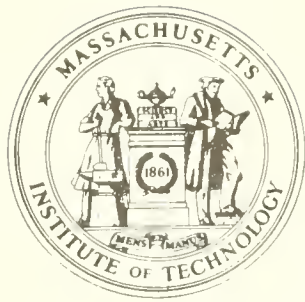


BASEMENT





LIBRARY  
OF THE  
MASSACHUSETTS INSTITUTE  
OF TECHNOLOGY





4  
73

Dewey  
MASS. INST. TECH.  
APR 11 1973  
LIBRARIES

WORKING PAPER  
ALFRED P. SLOAN SCHOOL OF MANAGEMENT

INFORMATION CHANNELS FOR

COLOMBIAN EXPORTERS

Michael H. Bernhart

647-73

February 1973

MASSACHUSETTS  
INSTITUTE OF TECHNOLOGY  
50 MEMORIAL DRIVE  
CAMBRIDGE, MASSACHUSETTS 02139



MASS. INST. TECH.  
APR 28 1973  
DEWEY LIBRARY

INFORMATION CHANNELS FOR

COLOMBIAN EXPORTERS

Michael H. Bernhart

647-73

February 1973

1108  
1/1/73  
1000-1000

RECEIVED  
APR 11 1973  
M. I. T. LIBRARIES



## Acknowledgements

This study falls well short of heroic; its scope and method are modest, yet it still required a substantial investment by individuals other than the researchers. Thanks to the cooperation of these others, we were able to garner a significant amount of data quickly and easily, and convert this data into results and recommendations that we hope will be useful.

The largest debt of gratitude is certainly due the 120 exporters who generously contributed both time and information. It is worth noting that during the interviews, we were uniformly treated with courtesy; data was candidly and fully disclosed; we were rarely rushed by the respondents, and never did a respondent terminate an interview. The general attitude of the respondents went beyond passive cooperation to a desire to actively contribute to the research - we find this response genuinely overwhelming.

The project was conceived and made possible by Dr. Rodrigo Botero of Fedesarrollo and Dean William F. Pounds of M.I.T., both of whom donated time and valuable ideas to the research. The data collection process was expedited by the thoughtful and constant assistance of Dr. Valentin Ossa of PROEXPO. Valuable contributions were made by Dr. Haroldo Calvo of Fedesarrollo, and Drs. Felipe Martinez and Jean Jacque Hane of PROEXPO, all of whom provided provocative insights and suggestions.

The singular role played by Dr. Manuel Martinez must be identified. Dr. Martinez worked on the project steadily for three months, translating, interviewing, revising questionnaires, and maintaining the momentum of the study; obviously his claim on the constructive aspects of the study is very strong.

Special recognition is due Professor Richard D. Robinson who aided in the design, funding, data analysis, and write-up of the project; his continuing support was invaluable.

The customary addendum is appropriate: while the above mentioned contributors are due rightful recognition for the merit of this study, the defects are the responsibility of the author.

## Chapter I

### INTRODUCTION

#### Purpose of Study

The primary objective of this study was to obtain data on the information channels which identified export opportunities for Colombian exporters. It was hoped that by identifying those channels which most frequently and efficiently transmitted information of sales opportunities to interviewed exporters, other Colombian exporters could be alerted to the advantages of these channels

Other research questions of secondary interest asked why and how exporters had entered exporting, what benefits did they derive from exporting, and what teething problems had they endured as they adjusted to the demands of world markets.

All of the stated questions seemed relevant. To our knowledge, no other study has been performed on the comparative merits of information channels bringing news of market opportunities to a nation's exporters; thus there was an opportunity to experiment with research methodology. Secondly, a recent unpublished PROEXPO survey of all exporters in specified major exporting industries revealed that the most pressing export problem seen by the exporters was "lack of information." In this regard it seemed possible to do the exporters a good turn by evaluating the performance and utilization of information channels.

Lastly, the Colombian government has been engaged in strenuous export promotion activities since 1966; the recent dramatic increases in minor exports (all commodities save coffee and petroleum) testify to the efficacy of these efforts. This study, it was hoped, would provide an instrument for gauging the difficulties and promise of exporting as viewed by the exporters. Why did they enter world markets? What benefits did they expect? Which did they actually receive? How have they fared? What factors persuaded them to continue exporting? And so on.

#### Method

To pursue these questions 120 exporters were interviewed in the four major exporting cities in Colombia. Each exporter was asked about 60 questions (questionnaire, Appendix A) on the history of his firms export activities and from this data base the following report has been made.

#### Target Audiences

This report is addressed to two separate audiences, PROEXPO and the participating exporters. Of chief interest to the former is data on the efficacy of different promotional strategies and incentives; for this audience we have performed the standard statistical rituals of reporting significance levels where not obvious so that generalizations to the larger population of Columbian exporters may be made. Of interest to the second group, the study participants, is the data on marketing problems and solutions for their immediate industry.

