate a possible price at each level. Using both or either costing sheets requires a series of mark-ups or margins at different levels. You may not know these until you have researched the market and observed different prices. We have used the term 'mark-up' in the cost sheets, but in some markets it may be called a 'margin'. How these are calculated, as add-ons or percentages, will change depending on the market and local ways of doing business. You need to find out how they work in your target market.

The negotiated price is dependent on the INCOTERM (terms of trade e.g. FOB, CIF), the means of payment, credit terms and currency risk and negotiated agreed quantities (full container load, less than full container load), and the mode of the transport – shipping versus air.

What currency should you quote in?

- Quoting in Kenya shillings involves least risk but is often not possible.
- For markets with weak currencies, choose a stable alternative currency, e.g. US$.
- Obtain forward exchange cover from your bank.

Costing sheet 1 – prices based on real costs

Once a policy decision on pricing has been made, the next step is to establish individual prices. This must be done before quoting prices to buyers. The most important tool at this stage is the price structure, which gives a detailed picture of all cost elements from the factory gate to the consumer.

An understanding of the price structure enables the producer/exporter to:

- build up the final price step by step;
- compare his or her pricing at all stages with that of competitors; and
- analyse prices to find out whether cost savings can be achieved in one or more elements.

Step	Item	Unit or Rate	Actual
1	Ex-factory – wholesale price(includes your profit)		
2	Export packaging (inner and outer)		
3	Documentation (customs' agency/freight forwarder)		
4	Bank charges (forward exchange/payment arrangements etc. Letters of Credit, Bank Drafts, Hedging, Credit Insurance)		
5	Freight to ship or aircraft		
6	Handling charges and contingencies		
7	**SUB TOTAL FOB Ksh**		
7.1	**FOB Foreign $**		
8	Marine insurance (sea or air)		
9	Freight costs		
10	**SUB TOTAL CIF Ksh**		
10.1	**CIF FOREIGN $**		
11	Landing charges		
12	Customs' duties and taxes		
13	Clearance charges (customs agency/freight forwarding)		
14	Inland handling and delivery charges		
15	Contingency (fumigation etc.)		
16	**SUB TOTAL DDP Ksh**		
16.1	**DDP FOREIGN $**		
17	**Delivered to buyer TOTAL**		

Costing sheet 2 – export pricing workback

This all-purpose costing table is particularly useful for comparing prices in the market. You may not need all the steps and you may need to estimate many of the values used for your calculations. The process can be refined as you learn more about the market and distribution of delivery costs.

#	Item	Notes to sample calculation	Examples (unit cost)	Estimated mark-ups or unit rate	Your costing
1	**Retail price**		**60.00**		
	Retail mark-up	40%			
2a	**Wholesale price**		**42.86**		
	Wholesale mark-up	25%			
2b	**&/or Distributor price**		**34.29**		
	Distributor's mark-up	15%			
2c	**&/or Agent's price**		**29.82**		
	Agent's commission	8%			
3	**Landed price**		**27.62**		
	Landing charges	Est. 1.5%*	0.85		
	Tariffs/duties	(Real rate)	2.65		
	Customs clearing charges	Estimated	0.30		
	Handling and delivery charges (actual or estimated)	Estimated	0.15		
4	**Cost, Insurance & Freight (CIF) Market currency**		**23.62**		
	Foreign currency @ Exchange rate	Day's rate			
5	**Cost, Insurance & Freight Ksh**		**33.74**		
	Insurance costs based on value	Estimated	0.35		
6	**Cost & Freight (C&F)**		**33.39**		
	Freight costs	Unit rate	5.75		
	Contingencies	Estimated	0.50		
7	**Free on Board (FOB) Ksh**		**27.14**		
	Export expense allocation (as per budget)	Allowance	1.00		
	Export packaging	Estimated	1.50		
	Documentation		0.65		
	Bank charges including Collection charges	Estimated	0.20		

#	Item	Notes to sample calculation	Examples (unit cost)	Estimated mark-ups or unit rate	Your costing
	Other finance costs (Foreign exchange charges)	Estimated	0.15		
	Freight handling (factory to ship or aircraft)		2.20		
	Trade indemnity insurance, Export credit insurance		0.10		
8	**Ex factory cost**		**21.34**		
	Profit margin or mark-up		8.00		
9	**Total factory cost**		**13.34**		
	Materials		2.80		
	Direct labour		7.25		
	Fixed costs		1.35		
	Variable overhead costs		0.84		
	Consumables		1.10		

Note:

* These mark-ups are examples. Always research any mark-ups that apply.

Chapter 9: Marketing and promoting your company and products

- **Use the right promotion**
- **Deploy the right marketing approach**
- **Participate in trade fairs**
- **Respond to sales enquiries**
- **Follow-up**

Use the right promotion

Marketing and promoting your company overseas is a key step in the export process. Prospective customers need to understand the services or products you provide, how these fit into the market, and how to contact you.

The product or service, its name, packaging, presentation and overall delivery and service are critical to how the product or service is received in the market. It all comes down to branding, which is the integrated package of elements that promote your product or company.

Your market entry plan should include finding out about other brands. It helps you learn about potential competitors, products and services already established in your target market. You will gain market information critical to your promotion plan by analysing the promotions of other products and services.

Some of the traditional promotional options are outlined below.

Marketing tools

Getting your marketing tools right is crucially important. Here’s a list of things to remember about them:

Business cards should be high quality and professionally designed; easy to read; in the appropriate language; consistent throughout your firm; distinctive and informative; and up-to-date and complete, including area codes, country, telephone and fax numbers, postal code, e-mail and web site addresses.

Brochures should be creative and appealing; informative and easy to read, highlighting your uniqueness; professionally designed and printed; and visually pleasing.

Packaging

Carefully designed and attractive packaging will enhance your product. In some cases it will be a significant form of promotion alongside other promotional activities required by your market. Your packaging should ideally be designed to incorporate colours, graphics and labelling that are culturally appropriate and appealing to your target market.

In-market promotion

In-market promotions allow potential customers to see a product in use, and even try it out for themselves. Such promotions may draw on point-of-sale material, sampling or tasting, competitions or other activities linked by some action or advertising.

Seek the advice of your agent or distributor on appropriate and effective promotional tools.

Advertising

When developing your marketing plan you need to understand the sort of promotion most likely to work for your product or service.

Widespread or general advertising can be very expensive, but you may still need to undertake some form of magazine or newspaper advertising in some markets. Due to the cost of this form of advertising, you should consider alternative ways of obtaining publicity for your products or services. One method is to obtain free editorial coverage in industry magazines. Specialist trade publications often have a section profiling new and unusual products. If your product has an innovative aspect or a novel angle, you should approach the editorial staff of these publications to see if you can gain some free coverage.

Appointing a public relations or other media partner in your market is another option though very expensive. You should make sure your prospective partners have good media contacts, and, if advertising is key to your promotion strategy, they should also have a media strategy. This is particularly important for apparel companies, but is relevant to most sectors. Ask to see a portfolio of coverage or campaigns the agency has achieved for other clients.

Trade magazines

Editorial content about your product or service in professional or specialist trade magazines can support technical or specialist products or services in some markets.

Lists of trade and other magazines are often available from the internet, or the Export Promotion Council's Centre for Business Information may be able to assist. Some trade magazines from major English language markets are available in Kenya for casual buying. Other specialist and foreign language magazines are available on subscription.

Marketing on the internet

Your web site should include information which markets your products and services, and provides contacts for your company.

Effective web sites have fresh and timely material, and are kept up-to-date and accurate. Different sections of your site can be tailored to appeal to different target audiences, including translating material into different languages. An attractive, easy-to-navigate site is essential. You could also consider an interactive feature to enhance the appeal of your site such as registering for an email newsletter.

Your web site should integrate with all your other marketing material. Communications specialists, designers and web developers can help you create an effective and successful site. And remember, you need to ensure people know your web site address, so include it on your business cards as well as all your promotional material, e.g. brochures, product packaging, or trade show stands.

Include your full Kenya physical address details as well as the postal address. This will give overseas buyers confidence in your business's physical presence.

Your web site address will look more professional if it is a domain name specific to your company, rather than a generic service provider domain name. For example, use www.teknosell.co.ke rather than www.emd-kenya.org/teknosell. Your email address should also use a specific domain name, rather than Hotmail or an internet service provider.

Two other options for promotion are:

- direct selling using mail order or on-line shopping malls which integrate promotion and sales generation; and
- participation in infomercials and shopping channels.

Deploy the right marketing approach

Government departments, state structures and non-governmental organizations

The marketing approach to organizations such as these must be rather different. They are unlikely to be affected by mass media advertising: they certainly will not be touched by direct mail shots. In order to break into these special markets senior personnel from the exporting organization must play the leading role. The exporter's overseas agency should be able to pinpoint the right individual within the target organization who is responsible for purchasing, and then the approach should be made by the actual exporter himself, rather than his agency in the export territory.

When these types of organizations are involved, it may be wise for the exporter, sensing that the market for his products is, or could be, substantial, to invite the chief buyer to visit the Kenyan organization and see for himself its efficiency and capabilities.

Industrial end-users

Industrial end-users have to be approached on the basis of a rifleshot clearly aimed at each individual end-user, none of which will be qualitatively or quantitatively identical. It will be vitally important that all possible information is gathered concerning the end-user before any approach is made. That approach should then be by courteous letter from a senior person in the exporter's company requesting an interview and setting out the nature of the goods for which the market is being sought.

Industrial end-users are normally more interested in quality, reliability and long product life spans than in price.

Wholesalers

By their nature, wholesalers are usually bulk purchasers not only of a particular product but of a wide range, although that range may well be within a broad sector of supply such as fast moving consumer goods, quality clothing and fashion goods, class conscious high-priced footwear, etc.

Such organizations are constantly on the lookout for new sources of supply and frequently will respond to mailshots or to advertising on the internet. Their purchasing officials are usually well travelled and may respond favourably to the suggestion that they call within Kenya en route to other places in order to meet the exporter and have opportunity to study his products.

The initial approach should of course always be accompanied by skilfully produced brochures. Where appropriate, indicative price lists should also be submitted and the possibility of discounts for quantity purchasing could be provisionally mentioned.

Retailers

Retailers, by definition and with the exception of the major chain stores, tend to specialise in ranges of products such as infants' and children's wear, delicatessen foods, electrical goods, leather goods, domestic hardware, etc. A competent agent in the export territory should be perfectly capable of pinpointing the most likely targets and getting to grips with them. That agent will require to be provided with all suitable information with regard to the products to be supplied and can usually assess the price ranges with which the exporter must compete.

Participate in trade fairs

We recommend you carefully research any trade fairs before committing to exhibiting in them. You should be clear about who visits, who else exhibits, how representative it is of the market, and how it is rated by other participants.

It is also useful to discuss potential attendance at shows with your contacts in the market and with Export Promotion Council.

Some international fairs have immense importance as industry or sector gatherings. They are important for identifying trends, and for major launches or order confirmations.

Companies also go to fairs to look for ideas, for distributors or to support their distributors. Published lists of trade fairs around the world can be accessed through government and industry agencies as well as promoters. It is also useful to talk through the options and the appropriateness of participation with your Export Promotion Council sector champion or market contacts.

> A good starting point for lists of trade fairs and events is the events calendar on the Export Promotion Council's website at www.epckenya.org.
> You could also visit the M&A Expo Database for international trade fairs - www.expodatabase.com.

Making the decision

The following factors are useful to consider before committing to an event:

- Your company's objectives for the market/region and your objectives from participating in the trade event e.g. generate sales, gather leads.
- The event visitors, e.g. trade, consumer or both and your target audience at the event – new clients, strategic partners, agents, existing clients, etc. You might have several audiences, in which case you should devise a strategy for targeting each.
- Success of the event in previous years – visitor numbers and breakdown, how well the event was run and promoted, and the reputation of the fair. Does it have the coverage you require (national/international)? Is it the premier fair for your product/sector in the region?
- Talk to Export Promotion Council to see if they intend to have a Kenya stand at the event or if they can put you in contact with other Kenyan companies intending to exhibit at the fair.
- Whether there is sufficient time to prepare for the event and which key decision maker(s) is/are able to attend for the duration of the event.
- Your company's ability to meet any increased sales' demand following the event.
- Any accompanying activities you might wish to hold, e.g. seminar, on-stand hospitality, media event, product demonstrations.
- The estimated budget: Space rental; Stand design, materials, constructions, lighting, furnishing, audio visual; Signage; Freight – stand, product samples, literature, duties; On-site services – power, water, phone, fax; Promotion – advertising, direct mail, invitations, brochures, PR; Give-aways; Entertainment; Personnel – travel, accommodation, expenses, medical cover including inoculations; Translation/interpreters; Accompanying activities; Follow-up activities; Contingency, e.g. 10 percent.

Before you go

Once you have made the decision to participate in an event, the following components will require consideration and/or action.

- Advice Kenya's commercial attaché in the market of your intention to exhibit in case you require their assistance during the fair. They may also be aware of other interested Kenyan companies which could lead you to a joint stand.

- Develop a critical path to guide your preparations, submit your application for stand space and pay your stand deposit.
- Select and brief a stand designer. The ‘look’ of the stand should reflect your key communications’ message and should be carried over into all your promotional and support material, e.g. advertising, invitations, brochures. This will help maximise the impact you make and help you stand out from your competitors.
- Notify key market contacts and industry players of your presence and seek meetings at your stand. Promote your stand to contacts; give them a reason for visiting you, e.g. new product launch, an ‘event’ i.e. cocktail party, networking, exposure to media.
- Develop and implement pre-show advertising and publicity, e.g. direct mail, catalogue advertisements, invitations, press releases, media briefings. Get a media contact list from the organisers, find out how you can target them through official promotional material, e.g. trade event newsletter, website, and through the media centre.
- Organise promotional literature and any necessary translation, e.g. business cards, product brochures, company brochures, price lists, media releases, and advertising. Check that the translation of any words or phrases from English (a) make grammatical/contextual sense and (b) will not cause offence.
- Arrange freight shipment, e.g. stand, equipment, product samples; travel and accommodation; and insurance for travel, company liability, equipment, etc.
- Organise giveaways, e.g. branded carry bags to hold promotional material, lapel pins, tee-shirts. (Note. Branded carry bags are a great way to use visitors to promote your stand all over the event).
- Create a system to record visitor details and enquiries. (See sample form in Appendix D)

On site

Maximise the opportunity!

- Set up the stand. Allow sufficient time – it always takes longer than you think.
- Take photographs for publicity in Kenya and to incorporate into your post-event communications.
- Hold a pre-event briefing for on-stand staff, to cover such things as: Your objectives; Target audience; Key messages; How to deal with non-prospects; Hours/roster; Toilets/restaurants; Logistical information – where to find support material, how to book the meeting room/translator, timing for demonstrations; Responsibilities - media liaison, ‘working’ the show; Policy on giveaways and distributing promotional material and brochures – you may want to have a few items on display and hold back the balance for clients and good prospects, otherwise event ‘groupies’ who have no intention of buying your products will take all your support material – on the first day!
- Work the event, identifying prospective buyers/partners from visitors and exhibitors.
- Coordinate daily stand cleaning, replenish supplies, and hold daily team meetings.

Post event follow-up and evaluation

Make it work for you, even after the stand comes down.

- Hold post-event debrief to assess and action follow-up requirements.
- Pay outstanding invoices.
- Measure success and performance against objectives and investment.
- Undertake ongoing follow up and relationship building with interested contacts.

Exhibiting as part of a group

When attending overseas trade events, we encourage exporters to exhibit as part of a group of Kenyan companies. Not many Kenyan companies have the same clout as the large multinational corporate. But if you present yourself overseas as part of a group of companies, the impact can be similar - a Kenya pavilion or stand at a trade fair can be an impressive site. Export Promotion Council helps manage group initiatives on a project basis. This includes Kenya's participation at overseas trade fairs or other major international events under a National Pavilion.

Respond to sales enquiries

Unsolicited enquiries

You should be cautious when responding to unsolicited enquiries. It is not necessary to respond to every unsolicited enquiry, as they can often be very speculative queries from people who are not committed buyers. First-time exporters can make the mistake of responding in detail, which can be very time-consuming, and provide little or no results.

Be selective about which enquiries you respond to, and concentrate on those ones from your main target markets. Validate any enquiries carefully, by confirming the importer's ability to pay before sending any goods. You may want to use an agent to check the potential importer's financial credentials, such as how long the importer has been operating.

Validated enquiries

The real export process starts with receiving an enquiry and a request for a quotation or pro-forma invoice. After receiving an enquiry, the exporter must then identify the potential importer and their needs, conduct a feasibility study and determine the best method of payment. Some essential requirements to be kept in mind when preparing to reply to an enquiry include:

Speed: A quick response to an enquiry will indicate to the importer that you are keen and efficient. The importer may well have sent enquiries to other potential suppliers and speed is essential if you want to stay in the running. It is important that you go back to the enquirer within 24 hours of receiving it. If you do not have all the information available at the time of receiving the enquiry, reply to the importer saying, "I am working on the best price for you and will get back to you as soon as possible".

Clarity: The quotation must be clear and contain the relevant details requested by the customer. Query any aspect of the customer's requirements that are not clearly stated in the enquiry.

Quality: Besides containing information about the price and terms of delivery etc., the price quotation is a sales document. It should be professionally presented, backed up, where relevant, with an appropriate set of brochures, specification sheets and a covering letter.

A good quotation and/or response should:

- include both the seller's and the buyer's references; include dates of receipt of the enquiry and response; and copy the customer's name and address exactly as it appeared on all previous correspondence;
- address the quotation to the person who initiated the enquiry, include a heading which identifies the contents of the response, and refer to previous correspondences received such as e-mails and or faxes;
- express thanks for the enquiry received; stress the benefits of your products, without over exaggerating them; and refer to any well-known purchasers;

- clearly state the packaging materials to be used and the number of packages, state the weights and dimensions of the shipment, refer to any conditions of sale that you wish to incorporate, specify minimum quantities, state the payment terms clearly, and clearly identify the period of validity of the quotation;
- be signed and clearly state your name and position within the company; and
- attach any advertising material, such as brochures, specification sheets, or any other materials that may interest the buyer.

Follow-up

New exporters often think their major task has been accomplished when they have identified willing customers and completed the first contract. In fact this is just the beginning.

The most critical aspects of follow-up are keeping in contact with the market and being ready to adapt. You need to anticipate the way the market and orders are likely to grow, what else is changing and what might go wrong and how you will put it right.

You need to be aware of new opportunities and new markets, and look at the longer-term implications of how markets are growing, and what new products are going to be required.

Part of dealing with the future will be recognising successful formula that can be transferred from one market to a new one. But you will also need new ideas and new strategies. This means you also need to review, and update or generate new plans for future exporting activity.

While planning for the future, you also need to maintain regular contacts and relationships with current distributors and customers and others in your markets. This can be done through phone calls, fax, email, and personal visits. You may be able to reduce the cost of international phone calls by using internet telephony services such as Skype, although make sure that your computer system has adequate security and firewalls in place if using these products.

Perhaps your agent or distributor should be brought to Kenya to learn more about your product or service. You will also need to review agent and distributor performance. You can only do this honestly and effectively when you maintain regular personal contact with them.

As the exporting side of the business grows, you will need to make changes in your business structure. Decisions on how to change will depend on your company's size, structure and the amount of exporting you do, among other factors.

You may need to expand your production capacity, outsource production of some elements of the product, or look at some element of the 'beyond exporting' strategies. These include contract manufacturing, licensing or joint venturing. Professional advisors can assist you with advice on options as your exporting business evolves.

You need ongoing commitment and continued enthusiasm. You will in all probability have setbacks - even major ones that may mean withdrawing from a particular market.

As in any business venture the most important people to your company are your customers. It should be company policy to keep them happy wherever they are. Prove yourself as a reliable company and this may be more effective in building up your export business than anything else.

Chapter 10:
Putting «e» to work

- **Where the internet fits in your current business**
- **Is the internet right for my business?**
- **Planning your business on the internet**
- **Key steps in the planning process**
- **Key issues to consider when trading on the internet**
- **Searching on the internet**
- **Online business directories**

Where the internet fits in your business

Using the internet is not just about building a web site and will not provide a quick solution to increased sales on its own. The internet is a business tool that needs to be used in conjunction with the long-term strategy of your company's overall business.

With a web site your company can:

- increase product awareness;
- sell your products direct;
- generate and qualify leads;
- improve customer service;
- gather feedback by creating customer databases (this provides the ability to record and analyse customer information);
- decrease sales support, marketing and training costs as the business only needs to enter information once to target a wide customer base - it replaces the need to produce hard copy marketing material although many businesses still use hard copy materials to complement online communication flow with their customers;
- expand distribution and reduce the supply chain link allowing cost savings and the ability to directly target customers without having to operate through intermediaries; and
- communicate with customers and partners.

It is important to note that traditional methods of in-market communication are still widely used. There is still strength in having the support of an in-market distributor or a representative office working personally with your customers in your key markets of operation. The ability to make a local telephone call or visit can be enhanced, not replaced, by internet communication.

Is the internet right for my business?

The key factor will be to determine if the internet is right for your business, as marketing online does not deliver results for all companies. If your business is already trading well through conventional channels then your internet activity should enable further growth in sales. However, if you are not operating well through traditional means then the internet will not necessarily present a fast solution to increasing sales.

It is important to define who and where your customers are. Here are some broad questions to get you started. If you are unable to answer them, then you may need to do some more work before you consider the internet.

- What distinguishes you from your competitors?
- What makes your customers come back to you?
- What is most important to your customers?
- Are your customers online? If not then invest elsewhere.
- Are your competitors online? If so, has the internet helped their businesses?

- Does your product lend itself to direct sales? Internet selling does not suit all products and services. Generally, the following "low touch" products sell well on the Internet: Computer hardware and software; CD-Rom; Books; Some sports equipment; Services such as airline ticketing, newspapers, insurance, banking services. The following "high touch" products do not sell well on the Internet: Clothing; Shoes; Perishable grocery items. If your products fall in the second category, use the internet for marketing rather than selling.
- How does your supply chain work? Do you have the distribution and/or resources to handle internet customers?
- Does your company sell to regional or national customers? If your business is strictly local, will internet marketing help meet business goals?

Planning your business on the internet

Do not develop a web site without reasonable, business-oriented goals. Selling through the internet will not change the basics of running a good business. If you want to be successful you still have to consider the following:

Start with a business strategy. The other basics of business apply:

- Make yourself known.
- Make and deliver the product, or perform the service.
- Be aware of and meet your customers' expectations.
- Get paid for doing business.
- Fund your business and pay your bills.
- Run the business efficiently and plan for the future.

Before your company deploys a web site, define specific objectives to determine the stage where your business is at present. Key questions to consider are:

- What are your goals?
- Who are your target customers? Are they business professionals familiar with information technology or are they computer novices?
- How does the internet fit into your company's plans? Are you expanding into new regions? Are you selling new products?
- How will the internet change your business? Be prepared for new ways of working and adapt to these changes. For example, the internet is shortening the buying cycle because customers now search choices online, visiting consumer outlets only when they wish to negotiate price.
- What is your budget for online marketing? Web sites can be developed for as little as Ksh.35,000 but you must not forget there will be additional hosting, maintenance and promotion costs.
- Spend time on the internet looking at competitors' web sites and searching companies in your business category. Ask yourself what does and does not work for you as a user. What catches your attention? What frustrates you? What makes you return to certain web sites repeatedly?

Key steps in the planning process

Providing your reason for using the internet as a selling medium fits cohesively with the overall strategic direction and marketing plan of your company, it can be a powerful tool to build a stronger business by expanding the geographical coverage of your business' customer base.

Here are the key steps to define where internet selling could fit in your business:

1. Define your short and long term business strategy.
2. Define your target audience.
3. Define your objectives for online marketing.
4. Define online ways to help you achieve your objectives.

STEP 1: Define your short and long term business strategy.

What is your overall marketing strategy and which parts do you want your online marketing to address? This could include:

- acquiring new customers;
- retaining existing customers;
- reactivating former customers;
- online sales;
- customer service;
- branding; and
- extending your geographical coverage.

STEP 2: Define your target audience.

Who are your target customers? These could include:

- potential and existing customers;
- owners/shareholders;
- resellers;
- staff; and
- media.

What market segments are you targeting for your products? These could include: Retail; Wholesale, Mail order.

STEP 3: Define your objectives for online marketing.