The unit of analysis is always the firm. The sample was not weighted for either firm size or export volume. Similarly the results are interpreted

only with respect to the individual firm. For example, export success is defined as the percentage of a firm's export sales out of total sales; this means that a small "successful" firm may be exporting less than a large "unsuccessful" one. The reason for maintaining focus on the individual companies is to establish a frame of reference meaningful to the exporters in the target audience. It may be observed that similar results are obtained for large and small firms when matched on export characteristics and this fact should ease any fears that this focus distorts the data.

### Summary of Results

The principal findings of the study are listed below. Some of the findings will be misunderstood (or more likely, not understood at all) out of context; therefore this list is presented as a convenience and guide, and not really as a resume. The main findings are grouped by category although some might reasonably fall into more than one of the categories.

A. The following four findings illustrate some of the factors that are predictive of eventual export volume:

1. Profitability on the first sale does not predict the profitability of subsequent export sales, but does predict eventual export volume if the first export sale profit is higher than profits from domestic sales. Despite the absence of a correlation between profits from initial and subsequent exports, it was found that profitability on export sales, as compared to domestically generated profits, tends to increase for subsequent exports.
2. Firms that made no initial market study but traveled to foreign markets subsequently exported higher volumes than did those firms that performed partial market studies but usually did not travel.



3. Passive entrants to exporting do not reach as high a sales volume as do active entrants.
  4. Firms marketing differentiated products are usually unable to sell high volumes in world markets.
- B. We inquired into the incentives (monetary, governmental, psychological, etc.) for entering and remaining in the export business: the following summarize the relevant findings:
5. Firms promoted into exporting remain dependent on the promoter.
  6. A substantial number of firms (32%) entered exports principally in search of indirect economic benefits rather than sales profits.
  7. Seventeen percent entered exports primarily to court governmental good will.
  8. At the time of interviewing, 30% of the firms saw the principal benefit from exporting as governmental good will; this 30% was concentrated in the "marginal exporter" group.
  9. Loss of C.A.T. (a tax credit for exports) would force 15% of the sample firms out of exporting: it is probable that another 14% would also have to abandon the activity. These groups contribute 6.5% of the total export volume, in dollars, of the sample.
  10. Prefinancing of working capital is widely used and cited by some firms as the primary reason for exporting. Several firms with precarious finances were brought into exporting in search of cheap capital.
- C. Two regional (city) differences of note were uncovered:
11. With regard to the unofficial incentives employed by the government, exporters in Bogota saw these as positive incentives (rewards) whereas exporters in other cities, particularly Medellin, saw them

as negative incentives (sanctions for not exporting).

12. Exporters in Cali reported fewer export market information sources within the city than did exporters in the other three cities visited.

D. In an attempt to identify some of the costs incurred by the transition to exporting, the following were arrived at:

13. The transition from domestic to export sales requires a firm to upgrade both labor force and capital equipment. This is especially true of firms producing consumer goods.

14. Exporters are more capital intensive than other firms in their industry.

15. Unofficial governmental incentives are marginally productive at best; their net effect may be to generate higher economic costs than benefits.

E. Turning to the information channels employed by exporters in identifying the first export opportunity, the findings generally underscore the value of intermediaries:

16. Intermediaries locate larger first export sales than do direct selling efforts, but the intermediaries transmit less complete and less accurate information to the exporter.

17. Intermediaries provide the most efficient channel to Europe and North America for the first sale.

18. Firms that make their first export sale via an intermediary tend to more independent selling efforts on subsequent sales.

F. Current sales information channels:

19. The more successful exporting firms rely on two, and no more, channels of information.

20. Intermediaries tend to be a back-up channel to direct selling efforts.

21. Direct personal selling provides the exporters with the most complete and accurate information: intermediaries, particularly PROEXPO, provide

the least complete and accurate information to the sellers.

22. Local export houses had not been used by three-fourths of the respondents. Reasons cited were that private intermediaries were not needed, were too expensive, or were not deemed qualified.
23. A sampling of export houses in Bogota revealed that they were not well equipped to find foreign buyers for Colombian products.

When information channels are compared by product, the following results are obtained:

24. Producers of all goods are concentrating exports more on Latin America except for Peru, Venezuela, Ecuador, and Chile. North America and Europe receive the fewest new entrants.
25. Firms producing finished industrial goods fare especially poorly in North America and Europe and industrial goods producers are concentrating on Latin American countries other than those listed above.
26. Direct personal selling efforts are the most productive for finished industrial goods.
27. Unfinished industrial goods are marketed to diverse areas through relatively few channels.
28. Correspondence and published information sources are relatively the most efficient channels for selling unfinished consumer goods.
29. Intermediaries have the advantage in finding buyers for finished consumer goods.
30. Successful marketing of highly differentiated products is characterized by either great energy, or the use of an existing marketing and distribution service.

The structure of the market to which sales are being made also determines the optimum information channel.

31. Diffuse markets are most often communicated with via an intermediary or trip; sales to diffuse markets generally do not approach high volumes.

32. Centralized markets are most frequently reached by correspondents and agents.

G. The final group of findings deal with the promotion of exports:

33. Firms compelled to export by economic necessity fall into a "travel mode"; their sales promotion is more vigorous but less elegant than non-compelled firms and they realize slightly lower profits from exporting.

34. General trade fairs were reported to be ineffective promotional activities; by contrast, industry fairs were seen as more productive.

35. The lack of preparation of firms in one industry for the IX Feria Internacional de Bogota made it virtually impossible for a foreign buyer to make purchases.

#### Summary of Recommendations

More clever individuals than the author will find many ways in which the findings of the research can be implemented; our own interpretation of the results is both conservative and unimaginative. The reason for this excessive caution is a desire not to overstep our bounds and to limit our suggestions to issues where the evidence is fairly compelling. We will, of course, refrain from belaboring the obvious. For example, the finding that correspondence is a useful information channel for producers of unfinished goods carries the implicit

recommendation that firms in those industries who are not availing themselves of this mechanism take pen in hand and do so. Obvious implications of the study such as this will not be mentioned.

The major recommendations are listed below in the order in which they are presented in the report.

- Selling missions, composed of firms which have not previously exported be organized in lieu of buying missions of foreign buyers.

- Unofficial governmental incentives be officialized where possible (with particular reference to the granting of import licenses).

- PROEXPO should continue to promote the entry of new firms into exporting but should ensure that the firm begins to organize itself for independent export marketing.

- A liberal loan policy for support of selling trips be established for entrepreneurs who have not yet exported; evidence of a pre-trip market evaluation should be requested by the lender.

- Private intermediaries should receive special attention in the training programs currently conducted. Specifically these intermediaries should be trained in the search for and selection of published market information data.

- Resources should be allocated to regional cities (Cali is the example in the report) to ensure easy access of market information. These resources should not only go to PROEXPO offices, but also to other agencies with a stake in the economic and industrial development of the city.

- PROEXPO should transmit detailed product and price information to potential buyers, and relay bids back to sellers.

- More emphasis should be placed on industry specific fairs than on general trade fairs.



- Fair promoters should demand adequate preparation and representation of participants; all data deemed necessary for a comparative evaluation by prospective buyers should be available.

- PROEXPO offices should assist exporters in the placement of advertising copy in foreign publications.

### Organization

The first chapters deal with the chronology of entering and marketing in world markets; subsequent chapters take up miscellaneous issues. The final chapter discusses methodology and may be a good starting place for the reader wishing to make a critical evaluation of the study.

### Tables

A few guides for reading the report: In an attempt at economy in presentation redundant explanations of conventions will not be given. They are here summarized:

1. Percentages, when employed in tables, generally refer to the ratio of item score to row total.
2. Percentages do not always add to 100% due to rounding.
3. Totals frequently fall short of 120 due to gaps in the data where respondents did not supply data.
4. The cryptic notation  $X^2$  signifies that a statistical test was performed to determine if the results obtained are true of all Colombian exporters in the four cities. A high value for  $X^2$  indicates greater probability that such generalizations may be made: for reference, a  $X^2$  value of 3.84 or higher means that the chances of our results not being true of all exporters is only 1 in 20.

5. In most of the tables both the raw data and the percentage is presented, separated by a slash. Thus 6/26% indicates that six firms fall into that cell which amounts to 26% of the exporters relevant to that category, usually represented as the row total.

## Chapter II

### ENTRY INTO WORLD MARKETS

#### Why Export?

The logical, as well as chronological, first question is: why does a Colombian entrepreneur venture from the safety and familiarity of the domestic market to face the uncertainties and risks of international trade? The most pessimistic prediction made at the beginning of the study was that we would find 120 different rationales for taking the initial step; happily this prediction was not realized. With only minor exceptions it was found that the initial export decision could be categorized under one of four rationales:

1. Most obviously, there is the group of entrepreneurs that are responding to the incentive rational economic businessmen respond to everywhere: profits. Included in this group are those who found a higher profit margin in world markets, or who found increased sales volume at an adequate profit level.

2. Responding to more subtle economic incentives is the group that saw secondary economic benefits, or foresaw future economic benefits accruing from exports. Included in this group are those with installed over capacity who sought to spread fixed costs over a greater volume and reduce unit costs; others wanted to establish a presence in a growing and virtually limitless market; still others were taking advantage of the "export psychology" and anticipated that the fact that they were competing in world markets would enhance the image of the products and their sales in the domestic market; and

market stability was listed by some - the external market being perceived as less volatile.