What do you want online marketing to achieve for your business? This could include:

- reducing cost of sales or servicing by x%;
- generating x positive leads and increasing sales by x%;
- building knowledge through customer research by conducting customer surveys online;
- building email lists for direct marketing; and

- building brand awareness by x%.

STEP 4: Define online ways to help you achieve your objectives.

These could include:

- developing a corporate brochure online;
- providing your customers with product/catalogue information online;
- providing full e-commerce facilities online through an extranet;
- online advertising;
- use of email communication;
- use of the website as a direct response mechanism for mail campaigns; and
- offering language options on your site.

Key issues to consider when trading on the internet

Legal/compliance issues

Requirements related to the following issues still apply in countries where internet business is conducted:

- Regulations
- Taxes
- Labelling
- Product liability
- Intellectual property

These need to be carefully addressed in every country where business is transacted to avoid additional unforeseen costs. It is also critical to ensure compliance with the relevant regulatory requirements in all countries where business is conducted.

Payment issues

Payment of goods and services can present problems. There are still constraints on the payment mechanisms that can be used for internet selling. To date it has been limited to credit card payments, however new methods of purchase are slowly being created.

Security issues

The security of your web site is important and as part of the process you should seek guidance from your web designer or a computer consultant on the likely issues that could arise. An insecure site, unreliable ordering system and poor delivery processes could seriously undermine the credibility of your business and the ability to generate repeat sales from your customers.

Physical transportation of your goods

Speed and reliability of the physical transfer of goods through internet selling may present problems. Even though transactions for goods and services are made through the internet, there still has to be the physical transfer of product which incurs freighting and other related costs.

The development of a fulfilment plan to clearly define the most cost effective way for you to manage the orders you generate is necessary.

Searching on the internet

The internet is becoming increasingly useful for export-related information, such as seeing how products and services are being promoted overseas.

It is a good idea to learn to identify and store useful sites for a particular product, country or market of interest. Some sites have useful links to other related sites that may be difficult to locate any other way. However, you should not assume that everything on the internet is accurate or up-to-date.

Some companies or individuals will search the internet for a fee. They will also have access to databases that are otherwise hard to find, or that would involve multiple subscriptions beyond your budget. Many libraries also provide online information and help with searches.

> The trade information research system at www.intracen.org/tirc/welcome.htm is a good place to start when looking for export, trade-related or economic links around the world.
>
> If you are targeting a specific market, then it is wise to use the search engine page specifically for that market rather than a generic one. For example, use www.google.com.au for the Australian market, or www.yahoo.co.uk for the United Kingdom market. This will ensure that the search results are more relevant.
>
> A useful web site for pricing research is http://froogle.google.com/. This consumer-orientated site displays products in different categories by pricing bands.

Online business directories

Look for online business directories for your target markets. A list of some directories follows:

United States

> Yellow Book: www.yellowbook.com - Yellow Book USA is the fifth largest publisher of yellow pages in the United States. It is a member of the Yell Group, an international directories business.
>
> SuperPages: http://yellowpages.superpages.com - Search by category, business name, city, and state. You can also do a nationwide search.
>
> Switchboard Yellow Pages: www.switchboard.com - Can search by business name or category, although the categories are relatively limited.

United Kingdom

> Yell.com: www.yell.com - A member of the Yell Group, an international directories business.
>
> BusinessFinder: www.businesslinx.co.uk - A directory for small to medium sized businesses. Includes a detailed list of business categories.

Europe

> Europages: www.europages.net - Allows searching by company name, product or service, or business sector. Can narrow searches by country.

Middle East

AME Info Business Directory: www.ameinfo.com/db/ - Allows searching and browsing of database containing over 300,000 companies, which are indexed according to the North American Classification System.

Japan

Japan Telephone Directory: http://english.itp.ne.jp/ - In English. Can search by business name, region or category.

Worldwide

Kellysearch: www.kellysearch.com - Allows for searches by product, service and company information on over 2 million companies worldwide. Can also browse directory by industry sector.

Search Engine Guide

Business search engines: www.searchengineguide.com/pages/Business/ - Provides links to search engines, portals, and directories arranged by industry.

Putting«e» to Work

For more information on how you can put «e» to work, contact the national partner of the International Trade Centre's e-Trade Bridge Programme, EMD-Kenya,
Email: emd@teknosell.co.ke, visit www.emd-kenya.org.

Chapter 11:
Financing and getting paid

Availability of corporate resources

Since export projects are generally riskier in nature, they may demand larger investments and entail greater operating costs than domestic projects, consideration of whether the company is able to bear export costs without jeopardizing domestic operations is important.

Calculation of the value of required initial capital for export is generally based on three estimates:

- **Pre-production costs:** Cost estimates of marketing, personnel and training prior to production, product modification, raw materials and equipment for trial runs in the pre-production period, pre-investment studies, engineering and design, etc.
- **Fixed capital investment costs:** Cost estimates of plant and equipment, jigs and fixtures, etc.
- **Working capital:** The capital required to finance the current assets of a business, i.e. to keep the enterprise running.

Estimates include the amount of cash required for day-to-day payments of the business, contingencies to meet unforeseen expenses and for reserves to take advantage of opportunities that may arise e.g. raw materials offered at a bargain, receivables, payables, taxes, etc.

Different types of financing

Exporters may need short-term financing in order to produce an export order. Cash flow is an essential part of any export transaction and a steady flow is important to keep the export process moving. Cash flow problems may be avoided if the exporter has access to short-term finance. When there is a guarantee that the exporter will be paid, intermediaries step in on the strength of that security to provide funds for the exporter. This enables the exporter to shorten the period between investment and receipt of funds from the importer.

The most common forms of trade finance are:

- documentary credit finance;
- discounting of bills of exchange;
- pre-shipment and post-shipment finance;
- financing for market development;
- trade financing, including short-term trade finance, factoring and forfaiting; and
- working capital.

The following factors influence a company's choice of financing:

- Period of time required for financing (financing for longer periods of time is more expensive).
- Need for financing in order to sign a deal (terms often determine the competitiveness of your deal).
- Cost of various methods of financing, such as interest rates and fees and how they affect price and profits.

- Risks involved in financing the deal, such as creditworthiness of the importer, insurances required, supplier cover and method of payment. High risk means high cost and this is an influencing factor.
- Need to expand plants, production facilities and equipment.

Sources for financial assistance

Commercial banks: Trade finance departments provide loans for working capital, revolving credit lines, and insurance products. Look at the various financing options offered by the banks, their charges for confirming a Letter of Credit; processing drafts and collecting payment; whether they have foreign branches or correspondent banks; and what other services, such as trade leads the bank can provide.

Buyers and suppliers: Foreign buyers may make down payments that reduce the need for financing from other sources or suppliers. Suppliers may be willing to offer terms to you if they feel confident that they will receive payment.

Ministry of Trade and Industry: Assistance in the form of advice, export risk insurance, incentive schemes, etc.

Credit guarantee organizations: Assistance in the form of advice, risk insurance and research.

Short-term trade finance

One of the most suitable sources of finance is an overdraft facility from your bank. However, with high interest rates this is often an expensive form of finance. The export sale is made using either a Documentary Credit or bank collection as the payment of choice. The exporter can obtain cash from the bank when the bank draft – also called a bill of exchange – is discounted by the bank. The bank may advance as much as 80 to 90% of the value of the transaction to the exporter against the bill of exchange or other shipping documents. Such payments may be “without recourse” or “with recourse”.

- Payment with recourse means that the bank may charge the exporter if the bill of exchange goes unpaid by the importer.
- Payment without recourse means that the exporter retains the finance sum even if the importer does not pay.

With confirmed Documentary Credits, however, there is not much risk of the bank failing to receive payment, so financing under this option is generally “without recourse”.

Meeting creditworthiness criteria

Financial institutions do not use standard criteria for short-term lending; however, most of them will look for evidence of a good cash flow, adequate shareholder's funds, adequate security (i.e. not too many ties with other loans), experience in trading, good reputation and standing, and a specific purpose for the loan.

For longer term loans, you may need to present the following information:

1. Credentials: letters of introduction, your profile, brochure on your business, bank and other references, and proof of your company ownership and its registration.
2. Financial situation: balance sheet, profit and loss account, cash flow statement, and budget for the coming year.
3. Commercial information: details of orders booked, business plan, and feasibility study report.

Most banks in Kenya have a Foreign Trade Services section that you can discuss with your export financing needs. You can also contact the African Trade Insurance Agency (ATI) whose credit insurance policy can be used as security for short-term funding or working capital needs. ATI also provides insurance covers against non-payments by clients due to political risks.

> For information about ATI services, contact the Export Promotion Council (EPC), the liaison office of ATI in Kenya. EPC is located in Anniversary Towers, 1st & 16th Floors, University Way, P.O. Box 40247, Nairobi 00100, Tel: 020 228534-8, Fax: 020 218013, Email: chiefexe@epc.or.ke, Website: www.epckenya.org

The Eastern and Southern African Trade and Development Bank (PTA Bank) is a regional institution that promotes trade and development among the Eastern, Central and Southern African member countries of COMESA. It provides a range of transaction-based on short-term credit facilities and payment instruments to exporters.

> For export financing when trading with Eastern, Central and Southern African member countries of the Preferential Trade Area, contact the PTA Bank, NSSF Building, 22nd Floor, Bishops Road, P.O. Box 48596 GPO Nairobi, Tel: 020 2712250, Fax: 020 2711510,
> Email: presidency@ptabank.org

Getting paid

How you are paid for your export consignments will vary depending on the market, your relationship with your customer and your type of exporting.

Payment in advance

Payment in advance is desirable, but is not preferred by importers. It generally happens where there is a high level of perceived payment risk and perishable or specialised one-off products are being exported.

On consignment

On consignment is generally limited to affiliated companies or relationships with a firm mutual trust. The exporter ships the goods directly to the buyer, arranging payment to be made when the buyer sells the goods. In effect, the seller extends credit to the buyer, an attractive proposition for the buyer but one that can strain the seller's financial resources. This is a high-risk mechanism for the exporter, as control of the goods is lost on consignment and it is hard to enforce payment if the importer defaults.

Sight drafts

Exporters send the bill of exchange, with relevant shipping documents, through their bank to the buyer's bank. Buyers pay the bill of exchange on presentation by their bank (i.e. "on sight"), which allows them to receive the necessary documentation and uplift the goods on arrival. There is an element of risk in this method as, if the bill is not paid on presentation, goods can lie at the overseas port incurring warehousing and insurance costs.

Term drafts

Exporters wanting to extend credit can arrange for documents to be released to the buyer on acceptance of the draft or bill - that is, the buyer signs it as a promise to pay by the nominated time (30, 60, 90 days, etc.). Exporters can sell or discount the draft or bill to their bank.

Letter of credit

Export letters of credit for payment are commonly used. They give a high degree of security, especially when the exporter and the customer have not yet built up a strong relationship. The overseas buyer arranges with their bank for a letter of credit in favour of the supplier. The buyer gives the bank details of the transaction and the goods, all required documents, the amount to be paid, and the credit's expiry date.

The bank then notifies the exporter's bank in Kenya of the terms and conditions. These details are passed on to the exporter who should examine them carefully to check whether they will be able to comply. Any doubts about the terms and conditions should be negotiated with the buyer at this stage, either directly or through the banks. These changes are then recorded with an official letter of credit amendment.

The exporter can have additional protection by asking their bank to confirm the credit for a small fee. This joins the local bank in the issuing bank's undertaking to honour drafts drawn in terms of the letter of credit. However, if the issuing bank is well known and has a secure reputation, confirmation has little practical value.

Letters of credit are usually irrevocable, which means they cannot be amended or cancelled without the agreement of all parties.

After shipment, the exporter presents the draft and documents to their bank. The bank checks the terms and conditions have been complied with and then negotiates the draft and obtains reimbursement from the correspondent bank.

Discounting of export bills

Discounting is a useful service available from banks and widely used by exporters as a way of obtaining payment for goods exported. So that exporters are not disadvantaged by having to wait for payment, they can sell or "discount" the draft or bill to their bank, which collects the payment when it falls due. The exporter is still responsible for non-payment.

Factoring

Factoring involves arranging payment for transactions by a third party ahead of when payment might otherwise become due, or where there is some potential risk or difficulty in getting payment. It is widely used as a way of financing sales. It mirrors discounting but is most often offered through specialists working independently or sometimes in association with banks. Factoring can be useful as an alternative way of improving cash flow or meeting order requirements.