3. A third group, quite sizable, was responding to governmental incentives and pressures. These incentives will be discussed at length.

4. The residual final group made no independent decision or effort to enter world markets - world markets came to them. This group comprises the passive entrants; firms who received unsolicited orders, who were promoted and carried by PROEXPO or other entities, whose parent company performed the international marketing function, or whose affiliates or contacts provided the impetus to export.

While these categories will be treated separately, readers will recognize that a great many exporters made the initial decision to enter for more than one reason. Indeed, respondents listed several reasons as instrumental in the decision to export: frequently the exporter was responding to governmental incentives as well as direct or indirect economic incentives - in some cases the two are indistinguishable and allowance has been made for this phenomenon. However the common experience was that one set of factors predominated in the decision, and this is the basis for the categorization.

### Profitability of Exports

Forty-three firms, roughly one-third of the sample, listed anticipated profits as the principal incentive to export. Presumably this anticipation was founded on some knowledge of what profits on initial export sales might be.

Interestingly enough, the profitability of the first export sale does not predict, with any accuracy, the eventual profitability of exports, and is

a weak predictor of size of demand. To demonstrate this point: Of the 115 exporters who were able to supply data on profit trend, 47 reported no subsequent change in export profitability whereas 43 enjoyed increased profits on later export sales and 25 suffered reduced profits. If this data is biased at all, it is in a conservative direction as many exporters appeared to under value the direct costs of making the first sale and were more influenced by the relationships of domestic versus export sales price. Thus potential exporters might be well warned to not attach great significance to the profits accruing from the first sale; this admonition applies to those exporters who receive both high and low initial profits: for example, of the 37 firms who made their first export sale at a profit margin 15 or more percentage points below domestic profits (if the domestic profit margin was 20%, the export profit margin was 5% or less), 19 enjoyed higher profits on later sales, 14 maintained the same margin, and only three of this group saw a decline in subsequent profits (one exporter did not supply data on profit trend). There are two explanations for these results:

1. Due to improved marketing, etc. subsequent profits will improve; thus the neophyte exporter who initially suffers low profits may anticipate better than a 50% chance of profit improvement and should continue.

2. The alternative explanation is that those exporters who did not enjoy subsequent improvement on their low profits, gave up exporting and are not represented in the sample. This latter raises a serious methodological criticism and prevents pursuing the issue further; only a study of exporters who discontinued can adequately answer this question.

The plausible explanation is that the first sale may be the most expensive; data presented later in the report indicates that there are methods of reducing initial sales costs.



A final word on the case of low initial profitability: of the three who reported further decline in already low profits, two were caused by default problems (foreign buyers defaulting on payments) and the third by generally declining prices for the product worldwide which were starting to affect the profitability of the domestic sales as well.

As noted at the beginning of this section, profits on the first sale are a weak predictor of demand for the firms' products. Logically one would be led to think, if we have any faith in price mechanisms at all, that higher profits in world markets are indicative of relative under supply and that that supply deficit will be met by profit maximizing Colombian firms. In the present case this theory predicts that the firms that realized better profits on exports than domestic sales would dedicate the major portion of their production to exports.

Current export sales as a percentage of total sales was regressed against the difference, in percentage points, between the profit margin on export versus domestic sales. This procedure should reveal if there is a systematic relationship between early profits and subsequent sales. No such clear relationship appears for the total sample; however, there is a positive relationship ( $r = .72$ ) between initial profits and subsequent sales when the sample is reduced to include only those firms whose initial export profits equal or exceed domestic profits. Expressed in practical terms, a good profit return on the initial export is predictive of subsequent high volume sales, the level of exports, as a percentage of total sales, being very closely linked to the relative profitability of the first sale. However, when the initial export sale was less profitable than domestic sales, there is no obvious relationship between initial profit and eventual sales volume.

The point to be underlined is that initial profits are an inadequate base for forecasting when viewed out of context: They do not correlate with future profits (regression fallacy?) and they only correlate with future sales level when the initial profit is high. It will be seen later in the report that other variables, generally not considered, provide greater predictive power.

#### Profits, Secondary Benefits, and the Government

It was mentioned earlier that the initial export decision was influenced most by one of three factors: profits, secondary benefits, or governmental pressures and incentives. The following table tabulates perceived principal benefit with relative profitability of the first sale. Respondents were asked to identify (II 1-b) "What was the principal benefit that you hoped to obtain or the problem that you wanted to solve by exporting?" Shortly thereafter the respondent was asked (II 1-d) "Why did you decide to export? What factors were most important?" If the respondent answered the two questions similarly, which he almost always did, it was assumed that he was stating, in a consistent manner, the factor(s) that was most salient in the decision. Where the answers to the two questions diverged, the interviewer would explore the divergence with additional questions. (As noted earlier, these checks were not on the consistency and reliability of the interviewees, but rather on the interviewers, who might be misrepresenting the questions or misinterpreting - particularly in the case of the North American interviewer - the answers.)

Table 2-1

Relation of Relative Profit from First Sale  
to Anticipated Principal Benefit from Exporting

Principal Benefit	Relative Profit				Row Totals
	-15%	-1 to -14%	0 to +20%	+21%	
Direct Economic	8/22%	6/26%	27/50%	6/75%	47/34%
Secondary Economic	16/44%	12/52%	16/30%	2/25%	46/38%
Government	10/28%	3/13%	8/15%	-	21/17%
Prestige, Challenge	2/6%	2/9%	3/5%	-	7/6%
Column Totals	36/100%	23/100%	54/100%	8/100%	121/100%

Explanation: Direct economic = Profits, Plan Vallejo, inexpensive working capital (Prefinanciación).

Secondary economic = Larger market, local impact on sales, market stability, use of excess capacity.

Government = Goodwill of government, expediting of import licenses.

A few simple truths emerge from this table. Most obviously, profits are viewed as most beneficial by those who receive them; in the total sample direct economic benefits are the most frequently mentioned by a narrow margin (1%). However, a surprisingly high percentage (22%) of the lowest profit group mentioned direct monetary benefits as the principal benefit; this puzzling response is explained by the fact that, of this group of eight, only three saw higher profits as the principal benefit, the remaining five were looking for reduced operating costs through Plan Vallejo and inexpensive working capital.

Thirty-eight percent of the sample stated that secondary economic benefits were most salient in their decision to enter world markets. This reasoning predominates in the less profitable categories and diminishes as profitability increases. Included among the secondary or indirect benefits

is "local impact." This phenomenon was underlined for the author by a huge sign I passed daily in Bogota that announced "We export." This announcement, itself wider than the small shop (taller) that supported it, presumably implied that the firm was now exercising greater care in the manufacture of its products and that those products were competing in world markets with the best from anywhere. I resisted the temptation to stop and see what, if anything, was being produced and exported, but the moral seemed plain enough: export profits can be obtained at home. The psychology on which this phenomenon is based is not a specious one: sixty-two firms, over half the sample, stated that they had made substantial improvement in quality control in order to compete in export markets; unhappily a significant number also stated that only export goods were the recipients of extra care, goods destined for the domestic market did not enjoy any improvement in quality. Undoubtedly the ambitious training program undertaken by PROEXPO to increase awareness of quality problems has contributed to this emphasis on quality, and several respondents made direct reference to that program.

### The Government

Unofficial governmental incentives were cited by 17% of the total sample as the principal export benefit foreseen. An additional 8% reported official incentive programs, CAT, Plan Vallejo, etc. as the primary inducement to enter exporting. Thus, at this juncture the incentives employed, officially and unofficially, by the Colombian government will be considered. Breaking chronological sequence, the effect of these incentives will be traced as far as the data permits.

### Official Incentives

The most prominent official incentives are: (a) C.A.T. - a tax credit worth 15% of the value of the firm's exports; the certificate matures in 90 days and is transferable; (b) Plan Vallejo - which permits duty free imports of those raw materials which are subsequently exported; (c) Pre-financiacion - short term low interest working capital loans.

C.A.T. - only two of the firms interviewed were not taking advantage of the tax credit. While some stated that this, along with other financial incentives, made it possible for them to export, it was impossible to verify that contention. However our data on export profitability permits us to make a rough evaluation of the effect of this incentive; consider the following: eleven respondents (9% of the sample) meet the following two conditions: (a) they are currently realizing an export profit margin of 15 or more percentage points below their profits on domestic sales; (b) the eleven all currently regard direct monetary benefits as their chief incentive to export (as against intangible benefits such as local impact, goodwill of government, etc.). In the absence of C.A.T. one could safely anticipate that most, if not all, of this group would disappear from the export register. The question arises: would that be disastrous for Colombia? And the answer is no in the case of 9 of the firms, yes for the tenth and eleventh. Nine of these firms are marginal exporters, shipping 2-3% of their production out of the country; however, the other two are exporting three quarters of a million dollars of goods a year at a very slender profit margin.

A second group of seven firms satisfies two similar conditions: (a) they also believe that the principal benefits for continuing in exporting are monetary; (b) but they are suffering only slightly worse profits on



exports than on domestic sales. However the average export rate for these firms is 25% of total sales; this group is very different from the preceding: generally they are offsetting the low profits by higher volume. This observation is supported by the statements of four that increased market size was the principal benefit from exporting and the three others viewed utilization of excess capacity as the major incentive. Given the operating conditions of these firms, it is unlikely that any would continue to export on the same scale without C.A.T. The question is now more critical: given that this group is comprised of major exporters, do we want to push them into the doubtful category?