Credit card payment

Credit card payments are only possible where the exporter has a merchant agreement with an international credit card company. Many purchases relating to mail order or other forms of distance selling depend on customers providing a valid credit card number and signing or otherwise confirming their wish to purchase. In most cases this will be with a company operating out of Kenya and the transaction will be settled in US dollars or Euros.

Opening a merchant account with a credit card company in a non-Kenyan currency depends on the exporter having an account with the participating bank in the country of settlement.

A word of warning: Purchasing at a distance by providing credit card details on coupons, by fax and over the telephone or by email involves risk for the cardholder. People may be able to intercept the transaction, acquire details of the card number and use it to acquire goods or services or to defraud. A number of schemes that protect this payment method are being introduced but security is still a major issue. However, this form of electronic commerce is generally seen as an important part of the future of trading.

A typical financing structure

Here is an example of a financing structure for export transaction on export of garments from Kenya to USA:

An exporter in Kenya receives an order for garments from a USA distributor with whom he has not dealt with before. Payment will be in US Dollars by letter of credit 60 days after loading CIF to USA onto a vessel. The exporter has about half the required amount of cash needed to buy the cloth and accessories, some of which have to be imported from another country.

He obtains an advance in Kenya shillings from his bank through an overdraft facility on his current account. He then signs the contract with the buyer in USA who instructs his bank to issue the letter of credit.

With the money advanced by his bank, the exporter pays for the raw materials, insurance and freight.

Prior to shipment, his bank advises him that the documentary credit has been issued and that he will be credited the full amount 60 days after loading on board the vessel. He is now safe in the knowledge that he will be paid. But first, he must produce the documents that evidence shipment, origin, quality and quantity; the parking list; the insurance certificate; and the invoice. His bank sends these documents to the buyer's bank which then will transfer the amount to the exporter's bank when the credit term of 60 days matures.

The exporter then decides that he needs more cash to finance another transaction with another customer. The bank offers to discount the receivable that the documentary credit represents. The exporter calculates that it is to his advantage to accept the bank's offer. From the proceeds of the discounting, he reimburses the bank the outstanding amount due and uses the balance of cash to complete his next transaction.

Chapter 12: Packaging and labelling

- **Importance of packaging**
- **Packing products for export**
- **Weight and dimension**
- **Labelling**

Importance of packaging

Once a company has manufactured its products, the goods must be transported to their international destination. If the products arrive in the foreign market damaged or spoiled, they will most likely never get sold, and will cost the company, financially and give them a bad reputation. Thus, durable, appropriate, and cost-effective **protective packaging** materials and methods must be used so that the company can deliver its products intact at the lowest possible cost.

Packaging does not end here, however. Once a company has successfully transported its goods to its foreign market, they must then be packaged to satisfy the storage, delivery, display or handling needs of the customers. Appropriate packaging such as **point of sale packaging,** plays a critical role in this phase since it serves as a production or marketing tool for the final distribution and sale of the goods. Often, such packaging is crucial for the inherent qualities of the goods to be recognised by the customer. It is not enough to have an outstanding product. Its packaging must be equally suitable for the product to sell.

Appropriate **labels** are just as important as point of sale packaging and protective packaging. Protective packaging, point of sale packaging, and labels are three vital elements to exporting that should be adapted to each selected foreign market in order to satisfy the needs of the various clients, as well as comply with international regulations.

Packing products for export

There are many factors to consider when packing products for export. The most important of these are:

Nature of the goods: Are they perishable, fragile, heavy, or hazardous? Example: fruits and vegetables are perishable; petroleum is hazardous; antiques, pottery and some forms of artwork may be fragile.

Mode of transport: Will the product be transported by road, rail, sea, air, or multi-modal (a combination of modes)? How will these products be handled? What specific considerations must be given to each mode of transport? For example, heavy and hazardous petroleum would not be transported by air, due to cost and danger.

Customers' specific requirements: Are there any special requirements or requests made by the customer? For example, does the customer require the cargo shrink wrapped and palletised for ease of handling?

Prevailing regulations: Do your international markets have specific laws or regulations specific to packaging? How will this affect your packaging? For example, the European Union has very specific regulations about packaging material being recyclable.

Storage of product: Does your product need to be stored in a specific way *en route* or once it has reached the importer? How is it likely to be stored? For example, ice cream must be kept frozen; fruit and vegetables should be kept in an environment where temperature and humidity or even atmospheric gases are regulated.

Available technologies and materials: What types of packaging materials are available to you? What technologies are there to assist in the protective packing process? For example, packing materials such as flame-retardant foam insulation might not be readily available, so if your product is highly flammable, an alternative should be found.

Weight and dimension

It is important to establish how many items can fit into a pack (cardboard box, drum, etc.), as well as the weight and dimension of the final pack. This is important because the freight forwarder would then be in a position to quote the freight amount on this final pack. If you were going to dispatch your products in a 6 or 12 metre container by sea, prior to the loading of the container you would need to establish how many packs you would fit into the chosen container. This will ensure that the containers are not being shipped half-empty (thus incurring higher costs).

The exercise below will help you establish (on paper) how many packages would fit a 6-metre/20ft container.

Container calculation

Step 1: Measure your packed product along the length, width, and height in metres (the outer pack e.g. a cardboard box, shrink wrapped and palletised).

Example:

Length	Width	Height
.950m	.450m	.235m

Step 2: Find out the dimensions of your container.

In this example we are using a 6-metre/20ft container, thus the dimensions are:

Length	Width	Height
5.876m	2.330m	2.197m

Step 3: Divide the length of the package into the length of the container.

5.876m divided by .950m = 6.18

Therefore you would be able to fit 6 packages along the length of the container.

2.330m divided by .450m = 5.17

Therefore you would be able to fit 5 packages along the width of the container.

2.197m divided by .235m = 9.34

Therefore you would be able to fit 9 packages along the height of the container.

Step 4: Multiply 6 x 5 x 9 = 900

You will fit 900 packages into a 6-metre/20ft container, based on these dimensions.

By turning the contents around you may also gain more space in the container, (bearing in mind that certain products such as wine can only be stacked upright). You also need to take the weight of the product into account: for a 6 metre container, you can only safely load 18 tons. A 12 meter container should not be loaded with more than 27 tons. Your freight forwarder can also assist you in establishing how many items/boxes you can load into a container.

Labelling

Labelling is used for:

- easy identification (of all kinds of packages and their contents during handling, transport, and warehousing);
- informing the consumer (about individual goods, the specification of the goods, date of validity, quantity, hazardous nature of the product, etc.);
- providing proper product identification and information to product users; and
- informing the users on correct use of the product.

There are two types of labels to consider: labels applied to packing (outer cardboard boxes, containers, etc.); labels applied to packaging or point of sale materials.

A packing (protective packing) label must:

- show the physical address of the exporter/SHIPPER and contact details;
- show the physical address of the importer/CONSIGNEE and contact details;
- be easily understood (preferably in the language of the importing country);
- indicate the country of origin, departure and arrival point, and indicate any transit points;
- include cautionary and handling marks (do not drop, fragile, keep dry, etc.) – pictorial symbols are best;
- indicate the box's number within a shipment of multiple boxes - for example: 38/100 boxes, indicating that this is box 38 of a shipment of 100 boxes;
- indicate weight and dimensions of the package; and
- show the order, letter of credit (L/C), import license numbers.

A packaging label (point of sale) should contain the following:

- quantity;
- validity, or best before dates;
- date of manufacture;
- country of origin;
- bar code;
- compliance with safety and environmental regulations (e.g. recyclable material compliance);
- specifications i.e. ingredients and nutritional facts;
- how to use instructions;
- storage conditions;
- certification marks such as the Kenya Bureau of Standards' Diamond Mark;
- copyright, name and address of manufacturer;
- be in more than one international language; and
- boldly display the name of the product.

Information on labels varies, depending on the nature of the goods inside and the importing country (some countries specify the font and the language to be used and even the location for the label on the carton).

Designing the label

The most important factors for any label is that they should be: durable, explanatory, visible, informative, and legible.

Labels to be fixed onto packages may be chosen among several materials, such as: paper, plastic foil, aluminium foil, embossed tin/aluminium plate, or direct printing onto packages. Today, emphasis is on environmentally friendly materials.

Chapter 13: Preparing and processing export documents

- The importance of export documentation
- Basic export documentation
- Export procedures

The importance of export documentation

The number and type of documents required for completing an export order for your products must be analyzed fully and with great care so as to avoid expensive mistakes and delays. In addition to the export sales contract to supply goods to your customers, you may also contract with organizations, which will provide services such as packing, insuring and transporting the consignment of cargo. You may also decide to employ the services of a freight forwarding company, which will act as your agent in performing various functions.

In creating a business relationship with any service provider, a document to represent a legal contract will be prepared. Your customer will also require these documents so that he can collect the consignment of cargo. It is also likely that the customer will only make payment when he receives the documents.

In addition to these documents, the authorities of the exporting and importing countries may also require documents such as licenses that provide evidence that the relevant government department has sanctioned the export / import transaction.

Basic export documentation

A number of documents are commonly used in the export process:

Commercial Invoice (certified invoice)

This is the "charge" document, containing details of the seller, buyer, goods, price, terms of sale (e.g., FOB, CIF), etc. It must follow the requirements of the importing country, where it is used for clearing goods through Customs. Goods being sold under a letter of credit must be described on the invoice exactly as in the letter of credit. This invoice must also meet any other requirements stipulated in the letter of credit and show marks and numbers of packages as on the bill of lading or other transport documents.

Bill of Lading (B/L)

This is issued by or for the shipping company and serves as a receipt for goods uplifted for shipment, as a contract of carriage and as a legal document of title. On delivery of the goods the consignee is required to surrender a negotiable copy of the bill of lading to take possession. With the development of containerisation and the use of different means of transport (land and sea) under one contract of carriage, the traditional marine bill of lading is now being used less often in international trade. Variations of these documents are a marine bill of lading, a combined transport document, or house bill of lading.

Airway Bill (AWB)

The AWB is equivalent to a bill of lading for goods sent by air. Note: courier companies often have their own documentation that travels with the goods which is unique to that transaction.

Certificate of Origin

The origin of goods has a direct bearing on the rate of customs duty to be charged. Certification of origin may be incorporated in the commercial invoice, but a separate document, issued or countersigned by the Chamber of Commerce in the country of origin may often be necessary. Some importing countries demand that the certificate of origin be authenticated by their embassies in the exporting country.

Insurance Policy Certificate

The insurance document must comply with any terms in a letter of credit. The insurance coverage of goods being shipped without letter of credit is determined by arrangements between buyer and seller.

Cargo Insurance

Export goods must be well covered by insurance and both parties to the export transaction must be fully aware of their responsibilities. Exporters may often have an insurable interest long after the goods have left their possession, while buyers could be "on risk" before the goods are actually received. The terms of cover are usually laid down in the sale contract or letter of credit.

Packing List

This document details weight, volume, content, and packaging for each separate export package and for total shipment. It is often required by customs in the country of import when wanting to check the contents of any particular shipment. Banks often call for a packing list detailing the shipment particularly if a letter of credit is the chosen form of payment.

Pre-shipment Inspection Certificates

As a mechanism for the authentication of quality, quantity, value and compliance with export requirements, most products exported from Kenya undergo pre-shipment inspection. The pre-shipment process that a product is subjected to depends on the type of product and the requirements by the importing country. In addition certain governments require that the Kenya Competent Authorities on phytosanitary and sanitary (public health) certify quality and safety of products to be exported to their countries. Such Competent Authorities include:

- Department of Fisheries – for fish and fish products;
- Ministry of Health - for public health on food products;
- Kenya Plant Health Inspectorate Service (KEPHIS) – for phytosanitary certification;
- Department of Veterinary Services – for animal products; and
- Kenya Bureau of Standards – for manufactured products.

Some products may require certification from more than one of the Competent Authorities.

Export procedures

Here is how to export from Kenya step-by-step:

#	Activity	Documents	Comments
1.	Exporter forms and registers a company at the Attorney General's Chambers:	• Search confirming availability of business name • Citizenship documents (identity card or passport, and personal identification number, PIN)	There are three types of companies: sole proprietorship, partnerships, or limited companies.

#	Activity	Documents	Comments
2.	Exporter applies for a Trade License from the respective District Trade Development Officer:	• Tenancy agreement or proof of ownership of the premises • Citizenship documents • A copy of Certificate of Incorporation or registration of business name	In case of a private limited company, a Certificate of Share Distribution, issued by the Attorney General's Office, is required.
3.	Exporter applies for Exporter Code Number to Customs Department:	• Copy of Trade License • Copy of Certificate of Incorporation • Copy of registration of business name	The code number can be processed as you wait and no fee is charged.
4.	In case of restricted items, exporters apply for export license from Department of Internal Trade, Ministry of Trade & Industry:	• E Form (3 copies)	Processing period is approximately 3 days. Only ten products* are subject to export licenses due to reasons touching on both public and food security, conservation of wildlife and natural resources, and preservation of national heritage.
5.	Exporter applies for any special export permit as necessary:	• Documents as specified in regulations controlling specific items being exported	Special permits are commodity specific: • Horticultural Crops Development Authority for horticulture; • Department of Fisheries for fish; • Commissioner of Mines and Geology for mineral-based products.
6.	Export documentation prepared and distributed to other parties:	• Commercial Invoice (five copies) • Parking List • C63 – Customs Entry Form	Exporter retains 1 copy, 1 copy to importer, 2 copies to Customs, 1 copy to exporter's bank
7.	Completion of Certificate of Origin (as required by country of import):	Certificates of Origin to appropriate destinations: • exporters to EU obtain EUR-1 (Kenya Revenue Authority - KRA); • exporters to COMESA member countries obtain PTA Certificate of Origin (KRA); • exporters to OECD countries obtain GSP Certificate of Origin (KRA); • exporters to countries other than above obtain Ordinary Certificate of Origin (Kenya National Chamber of Commerce & Industry)	The certificates are issued free of charge and can be processed as you wait. The purpose of the Certificates of Origin is to indicate the origin of the exports so that they can enjoy preferential duty entry into the export market depending on the trade arrangement between Kenya and importing country.

#	Activity	Documents	Comments
8.	Arrange shipment insurance:	• Marine cover note obtained by exporter from company of choice	
9.	Pre-shipment inspection agents forward clean report of findings to exporter:	• Clean Report of Findings (CRF)	
10.	Goods are sealed and shipped:	• C63 Customs Entry Form is endorsed and exporter is given Customs Serial Number • Air Waybill • Bill of Lading	

*The ten products subject to export licenses are: military equipment and munitions of war; engines, vessels, aviation and transportation equipment; antiques and works of art; bullions and coins; live animals other than livestock and domestic pets; archives; wood-charcoal and timber; shells, cowries and corals; ivory, rhino horns and other products related to endangered species; and human bones.

Handling these multiple and complex documentation requires skilled and experienced staff. You can engage a freight forwarder to do the documentation on your behalf.

Chapter 14:
Getting your goods to market

- **Selecting mode of shipment**
- **Sea freight**
- **Airfreight**
- **Road freight**
- **Rail freight**
- **Freight forwarders**

Getting your goods to market cost-effectively requires understanding your freight or delivery options, and the roles and services of freight forwarders, customs brokers, transport companies, couriers, air express companies, airlines, shipping companies and others in the freight industry. This knowledge is an important part of calculating the costs of getting the goods to market and pricing.

Selecting mode of shipment

During the preliminary discussions with your customer, an important issue which must be considered is the mode(s) of transport to be used for delivering your consignment of goods. The mode of transport chosen will affect the effectiveness (i.e. quality, quantity and time aspects) as well as the efficiency (i.e. the cost aspect) of physical distribution. There may be many options (land, air, sea, rail) available, each with its advantages, disadvantages and limitations.

- **Road:** Mostly for regional trade, road transport is fast, flexible and appropriate for reasonably sized consignments.
- **Rail:** Rail is less flexible, but good for long distances and bulk consignments.
- **Sea:** Sea is often the most affordable mode of transport; even the smallest of parcels can be transported by sea.
- **Air:** Air is the fastest, but often the most expensive mode of transport.
- **Multi-modal:** Multi-modal transport implies that goods are moved by means of more than one type of mode – sea, road, rail and air.

You and the buyer must arrive at your final decision after careful consideration of all these and also the factors that you consider relevant and important for your particular products and requirements. There are a number of key factors to consider before making a choice:

- Nature of the goods (perishable, delicate, heavy, bulky, hazardous, etc.)
- Distance of shipment (damage to goods, deterioration of perishable goods, freight rates, etc.)
- Quantity of goods (the larger the quantity, the lower the freight rates)
- Costs (what is the cost of transport compared to the cost of manufacturing the goods? How much is the customer willing to pay for transport?)
- Transport time (how important is quick delivery? How does it affect the goods?)
- Risk (risk of deterioration, loss, breakage, theft, etc. are different depending on the mode of transport)
- Company strategy (reputation? Low cost/prices? Quality of goods? Timely delivery?)

Sea freight

Sea freight is the most economical form of transportation by which goods move from their point of manufacture to their final destination. Other advantages to using sea freight to transport goods are that it:

- allows the transport of hazardous, heavy, and bulky goods;
- enables the transport of large quantities of goods in one shipment; and

- avoids damage to goods that could arise from poor road or rail systems.

Sea freight is not always a viable option however. Some disadvantages include:

- slowness - may not be appropriate when quick delivery time is essential; and
- shipping delays - repeated delays in delivery of goods can have a negative effect on clientele and reputation.

When considering sea freight, a company should find out the following from the shipping line:

- The frequency of sailing (when the next vessel is available should you not meet the dates of the intended vessel).
- The cost of the freight.
- The actual sailing time between the port of loading and the port of discharge.
- The stack dates (the dates by which your cargo needs to be load-ready at the port of loading).
- The directness of route (will the vessel be sailing directly to the port of discharge, or will it tranship the cargo at another port where a second vessel will carry the cargo to its final destination? This could expose the cargo to additional handling and risks).
- Whether the sailing is an inducement sailing or not (in an inducement sailing, the vessel will only call the port of discharge if there is sufficient cargo to discharge).

Containerization

The use of containers for transporting cargo, known as containerization, has become a worldwide phenomenon. More than 75% of world trade is transported in containers. The advantages of containerization include:

- increased efficiency;
- greater security;
- less risk of damage from weather elements; and
- lower shipping costs.

Companies that do not have sufficient cargo to fill a 6 or 12 metre container can also make use of this sea freight option. Due to the increase in cargo moving by sea, a number of groupage or consolidation operators have developed. Companies with smaller quantities of goods can rely on the consolidator to pack their cargo with those of other companies into a 6 or 12 metre container. This offers a company the benefit of only having to pay for the space it utilises in the container, resulting in a much cheaper alternative to shipping cargo by air freight.

Companies that have sufficient cargo to fill a full container can book one with a freight forwarder or shipping line. It is essential, however, that the company have the facilities to pack a container at its premises. If this is not the case, a freight forwarder must be relied upon to pack the company's cargo. This could end up being expensive.

Calculating sea freight

The freight currency for sea freight is the US dollar, which is quoted globally. The amount of freight due is either paid:

- at the port of loading in exchange for the original bills of lading, or
- at the port of discharge in exchange for release of the cargo from the shipping company's custody.

When freight is paid in any other than the “tariff currency”, the amount due will be converted at the rate applicable on the date of shipment or another date agreed upon by the carrier.

Shipping lines generally quote freight costs:

- per 6 or 12 metre container; or
- per cubic metre or metric ton for small parcels.

Your freight forwarder can assist you with the calculation of these costs. Freight rates for containers are quoted per container regardless of how full or empty the container is. The only limiting factor is that you may not load more than 18 metric tons, or 21 cubic metres, into a 6 metre container.

The costs to load, secure and strap the container are called “Terminal Handling Charge” (or THC), and this is a separate amount payable, not included in the freight rate. The reverse procedure, also called THC, takes place at the port of destination, when the container is uplifted from the vessel and placed alongside the vessel at the port of discharge.

Airfreight

The movement of cargo by air is a highly specialised process, which is very different from moving cargo by sea or overland.

Due to the high security it provides, airfreight is most suited to cargo that is of a high value, but low volume (weight and measure). Computer equipment, cellular telephones and jewellery are excellent examples of cargo that lend themselves to being shipped by air.

Airfreight is also useful for the transport of perishable goods such as fresh cut flowers, fruits, vegetables, and fish which require fast transport. Although this type of cargo may be neither high value nor low volume, there may be no other option than to move the goods by airfreight due to the perishable nature of the cargo.

Some of the limiting factors that apply only to airfreight are:

- air cargo has to be specially prepared or modified to enable the cargo to fit into an aircraft;
- the space available on the upper and lower deck of the aircraft have to be taken into consideration;
- pressure and temperature variations also have to be considered; and
- it may not be permitted to transport cargo of a hazardous nature.

Airfreight is the most expensive means of moving cargo internationally. To facilitate quicker and safer loading of cargo, airline staff group air cargo into large units on pallets or containers. These are collectively known as a ULD (Unit Load Device). They play an important role in the loading and discharging of cargo and reduce theft and damage to the goods.

Calculating airfreight rates

Airlines that are members of the International Air Transport Association (IATA) are bound by their membership to comply with tariffs issued by IATA. However, higher volumes and frequency of cargo movement allow exporters/shippers to negotiate better freight rates.

Airline freight rates do not include:

- collection of the cargo from the exporter’s premises;

- delivery of the cargo from the airport of destination to the importer’s premises;
- storage of cargo;
- customs clearances and/or duties and other applicable taxes; or
- insurance.

Airfreight rates are based on a “chargeable weight” because the volume or weight that can be loaded into an aircraft is limited. The “chargeable weight” is either the actual gross mass of the cargo or the volumetric equivalent. Your freight forwarder or airline agent can help you calculate your cargo and convert the dimensions to a volumetric mass.

Road freight

Road haulage is often the only available method of transport for countries in Africa. Road hauliers offer the following services:

- A door-to-door basis, where the road haulier collects a consignment of goods from an exporter’s premises and transports the goods to their final destination.
- A depot-to-depot basis, where the cargo is delivered by the exporter from a depot in the country of export to a depot in the country of import.

Road permits

Road freight throughout Africa is strictly controlled with the issuance of road permits. Permits are not issued or renewed if a haulier is found to be overloading or operating sub-standard vehicles, or if the haulier is not abiding by the rules of the road. Irrespective of the cargo carried, road hauliers are required to obtain local permits for the purpose of transporting goods within a country (where the haulier is registered), as well as those countries through which the vehicle will travel.

In some African countries, the local road traffic authorities are reluctant to issue permits to hauliers that are not based or registered in that country. Without such a permit, the road haulier would have to re-load the cargo at the border onto another vehicle that is registered and that has the necessary permits. This can cause a number of problems such as delays, damage and theft. In order to overcome these problems, it is wise to choose a haulier that is registered in a number of countries, or one that has branch offices in countries where such restrictions are enforced. These branch offices facilitate more effective communication among the exporter, the freight forwarder and the importer in the foreign country.

Factors influencing the choice for road haulage

The decision to use a road haulier for all or part of the transit to a foreign destination is influenced by a number of factors, including:

Speed: The transit time for over-the-border cargo can be shorter by road than by rail. This is so because the road haulier controls the delivery of the goods right up to the final destination, whereas goods transported by rail can be delayed when rail trucks are handed over from one rail authority to another.

Convenience of distribution: When goods are being transported to neighbouring countries, a road haulier service may provide either a direct delivery to the importer’s premises or delivery to a convenient depot nearby.

Freight rates: Road freight rates are generally lower than airfreight rates but are more expensive than rail. The risk of transporting goods by road is much higher than with other modes of transport. It is for this reason that insurance cover for war, riots, strikes and civil commotion is not an option for cargo moving by road or rail. Most road freight movements are prepaid in full and the importer pays the exporter on delivery of the cargo.

Rail freight

Advantages of rail freight:

- Large amounts of goods can be transported at the same time.
- It is often very economical.
- Remote areas that are not easily accessed by other modes of transport can be reached.
- Almost any nature of goods can be carried – perishable, hazardous, breakable goods, etc.
- Freight rates are usually low.

Disadvantages of rail freight:

- It is limited to rail service network and cannot reach all countries and areas.
- It is dependent upon the relationship between the rail authority and the neighbouring state.
- Derailment, difficulties at border crossings, and other such events can seriously delay the delivery of goods.
- Insurance usually does not protect the cargo from events such as war, strikes, riots, or civil commotion.