A third group of exporters should be considered. This group of firms, like the first, is realizing export profits 15 percentage points or more below domestic profits. Loss of C.A.T. would mean that the best off of this group would have to operate at a profit margin 30 percentage points below domestic profits. However, unlike the two preceding groups these exporters do not regard direct monetary gains as the principal benefit from exporting; rather they see exports paying off in impact on local sales, easier access to import licenses, etc. Therefore this group will be less sensitive to a reduction in profit margin; whether they will all tolerate such a substantial cut in profits is arguable. Sixteen firms (14% of sample) fall into this category, three of whom export over U.S. \$100,000 each per year.

Before attempting to answer the questions suggested thus far, let us consider how many firms in the sample would probably not be effected by a reduction or abolition of the tax credit; there are two groups to be looked at:

High profits - this group is comprised of firms who are receiving such advantageous terms on exports that even without the tax credit, exports would still yield higher profits than domestic sales - thirty-four companies, 28% of the sample, fall into this category.

A second group of firms that might well be expected to continue exporting without the C.A.T. incentive is comprised of those firms that are realizing intermediate profits and place strong emphasis on intangible benefits; that is, they will place less importance on direct profits and be relatively insensitive to a diminution in profits - there are eleven firms in this group, 10% of the sample. Of this group of eleven, one is a major exporter, two are strong exporters (exporting around 10% of total sales volume) and the remainder are marginal exporters.

This analysis accounts for seventy-nine firms, roughly two-thirds of the sample; the residual one third resists speculation.

A summary of these results is as follows: discontinuance of tax credits would immediately reduce the profit margin of 15% of the sample to the point where exporting would no longer be tenable; another 14% may be considered highly vulnerable due to their low profit margin on exports. The profit margin and attitudes of 38% of the sample put them in a position where they would almost certainly continue exporting if the credit were discontinued. No judgment can be made on the residual 34% of the exporters.

Now recall that all data refers to companies and that small scale exporters comprise a major segment of the sample. Thus the statement that discontinuance of C.A.T. would expell 15% (with another 14% probable) of the exporters only means that 15% of the companies would leave the field, the

actual fall in exports would be less than that to the extent that marginal exporters are overrepresented in the departing group.

A more positive view, and one that offers a more precise perspective, is to consider the increment in exports that may be attributed to C.A.T.; here we will use absolute values.

The total current annual exports for the sample totaled U.S. \$58.4 million in 1971; the firms who, we conclude, are able to export primarily because of the tax credit, contribute U.S. \$3.8 million. In percentages which might be applied to the population of all Colombian exporters, this means that a minimum of 6.5% of the value of exports eligible for C.A.T. are directly due to the tax credit incentive. Noting the great number of major exporting firms receiving low profits, but for whom it was difficult to predict their response to the loss of C.A.T., we feel the 6.5% figure is conservative and should be considered as a minimum contribution of C.A.T. The reader is referred to the work of Professor Carlos Diaz-Alejandro for a different approach to this problem.

The following table summarizes the results discussed:

Table 2-2

<u>Effect of CAT Loss</u>	<u>#/% of Firms</u>	<u>Value/% of Exports</u>
<u>Vulnerable</u>		
Lowest Profits, Intangible Incentives	16/14%	U.S.\$ 534K/0.9%
Lowest Profits, Monetary Incentives	11/9%	1MM/1.7%
Low Profits, Monetary Incentives	7/6%	2.3MM/3.9%
<u>Resistant</u>		
Moderate Profits, Intangible Incentives	11/10%	
Highest Profits	34/28%	

### Plan Vallejo

Thirty-one firms, one fourth of the sample, are currently using Plan Vallejo (including Plan Vallejo Junior). As might be expected, the majority of this group, 19, are significant exporters, each exporting over U.S. \$100,000 per year. While the data and subsample size do not encourage close analysis, it might be noted that five of the nineteen operate at very low profit margins (-15% or lower below domestic profits) - two of which are substantial exporters (\$100,000 per year), and six more receive slightly lower profits on exports. Additionally, seven of the sample stated that Plan Vallejo was one of the principal anticipated benefits upon entry into exports; however three of those seven currently are not in P.V., explaining that the program is too cumbersome to warrant continuance in it.

### Working Capital

Sixty-nine firms in the sample (57%) consistently relied on pre-financing of working capital to fill export orders. (A difference in utilization rate by city may exist: fewer exporters in Medellin report using pre-financing than in the other cities; however the difference is not statistically significant;  $X^2 = 1.4$ ). Six firms mentioned pre-financing as the major inducement to enter into exporting, and four different firms said that pre-financing is now their chief reason for continuing in exporting.