In the transportation of cargo by rail through Africa, the rolling stock or rail wagons move from one country to another and only the engines change at border points. Border crossing is probably the most limiting factor affecting rail transportation throughout Africa. Countries that have hostile relations or that have not signed trade agreements of co-operation might not allow rolling stock to pass through their country.

Rail freight rates

Rail freight rates are commodity based. This means that the rail authority categorises cargo into various categories and charges specific rates accordingly.

These categories include:

- manufactured materials;
- semi-manufactured materials; and
- raw materials.

Manufactured goods call for higher freight rates than semi-manufactured goods or raw materials.

Although the calculation of rail freight rates is based on the classification of the product, the weight and volume of the goods is also taken into consideration.

Freight forwarders

With international transport growing more and more complex and specialized, exporters increasingly look to freight forwarders to arrange and supervise the transport of goods. Freight forwarders specialize in every aspect of transportation, from the packing and marking of goods, insurance and documentation, to the transportation and tracking of the goods. Exporters rely on the expertise of the freight forwarder in order to ensure that the goods reach their final destination. Companies should use the services of reputable freight forwarders who have a network of international offices abroad. Use a freight forwarding company that offers the most reliable service rather than the company with the cheapest quote.

Freight forwarders can advise you on:

- the cost of freight and all aspects relating to the movement of cargo, including the booking of your cargo;
- documentary requirements – both local and international;
- packing and labelling your cargo;
- tracking and tracing your cargo; and
- marine insurance for your cargo.

For more information on freight and warehousing, contact:

Courier Industry Association of Kenya (CIAK), P.O. Box 67577 Nairobi 00200, Tel: 020 531119
[Information provided: Express deliveries – courier industry]

Kenya International Freight and Warehousing Association (KIFWA), KPA Inland Container Depot, Embakasi, P.O. Box 57969 Nairobi 00200, Tel: 020 827704 / 0722 883953, Fax: 020 827854, Email: kifwa@nbnet.co.ke
[Information provided: Clearing, freight forwarding, warehousing and logistics]

Kenya Ports Authority, KPA Headquarters, Kipevu, Mombasa, P.O. Box 95009 Mombasa GPO, Tel: 041 2312211 / 2221211, Fax: 041 2322867, Email: kpa-md@africaonline.co.ke, Website: www.kpa.co.ke
[Information provided: Port operations, maritime information, shipping guide]

Kenya Railways Corporation, Kenya Railways Headquarters, Haile Selassie Ave, P.O. Box 30121 Nairobi 00100, Tel: 020 221211, Fax: 020 340049 / 224156, Email: md@kenyarailways.co.ke
[Information provided: Rail transport]

Kenya Ships Agents Association, Missions to Seamen, next to TSS Grain Millers, Mogadishu Rd off Moi Ave, P.O. Box 80637 Mombasa, Tel 041 2223742 / 2230028 / 2223447, Fax: 041 2315886 / 2311250, Email: ksaa@africaonline.co.ke
[Information provided: Shipping industry]

Kenya Transport Association, Seaview Plaza, Mama Ngina Drive, P.O. Box 88502 Mombasa, Tel: 041 2311958 / 2312015, Fax: 041 2312015, Email: executive@ktamsa.com
[Information provided: Road haulage]

Chapter 15: Contracting

- **Understanding international contracts**
- **Understanding the “proper law”**
- **Resolving disputes**
- **Contracts for the sale of goods**
- **Acceptance or refusal of goods**
- **Unpaid seller’s rights**

Understanding international contracts

Once you and your client have agreed to the deal, you’ll need to draw up a contract to cover the transaction. In essence, this means that one party makes an offer and the other accepts it. The arrangements governing this exchange constitute the contract and can be legally enforced.

In international trade, however, contractual arrangements can be much more prone to complications than domestic ones. You and your customer are usually from different countries. Language barriers may cause misunderstandings. Cultural and geographical impediments may crop up. Words may have different meanings in different places.

Most important, you both may be used to different laws and business practices. This is why international business contracts must be precise, specific and all-encompassing. This will go a long way toward reducing misunderstandings, misconceptions and disputes.

For further protection, it would be a very good idea to find a legal professional who specializes in international trade. This will help you sidestep pitfalls of regulation and law and, if necessary, resolve disputes. You, yourself should try to acquire some knowledge of international conventions, the business laws governing your target market, and trade agreements that may exist between this market and Kenya.

Exporting is too risky

It doesn’t have to be, because you can reduce risk to a safe level. Letters of credit will ensure that you get paid. Export credit insurance programmes can protect you against customers who default on their payments. Reference checks through banks and international credit reporting agencies can detect a potential for fraud. Trade laws tend to be straightforward and legal advice about them is easily available. Exporting doesn’t need to be more risky than doing business at home – it’s just different.

Understanding the “proper law”

Certain basic issues are common to all international contracts, but the most fundamental principle is that of the “proper” law of the contract.

Problems in international business contracts occur because of differences in the laws of the countries involved. When different laws are applied, results may be inconsistent, and substantive rights may depend on whose law applies. For example, one law may require that a contract be written, whereas another may not. Or, under one law, persons who are not a party to the contract may have certain rights, whereas under another law they may have no rights. You absolutely must, therefore, establish from the outset which law is the “proper law.”

Resolving disputes

Many issues can become controversial in international trade transactions. For example:

- disputes with agents;
- collection of payments due;
- breach of contract or warranty;

- intellectual property rights;
- secured creditors' rights, e.g. seizure of assets; and
- enforcing foreign judgments.

Resolving disputes formally through the legal system can be costly. If possible, settle out of court.

Contracts for the sale of goods

A contract covering the sale of goods involves you (the seller) transferring or agreeing to transfer goods to the buyer, in return for a sum of money. The actual transfer of the property is important, because it distinguishes the sale of goods from other transactions such as leases or property loans.

The term "goods" includes all movable things, excluding real estate, and such intangibles as debts, shares, patents and services. Furthermore, the fact that money changes hands distinguishes a sale of goods from other transactions, such as barter or counter-trade.

Transfer of title and the effects of transfer

Several things hinge on the exact legal moment when the buyer takes ownership of the goods (in formal terms, when title passes or is transferred from you to the buyer).

Risk – the transfer of title affects the parties' rights in case of total or partial loss, damage or destruction of the goods.

Rejection – once it has occurred, transfer of title may preclude your buyer from rejecting the goods, despite valid complaints regarding quality, quantity or description.

Price – once your buyer takes title, you can sue him or her for the full unpaid price, rather than merely for the lost profit.

Rights of Action – after taking title, the buyer can enforce his or her property rights through court action or other methods.

Delivering the goods

You must deliver the goods to your buyer in one of two ways:

- **Physically,** by delivering a legal document of title, such as a bill of lading; or
- **Symbolically,** by delivering, for example, the key to where the goods are stored.

Your contract should specify where the delivery will take place. In international matters, this is usually defined by using such International Terms of Trade as Cost, Insurance and Freight (CIF) or Free on Board (FOB).

Note that if the contract does not specify the place of delivery, then the place of delivery is understood to be your place of business. In this case, the delivery is considered complete when you deliver the goods to a carrier.

Acceptance or refusal of goods

If you meet all the conditions of the contract, your buyer must accept the goods. Refusal to accept them without justification gives you the right to sue for damages. But if you breach a condition of the sale, the buyer can legally reject the goods.

Upon request, you must allow your buyer to examine the goods. The buyer can accept or reject them by:

- conveying his/her acceptance to the seller;
- acting in a manner that is inconsistent with the seller's ownership of the goods, e.g. by reselling the goods after they are delivered; or
- by keeping the goods without notifying the seller that he or she has decided to reject them.

Once any of these types of acceptance or rejection has taken place, the buyer can no longer refuse the goods, even if you have breached a condition of the contract.

Unpaid seller's rights

Your best protection as seller is payment in advance or upon delivery. Next is payment by confirmed letter of credit (preferably irrevocable). If neither is possible, then you should take out security for the unpaid purchase price. This can take several forms, such as a written guarantee or a mortgage against real estate. The most common method is to reserve title or to take a secured interest in the goods.

Appendix A: Export readiness

- **Business readiness**
- **Product and production capabilities**
- **Market and marketing**
- **Export development**

The present way in which you conduct business locally, will determine how well equipped your company is to export, this includes:

Local market presence, although marketing experience gained locally is not always pertinent to international markets, companies with a local market presence are likely to be in a better position to adapt to the demands of international markets.

Financial demands, marketing internationally requires additional funding in order to carry out activities such as – market research, in-market visits, trade fair participation, dispatching of samples and setting up distribution channels.

Capacity, your company should be in a position to supply your local market and still have additional capacity to supply international markets.

Technical expertise, it is important that your company is in a position to develop the necessary technical capabilities in order to adapt your products to meet international technical requirements.

Management's commitment, exporting requires additional resources in the form of time, capital, technical expertise, understanding the export process and most importantly total commitment to the export endeavour.

Product readiness, product benefits in the local market can be transferred to the export market. If your products are selling well in the local market, are competitively priced, have a current design and are appealing to a selected market segment, they are most likely to succeed internationally.

Export readiness assessment

In order to establish if your company and the products you produce are export ready, you need to identify the strengths, weaknesses, opportunities and threats you face. Use the export readiness checker to examine business readiness, product and production capabilities, market and marketing, and export development:

Business Readiness	Yes	No
I know why I need to export		
My company has been doing business for more than 5 years		
My company is financially sound		
I have established that my product will be accepted internationally		
I am currently selling into neighbouring countries		
I have the means of communicating with an overseas buyer (fax, email, telephone, website)		
I have a banking facility that will allow me to receive funds from export sales		
My company has a suitable administration system in place		
I advertise and promote my products in the local market		
My staff are sufficiently trained to carry out international trade procedures		
My company and product complies with international standards such as ISO 9000		
I have an export plan		

Product and Production Capabilities	Yes	No
My product compares favourably with my local competitors with regard to its features, benefits and pricing		
My company has sufficient production capacity that can be committed for my export market		
I maintain the quality of the products I intend to export		
I have established a system to ensure the continuous supply of raw materials/inputs at the right prices, correct quality and on time		
I have a system in place to ensure timely production of export orders		
My product is new or unique in the intended export markets		
I have adapted/improved the features of my product in order to meet the needs of the export market		
My product meets specific technical and non-technical requirements		
Market and Marketing	**Yes**	**No**
I have studied the intended market to see if I can meet the needs and wants of buyers better than my competition can		
I have established what I want to say (the message) and the media that will carry this message to the potential buyers		
I have identified international and local trade fair events that my company could participate on		
I have established whether I should register my company name, brand name or trademark in the intended market		
I have identified market entry options such as distributors, agents, trading houses and or end users in the country of import		
I have sufficient understanding of the Incoterms, defining my risk, cost and responsibility in the export transaction		
Export Development	**Yes**	**No**
I have established which bilateral or multilateral trade agreements my country is signatory to thereby making exporting my products more advantageous to a particular region		
I am aware of export incentives offered to registered exporters in Kenya		
I have an indication of who my potential buyers are		
I have identified the strengths or weaknesses related to my company or product and my country of origin		
I have a pricing strategy for my product, which will place me in a better negotiating position with prospective buyers		

After assessing the organisational readiness and product readiness for export, you should be best equipped to decide whether or not to export based on how close you came to answering YES to all questions. Once you decide to go for exports, you must formulate an export plan (see the module on “Designing your export strategy”).

Appendix B: References

- Market access
- Product development
- Trade incentives
- Market research
- Online business directories
- Model contracts
- Distribution channels
- Trade fairs
- Export financing
- Freight and warehousing

Market access

For more information on the **East African Community (EAC),** visit the EAC website: www.eac.int or contact the EAC desk, Ministry of Trade and Industry, Telposta Towers, Nairobi.

For more information on the **Common Market for Eastern and Southern Africa (COMESA),** visit www.comesa.int or contact the COMESA desk, Ministry of Trade and Industry, Telposta Towers, Nairobi.

For more information on the African, Caribbean and Pacific countries and the European Union **(ACP/EU Cotonou Partnership Agreement),** visit www.acp.int or contact the KEPLOTrade Project, Ministry of Trade and Industry, Telposta Towers, Nairobi.