It was initially anticipated that a heavy debt burden would predispose a firm to enter exporting in order to take advantage of cheaper and more accessible capital. Unfortunately it was impossible to test this hypothesis

thoroughly although the partial evidence is suggestive: of the ten who either entered primarily to obtain pre-financing or now list it as the principal benefit from exporting, either the debt to equity ratio, at time of export initiation, stood at 3:2 or higher, or the firm would not supply the information. It might be inferred that this program, while widely and profitably used by many, does attract the financially shaky to exports - in this case 8% of the sample.

#### Unofficial Governmental Incentives

Referring back to table 2-1, it may be noted that "government" was viewed as a fairly significant benefit for those firms in the lower profit category; by contrast, no firms in the highest profit categories perceived "government" as a primary inducement to enter into exporting. The term "government" needs definition: here it refers to those unofficial sanctions and rewards that the government has at its disposal. Not included are the official incentives, C.A.T., Plan Vallejo, pre-financing, just discussed. The "government" may unofficially employ either the carrot or the stick: respondents identified several examples of both unofficial rewards (help in labor disputes, access to confidential data on competitors) and sanctions (import license refusal, customs delays) that could be linked to the firms' exporting activities.

This group of unofficial incentives is a significant factor and justifies attention: sixty-three firms stated that government contacts or the goodwill of the government were an important benefit from exporting when asked (IV-10) "Do you obtain any intangible benefits from exporting? (prestige, opportunity

to travel, diversification, impact on local sales, domestic reputation, participation in a growing market, faster pay, etc.) In order of importance:" The 63 firms mentioned cited government contacts as the first or second most important intangible, and of this group, 50 mentioned government contacts first (42% of sample).

The following question in the interview asked (IV-10-a) "How important are these in relation to monetary benefits?" Here the answer was "more, equal, or less important" - in one case the respondent could not provide a comparative evaluation. Thirty-six of the 50 respondents who mentioned the "government" as the most important intangible, stated that this intangible benefit was more important than the economic benefits to be derived from exporting. This is a significant number, 30% of the sample, and merits close examination. First, however, we must digress:

#### Categories of Current Exporters

We have found it convenient to divide the current exporters into four groups. The division is made on the basis of resource commitment of the company to exports; thus the categories are intended to reflect policy orientation, specifically the policy of the company with regard to export marketing. The most active exporters, those exporting more than 35% of their annual production in 1971, 20 firms, are dubbed export-committed. This term implies that considerable resources are dedicated to exports and export marketing is on equal footing with domestic marketing. Obviously included in this group are those companies that cater only to external markets.



The second most significant group exports 6 to 35% of its annual production. This group clearly is active in the export area and presumably plans with the export market in mind. The nomenclature export oriented is applied to this group of 37 firms.

A third group (31 firms) exports 2 - 5% of total sales volume. It is unlikely that a major planning effort or investment of resources is dedicated to international marketing. Export sales are random events and the distinction between this group of firms and the succeeding is often blurred. The short-hand description for this group is export-aware.

The residual group of 32 companies exports one percent or less of total sales. Clearly no reliance is placed on export sales and it is difficult to envision the profit contribution of that volume of sales being significant. For convenience this group is labeled the marginal exporters.

Having to draw precise boundaries between the categories vitiates the qualitative differences that the labels on each, committed, oriented, aware, marginal, emphasize. The distinction between the two lowest classes is especially imprecise and serves only to separately identify the marginal group, despite the fact that membership in this group may frequently change.

A final note on the categorization: lest some readers suspect that these categories reflect only seniority and that export sales volume is mainly a function of number of years exporting, note that the correlation between these two variables is  $r = .22$ . This surprisingly low statistic signifies that export volume is almost entirely determined by factors other than length of export experience.

The Incentive for Marginal Exporters

During the survey the interviewer encountered many examples of firms expending significant sums on export promotion for an insignificant return; additionally these firms appeared willing to continue doing so. The explanation for this economically "irrational" behavior leads back to the importance of government contacts and goodwill.

Recalling the earlier references to the importance of intangible benefits, we find exporters citing intangibles and assigning relative importance as indicated in the following table:

Table 2-3

<u>Level of Exports</u>	Importance of Intangibles				Row Total
	More	Equal	Less	Not Mentioned	
Marginal ( $\leq 1\%$ )	21/65%	2/6%	4/12%	5/16%	32/99%
Export Aware (2-5%)	15/48%	6/19%	5/16%	5/16%	31/99%
Export Oriented or Committed (6+%)	9/19%	2/4%	36/65%	10/12%	57/100%

The reversal of percentages moving from the N.W. to S.E. corner of the table signifies that intangibles tend to be more important for the marginal exporters and the export aware than for the other two groups. This result is statistically significant:

Intangibles

	More Important	Less Important	
Low Exports	36	9	$X^2 = 61.2$
High Exports	9	36	$p = .001$

The result is also consistent with intuition: intangible benefits may accrue to exporters independent of the volume of their exports; for example, domestic reputation will be enhanced by the fact that a firm is exporting and the public is indifferent to whether the firm exports 1 or 100 percent of its product; thus the exporter will find that he can obtain intangible benefits for a low volume of exports.