For more information on the **African Growth and Opportunity Act (AGOA),** visit www.agoa.gov or contact the AGOA desk, Ministry of Trade and Industry, Telposta Towers, Nairobi.

Product development

For the latest information on **standards,** contact Kenya Bureau of Standards, P.O Box 54974 Nairobi 00200, Tel: 020 6948000/605490, Mobile: 0722 202137/8, 0734 600471/2, Fax: 020 604031, 609660, Email: info@kebs.org, Website: www.kebs.org

For more information on **intellectual property rights,** contact Kenya Industrial Property Institute, Weights and Measures Building, Kapiti Road, off Mombasa Road, P.O. Box 51648 Nairobi 00100 GPO, Tel: 020 602211 / 606326, Fax: 020 606312, Email: kipi@swiftkenya.com

To find out the **HS Code** (the Harmonized Commodity Description and Coding System) for a product, visit www.foreign-trade.com/reference/hscode.htm

Trade incentives

For more information on the **Duty/VAT remission scheme,** contact the Ministry of Finance, Treasury Building, Harambee Avenue, P.O. Box 30007 Nairobi 00100, Tel: 020 252299, Fax: 020 310833, Website: www.treasury.go.ke

For more information on the **Export Processing Zones (EPZ) programme,** contact the Export Processing Zones Authority (EPZA), Athi River EPZ, Viwanda Road off Nairobi-Namanga Highway, P.O. Box 50563, Nairobi, City Square, 00200, Tel: 045 26421-6, Fax: 045 26427, Email: info@epzakenya.com, Website: www.epzakenya.com

For more information on the **Manufacturing Under Bond (MUB) scheme,** contact the Kenya Investment Authority, National Bank Building 8th floor, Harambee Avenue, P.O. Box 55704 Nairobi 00200, Tel: 020 221401-4, Fax: 020 243862, Email: info@investmentkenya.com, Website: www.investmentkenya.com

Market research

Market analysis tools, **Trademap** (www.trademap.org), **Product Map** (www.p-maps.org), and **Market Access Map** (www.macmap.org) were developed by the **International Trade Centre** and can be accessed directly through the listed websites (on subscription) or through the Export Promotion Council's Centre for Business Information (CBIK) in Kenya at Anniversary Towers 1st Floor on University Way, Tel: 020 228534-8, Fax: 020 228539, Email: chiefexe@epc.or.ke or manager@cbik.or.ke, Website: www.epckenya.org

Registered users of Centre for the Promotion of Imports from developing countries (CBI) virtual community can benefit from access to the **market information database,** download publications, access previews and updates of the fashion forecasts, obtain information about export development programmes and training programmes, access marketing guidelines, hundreds of links to other resources on the internet, and conduct a self-assessment of export readiness. Registration is free at www.cbi.nl

For more information on **technical barriers to trade,** contact the World Trade Organization (WTO) national enquiry points who specialise in different areas as follows:

- *Technical barriers to trade* - Kenya Bureau of Standards, P.O Box 54974 Nairobi 00200, Tel: 020 6948000/605490, Mobile: 0722 202137/8, 0734 600471/2, Fax: 020 604031, 609660, Email: info@kebs.org, Website: www.kebs.org
- *Intellectual property* – Kenya Industrial Property Institute, Weights and Measures Building, Kapiti Road, off Mombasa Road, P.O. Box 51648 Nairobi 00100 GPO, Tel: 020 602211 / 606326, Fax: 020 606312, Email: kipi@swiftkenya.com
- *Trade in services* – Ministry of Transport, Transcom House, Ngong Road, P.O. Box 52692 Nairobi, 00100, Tel. 020 2729200, Email: motc@insightkenya.com, Website: www.transport.go.ke
- *Phytosanitary matters* – Kenya Plant Health Inspectorate Service (KEPHIS), Oloolua Ridge, Karen, P.O. Box 49592 Nairobi 00100, Tel: 020 884545/882308/882933, Fax: 020 882265, Email: kephis@nbnet.co.ke, Website: www.kephis.org

The trade information research system at www.intracen.org/tirc/welcome.htm is a good place to start when looking for **export, trade-related or economic links around the world.**

If you are **targeting a specific market,** then it is wise to use the search engine page specifically for that market rather than a generic one. For example, use www.google.com.au for the Australian market, or www.yahoo.co.uk for the United Kingdom market. This will ensure that the search results are more relevant.

A useful web site for **pricing research** is http://froogle.google.com/ This consumer-orientated site displays products in different categories by pricing bands.

Online business directories

Look for online business directories for your target markets. A list of some directories follows:

United States

Yellow Book: www.yellowbook.com - Yellow Book USA is the fifth largest publisher of yellow pages in the United States. It is a member of the Yell Group, an international directories business.

SuperPages: http://yellowpages.superpages.com - Search by category, business name, city, and state. You can also do a nationwide search.

Switchboard Yellow Pages: www.switchboard.com - Can search by business name or category, although the categories are relatively limited.

United Kingdom

Yell.com: www.yell.com - A member of the Yell Group, an international directories business.

BusinessFinder: www.businesslinx.co.uk - A directory for small to medium sized businesses. Includes a detailed list of business categories.

Europe

Europages: www.europages.net - Allows searching by company name, product or service, or business sector. Can narrow searches by country.

Middle East

AME Info Business Directory: www.ameinfo.com/db/ - Allows searching and browsing of database containing over 300,000 companies, which are indexed according to the North American Classification System.

Japan

Japan Telephone Directory: http://english.itp.ne.jp/ - In English. Can search by business name, region or category.

Worldwide

Kellysearch: www.kellysearch.com - Allows for searches by product, service and company information on over 2 million companies worldwide. Can also browse directory by industry sector.

Search Engine Guide

Business search engines: www.searchengineguide.com/pages/Business/ - Provides links to search engines, portals, and directories arranged by industry.

For more information on **how you can put «e» to work,** contact the national partner of the International Trade Centre's e-Trade Bridge Programme, EMD-Kenya, Email: emd@teknosell.co.ke, visit www.emd-kenya.org

Model contracts

The International Chamber of Commerce (ICC) provides **model contracts for both agency agreements and distributorship agreements…** www.iccbooks.com

Distribution channels

If you think your organization can meet the **Fair Trade** Standards, you can contact the International Fair Trade Labelling Organization, or FLO International, at certification@fairtrade.net

For a list of **mail order catalogues,** visit the Catalog City website (www.catalogcity.com)

For more information on how you can sell crafts and high-end products through **Museum Shops,** visit the Museum Stores Association website www.msaweb.org

For **trade and market information for importers/exporters,** contact the Kenya National Chamber of Commerce and Industry (KNCCI), Ufanisi House, Haile Selassie Avenue, P.O. Box 47024, Nairobi GPO 00100, Tel: 020 220867, Fax: 020 334293, Email: kncci@swiftkenya.com

For information on **export opportunities and market information,** contact Export Promotion Council (EPC), Anniversary Towers, 1st Floor, University Way, P.O. Box 40247, Nairobi GPO 00100, Tel: 020 228534-8, Fax: 020 228539, Email: chiefexe@epc.or.ke or manager@cbik.or.ke Website: www.epckenya.org

Trade fairs

A good starting point for **lists of trade fairs and events** is the events calendar on the Export Promotion Council's website at www.epckenya.org. You could also visit the M&A Expo Database for international trade fairs - www.expodatabase.com

Export financing

Most banks in Kenya have a Trade Services section that you can discuss with your **export financing needs.** Contact Kenya Bankers Association, P.O. Box 73100 Nairobi 00200, Transnational Plaza, 7th Floor, Mama Ngina Street, Tel: 020 252526/27/32, Fax: 020 221792/219520, Email: kba@kenyaweb.com

For information on **export insurance schemes,** contact the African Trade Insurance Agency (ATI), Kenya Re Towers, 5th Floor, Capital Hill Road, Upper Hill, P.O. Box 10620, Nairobi 00100, Tel: 020 2719727, Fax: 020 2719701, Email: info@ati-aca.com, Website: www.ati-aca.com

For **export financing when trading with Eastern, Central and Southern African** member countries of the Preferential Trade Area, contact the PTA Bank, NSSF Building, 22nd Floor, Bishops Road, P.O. Box 48596 GPO Nairobi, Tel: 020 2712250, Fax: 020 2711510, Email: presidency@ptabank.org

Freight and warehousing

For more information on **freight and warehousing,** contact:

Courier Industry Association of Kenya (CIAK), P.O. Box 67577 Nairobi 00200, Tel: 020 531119
[Information provided: **Express deliveries – courier industry**]

Kenya International Freight and Warehousing Association (KIFWA), KPA Inland Container Depot, Embakasi, P.O. Box 57969 Nairobi 00200, Tel: 020 827704 / 0722 883953, Fax: 020 827854, Email: kifwa@nbnet.co.ke
[Information provided: **Clearing, freight forwarding, warehousing and logistics**]

Kenya Ports Authority, KPA Headquarters, Kipevu, Mombasa, P.O. Box 95009 Mombasa GPO, Tel: 041 2312211 / 2221211, Fax: 041 2322867, Email: kpa-md@africaonline.co.ke, Website: www.kpa.co.ke
[Information provided: **Port operations, maritime information, shipping guide**]

Kenya Railways Corporation, Kenya Railways Headquarters, Haile Selassie Ave, P.O. Box 30121 Nairobi 00100, Tel: 020 221211, Fax: 020 340049 / 224156, Email: md@kenyarailways.co.ke
[Information provided: **Rail transport**]

Kenya Ships Agents Association, Missions to Seamen, next to TSS Grain Millers, Mogadishu Rd off Moi Ave, P.O. Box 80637 Mombasa, Tel 041 2223742 / 2230028 / 2223447, Fax: 041 2315886 / 2311250, Email: ksaa@africaonline.co.ke
[Information provided: **Shipping industry**]

Kenya Transport Association, Seaview Plaza, Mama Ngina Drive, P.O. Box 88502 Mombasa, Tel: 041 2311958 / 2312015, Fax: 041 2312015, Email: executive@ktamsa.com
[Information provided: **Road haulage**]

On-line tracking services

InterShipper - www.intershipper.net. Compare package shipping prices and track parcels for multiple carriers online.

PackTrack - www.packtrack.com. Free, all-in-one package tracking for UPS, Fedex or Airborne. Free code to feature the product on your own site.

iShip.com - www.iShip.com. Compare shipping rates, print certified labels, find e-commerce tools and track package or freight shipments.

Parcel Tracking - www.track-trace.com. Track parcels/shipments with companies like UPS, DHL, TNT and FedEx. Also supports postal shipments for several countries and air cargo shipments with airlines from around the world.

Appendix C:
Glossary of terms

Air waybill	The document prepared in a set of an original plus a series of copies by the shipper of airfreight and countersigned by the carrying airline as evidence of receipt of the goods. The air waybill incorporates all information concerning the goods, the sender and consignee, the routing of the consignment and the charges involved in its transportation.
Bank guarantee	A guarantee issued by a bank at the request of an importer in favour of a carrier indemnifying the carrier against all consequences of releasing cargo without production of an original bill of lading. The guarantee can only be cancelled after production of an original bill of lading to the shipping company.
Bill of exchange	Commonly referred to as a "bill", "bank draft" or "draft". A bill of exchange is written demand signed by the seller of the goods (drawer) addressed to the buyer (drawee) instructing the latter to pay a stated sum of money on a defined date to the drawer or his nominee in exchange for the goods (normally worded "For Value Received").
Bill of lading	A receipt issued by a shipping line for cargo. It is a document of title to the cargo. It details the terms and conditions of the contract of carriage, and it can, if required, be issued in a negotiable form.
Bona fide	Utmost good faith
Bonded warehouse	Secure private storage area operated by a trader but licensed and controlled by customs.
Breakbulk cargo	Cargo not containerized
Bulk container	A container so constructed that it can receive through hatches built into the roof thereof any dry bulk commodity such as grains, grits, etc, which at destination can be discharged through hatchways built into doors of the container near the floor by tilting the container upon a tilt trailer.
Bunkers	Fuel used for the propulsion of ships.
Bunker adjustment factor (BAF)	Freight adjustment factor to reflect changes in the cost of bunkers.
BV	Bureau Veritas. A pre-shipment inspection organization with offices broadly throughout the world whose function is to inspect export commodities in the country of shipment to verify quantity, quality and value prior to granting a "clean report of findings". Such a report may be required by a consignee or by the government of the country of destination.
CAD	Cash against documents
Carrier haulage	Transport for the collection or delivery of containers either by road or rail arranged by the container operator.
CBM	Cubic metre (sometimes indicated as m^3)
CFR	Cost and freight to named port of destination… An Incoterm
CIF	Cost insurance and freight to named port of destination… An Incoterm
CIP	Carriage and insurance paid to… An Incoterm
COD	Cash on delivery
Combined transport operator	Sometimes known as a Through Transport Operator. A freight contractor utilising containers for the movement of goods via more than one mode of transport, e.g. road/rail/sea/rail/road.
Commodity rate	An airfreight term. The IATA tariffs provide special reduced rates for quantity shipments of goods of certain descriptions.

Conference	A group of shipping lines operating in one shipping trade with agreed freight rates and regular sailing schedules.
Consolidator	An organization (usually a forwarder) which groups together a number of shipments so as to create a quantity sufficient to fill a shipping container or airfreight unit load device thereby attracting a more favourable freight rate.
Container depot	A customs licensed common user container and cargo handling facility capable of packing and unpacking containers.
Container operator	An organization undertaking the movement of goods in containers.
Container terminal	A facility where containers are moved from one mode of transport to another.
CPT	Carriage paid to… An Incoterm
Currency adjustment factor (CAF)	Freight adjustment factor imposed by shipping companies upon their freight rates to compensate for major fluctuations in the exchange rates between the tariff currency (normally US$) and the various other currencies in which their ship running expenses have to be disbursed.
DAF	Delivered at frontier… An Incoterm
DDP	Delivered duty paid… An Incoterm
DDU	Delivered duty unpaid… An Incoterm
Demurrage	The charge payable to the owner of transport equipment (ship, rail wagon, lorry, road trailer, container, etc) consequent upon failure to load/discharge the transport equipment within the free time allowed.
DEQ	Delivered ex-quay
DES	Delivered ex-ship
Document of title	A document, the possession of which, in the normal course of trade, represents ownership of the goods described therein and entitlement to delivery thereof.
Documentary credit	A payment mechanism used in international trade. Also called a letter of credit.
Ex-factory/ex-works	A term of delivery
FAS	Free alongside ship at named port of loading… An Incoterm
FCA	Free carrier at named place… An Incoterm
FCL	Full-container load
FOB	Free on board
Freight ton	The unit on which ocean freight is charged in respect of breakbulk and less-than-container load cargoes.
GATT	General Agreement on Tariffs and Trade. An international convention binding all signatories to certain rules relating to their customs tariffs and import control policies. Its purpose is to foster international trade.
Groupage	The consolidation of small consignments from several suppliers destined to different consignees in the same area, into a full-container load for shipment.
IATA	International Air Transport Association
ICC	International Chamber of Commerce
Incoterms	The ICC rules for the interpretation of the delivery terms in use in foreign trade contracts.
ISO	International Standards Organization
L/C	Letter of credit

LCL	Less-than-container load
Liner	Vessel providing a regular service on a defined route.
Manifest	List of cargo conveyed. The manifest details will conform precisely to the transport document details for each consignment.
Multimodal	The description given to a contract of transportation in which the goods will move by a series of different modes of transport in the course of the journey from source to destination.
Notify party	The party named on a transport document to which the carrier is requested to send an advice of arrival.
Open account	Term of purchase of goods
Packing list	A document prepared by the supplier identifying the contents and stating gross and net mass and external dimensions of each package.
SGS	Société Générale de Surveillance. A pre-shipment inspection organization with offices broadly throughout the world whose function is to inspect export commodities in the country of shipment to verify quantity, quality and value prior to granting a "clean report of findings". Such a report may be required by a consignee or by the government of the country of destination.
Shipped on board	This is the description given to a bill of lading which states unambiguously that the cargo has actually been shipped on board the named vessel on the date stated.
Sight draft	A bill of exchange normally covering negotiable documents so worded as to demand full payment of the amount stated immediately upon presentation (on sight).
Stale bill of lading	A bill of lading becomes "stale" if it is presented to a bank in terms of a documentary letter of credit either over 21 days from the date of shipment or later than the last day for negotiation of documents stipulated in the letter of credit itself.
Term draft	A term draft is a bill of exchange drawn so as to allow the drawee (buyer) a period of credit before the date upon which the stated sum of money must be paid (e.g. 30, 60, 90 days).
UNCITRAL	United Nations Convention on International Trade and Law
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Appendix D:
Export documentation samples

- Enquiry Record Form
- Commercial Invoice
- Packing List
- Bill of Lading
- Certificate of Origin (EUR 1)
- Letter of Credit (LC)

ENQUIRY RECORD FORM	[Pin/Stick Business Card Here]
Date	Reference No.
Name	Title
Organization	
Address	
Telephone	
Fax	
Email	
Website	
Summary of needs	Sale or order made
	Price
	Delivery
	Payment
	Recorded by

√	**Line of business**
	Producer
	Importer
	Agent
	Distributor
	Wholesaler
	Retailer
	Service
	Other…

COMMERCIAL INVOICE	**International Transactions** P.O. Box 38970 Nairobi 00623 Tel: 254 20 234567, Fax: 254 20 234568 Email: info@internationaltransactions.co.ke
Buyer	Invoice No / Invoice Date Seller's Reference / Buyer's Reference
Country of Origin of Goods	Letter of Credit No. and Date
Country of Destination	Incoterms
Vessel / Aircraft No.	Payment Terms
Port of Loading	Marks and Numbers
Port of Discharge	
Shipment date or about	

Item	Description	Quantity	Price	Amount

SPECIMEN	Total
	Name of Signatory
	Place and date of issue
	Signature and / or stamp

PACKING LIST	
Consignee:	**Shipping Mark:**
Order No.	

Case No.	Contents	Qty	Gross Weight	Dimensions (cm)

<table>
<tr><td colspan="2">BILL OF LADING</td><td colspan="2">Shipping Line Ltd</td></tr>
<tr><td colspan="2">Shipper/Exporter (Complete Name and Address)</td><td>ORIGINAL</td><td>Bill of Lading No.</td></tr>
<tr><td colspan="2">Consignee (if “to Order” indicate so)</td><td colspan="2">Shipper’s Ref.</td></tr>
<tr><td colspan="2">Notify Party (Complete Name and Address)</td><td colspan="2">Booking No.</td></tr>
<tr><td colspan="2">Pre-carrying Vessel</td><td colspan="2">Place of Receipt</td></tr>
<tr><td colspan="2">Ocean Vessel</td><td colspan="2">Port of Loading</td></tr>
<tr><td colspan="2">Port of Discharge</td><td colspan="2">Place of Delivery</td></tr>
<tr><td>Marks and Nos;
Container Nos.</td><td>Number and kind of packages; Description of Goods</td><td>Gross weight (kg)</td><td>Measurement (cbm)</td></tr>
<tr><td colspan="2">Container No.</td><td colspan="2">Seal No.</td></tr>
<tr><td colspan="4">Particulars above furnished by the Shipper</td></tr>
<tr><td colspan="2">Total No. of Containers / Packages received by the Carrier</td><td colspan="2" rowspan="3">Received by the Carrier from the Shipper in apparent good order and condition (unless otherwise noted herein) the total number or quantity of containers or other packages or units indicated in the box opposite entitled “Total No. of Containers/Packages received by the Carrier” for Carriage subject to all the terms and conditions hereof from the Place of Receipt or the Port of Loading to the Port of Discharge or the Place of Delivery, whichever is applicable.
Before the Carrier arranges delivery of the Goods one original of this Bill of Lading, duly endorsed, must be surrendered by the Merchant to the Carrier at the Port of Discharge or at some other location acceptable to the Carrier. In accepting this Bill of Lading the Merchant expressly accepts and agrees to all its terms and conditions whether printed, stamped or written or otherwise incorporated, notwithstanding the non-signing of this Bill of Lading by the Merchant.</td></tr>
<tr><td colspan="2">Movement</td></tr>
<tr><td colspan="2">Freight and Charges

SPECIMEN</td></tr>
<tr><td colspan="2">Payment of Freight</td><td>Number of Original B(s)/L</td><td>Place and Date of Issue</td></tr>
<tr><td colspan="2">For the Shipper</td><td colspan="2">IN WITNESS of the contract herein contained the number of originals stated above has been issued, one of which being accomplished the other(s) to be void.
……………………………………………………………………………………</td></tr>
</table>

CERTIFICATE OF ORIGIN	**Movement Certificate**	
1. Exporter (Name, full address, country) SPECIMEN	**EUR. 1**	No **B** 0196923
	See note overleaf before completing the form	
	2. Certificate used in preferential trade between …………………………………………………………………… and …………………………………………………………………… (insert appropriate countries, groups of countries or territories)	
3. Consignee (Name, full address, country) (Optional)	**4. Country,** group of countries or territory in which the products are considered as originating	**5. Country,** group of countries or territory of destination
6. Transport details (Optional)	**7. Remarks**	
8. Item number; marks and numbers [Number and kind of packages]; description of goods	**9. Gross weight** (kg) or other measure (litres, cu.m, etc.)	10. Invoices (Optional)

11. Customs Endorsement

Declaration certified.
Export document (2)
Form ……………. No. …………………
Customs office: ……………………
Issuing country or territory:
…………………………………………………
…………………………………………………
Date
……………………………………….

…………………………………………………
(Signature)

Stamp

12. Declaration by the Exporter

I the undersigned, declare that the goods described above meet the conditions required for the issue of this certificate.

Place and date: …………………….

…………………………………………………….
(Signature)

LETTER OF CREDIT (LC)	
Date:	………………………………
Purpose:	Issue of a Documentary Credit
Sender:	………………………………
Receiver:	………………………………
Sequence of Total	1/1
Form of Documentary Credit	Irrevocable
Documentary Credit No.	………………………………
Date of Issue	………………………………
Date and Place of Expiry	………………………………
Applicant	………………………………
Beneficiary	………………………………
Currency Code Amount	………………………………
Available with	Any Bank in (Place of Expiry) by Negotiation
Drafts at	60 Days from Bill of Lading Date
Drawee	
Partial Shipments	Permissible
Transhipment	Permissible
On Board	Any Port in (Place of Expiry)
For Transportation to	Mombasa, Kenya
Latest Date of Shipment	……………………………………
Description Of Goods	Trade Terms: CFR, Mombasa
Documents Required	a) Signed Commercial Invoices in Three Copies for the Amount of the Draft Showing the CFR Value of the Goods and Certifying that Order No. ………. Has Been Complied With. b) 3/3 of Clean (On Board) Bills of Lading Marked Freight Paid to Order of Consignors and Endorsed in Blank. c) Packing Lists in Three Copies. d) A Copy of the Performance Bond Stamped and Certified as Authentic by ……., Whose Expiry Date should not be Less Than 30 Days from the LC Expiry Date. e) Certificate of Conformity Issued by KEBS
Additional Conditions:	a) LC Number ………………… and Import Declaration Form Number ……………… Must Be Quoted on All Documents. b) Negotiating Bank Must Swift Advise …………………… As soon as Documents are Negotiated Giving Details of Drawing Amount and Charges If Any. c) At the Time of Negotiation All Documents to be Sent to …………………….

	d) Insurance Already Attended to by Applicant. e) Reimbursement Claims Under this LC are Subject to U.R.R. 1995 I.C.C. Publication No. 525. f) A Discrepancy Fee of USD 50 or Equivalent will be Deducted from Proceeds of Discrepant Documents Presented Under this Documentary Credit. Deductions will be made even where the Terms of the Credit Indicate that Some Or All The Charges Are For The Account Of The Applicant.
Period Of Presentation	Within 21 Days from Bill of Lading Date
Reimbursing Bank	……………………………
Charges	All Bank Charges Outside Kenya are for Account of the Beneficiary
Confirmation Instructions	Confirm
Instructions to Pay/Acc/Neg Bk	Provided Documents Negotiated are in Order and Strictly Comply with the Terms and Conditions of this LC You are Authorised to Claim Reimbursement From ……………… Upon Maturity.
Sender to Receiver Information	This Credit is Issued Subject to Uniform Customs and Practice (UCP) for Documentary Credits (2002 Edition) by ICC Publication No. 500 Except as in so far as is Expressly Stated Herein.