Considering only the two categories of lowest export volume, the export aware and the marginals, we observe the following characteristics, summarized in the succeeding table:

Table 2-4

FIRMS EXPORTING  $\leq$  5% OF TOTAL SALES  
 n = 63 (minus 10 who did not cite intangibles)

Type of Intangible	Importance of Intangible			Totals
	More	Equal	Less	
Government Contacts	30/57%	4/7.5%	4/7.5%	38/72%
Local Impact	2/4%	1/2%	3/6%	6/11%
Stability Diversity, Market Size	0	0	1/2%	1/2%
Prestige	4/8%	2/4%	0	6/11%
Travel Opportunity	0	1/2%	1/2%	2/4%
TOTALS	36/68%	8/15%	9/17%	53/100%

Fifty-three of the 63 firms in these two lowest categories responded that they received intangible benefits from exporting. Beginning of the bottom of the table, 2 exporters felt that travel opportunities were an intangible benefit that they derived from their export activities, although neither believed that it was more important than the direct monetary benefits. Six firms replied that prestige was an important benefit from exporting and four felt it to be more important than monetary benefits. Only one exporter in this group mentioned cost or risk reducing benefits such as market diversity stability, or size. Six thought the positive impact on local reputation and sales to be significant, two of whom rated it ahead of direct monetary benefits.

But the largest group, 38 firms, is composed of those firms who mentioned government goodwill as the principal intangible benefit; thirty of these firms state that the goodwill of the government is more important than monetary benefits. This suggests that roughly one-half of the small exporters are motivated by the desire to establish amicable contacts with the government. Six of the larger exporters (export 6+% of sales) are similarly motivated.

Given this data, it was hypothesized that unofficial incentives would be most salient in Bogota, less important in areas more remote from central government offices.

Table 2-5

GOVERNMENT CONTACTS LISTED AS FIRST OR SECOND MOST IMPORTANT  
INTANGIBLE, REGARDLESS OF EXPORT VOLUME, BY CITY-

	<u>Gov't 1st mention</u>	<u>Gov't 2d mention</u>	<u>Total Gov't</u>	<u>Intangibles Mentioned</u>
Baranquilla	1/8%	3/25%	4/33%	12
Cali	8/44%	2/11%	10/55%	18
Medellin	21/58%	5/14%	26/72%	36
Bogota	20/59%	3/9%	25/67%	34
TOTALS	50/50%	13/13%	63/63%	100

Percentages in the table represent that proportion of the respondents in the city citing intangible benefits who mentioned government contacts as the first or second most important intangibles. Example: 44% of the 18 respondents in Cali who cite intangible benefits, cite government contacts as the most important intangible.

The hypothesis that a difference would exist between Bogota and other cities on the importance of government contacts is violated by the high incidence of respondents in Medellin who report the importance of such contacts. In light of these results it must be assumed that the impact of unofficial governmental rewards and sanctions is felt with equal rate in these two cities and with lesser force in Cali and Barranquilla. This result is significant,  $X^2 = 5.52$ ,  $p = .02$ ; although responses in Barranquilla would seem to signal a special case, only 8% mention government contacts as the

most important intangible benefit, caution must be exercised in generalizing from that result due to the small sample and the difficulty in obtaining respondents in that city.

The earlier statement that the net effect of unofficial governmental activities is felt equally in Bogota and Medellin must be qualified: It was noted at the outset that the government may either reward a firm for exporting, or punish it for failing to export; impressionistic evidence indicates that Bogota firms were more often the recipients of rewards while the Antioqueños were motivated by a desire to avoid punishment. For example, the Bogota respondents referred to "contacts with the government" whereas the Antioqueños were more likely to state that they were trying to satisfy the government or protect themselves from the government. Four Bogotanos cited dramatic instances of unofficial government assistance; no similar instances were reported in Medellin. Conversely two firms in Medellin claimed to have temporarily shut down for lack of an import license until they agreed to export; no such reports were made in the Bogota sample. If one accepts the proposition that there is a marked qualitative difference between the incentives perceived in Bogota and Medellin, the question arises, is this the result of the government employing different policies in the two cities, or were the Bogotanos simply more agile in their ability to secure favors from the government? A less incriminating hypothesis exists: due to the centralization of governmental services in Bogota, the benefits mentioned by exporters in the capital are probably not available in other cities. The most plausible explanation is the following: the government is not consciously discriminating against exporters in Medellin, Cali, etc.; however,



due to distance and communications difficulties, it is virtually impossible to provide detailed information services and the like to a firm in Pereira, whereas it is still possible to reject or delay documents that have been sent to Bogota for action. The net effect is that firms in outlying cities are goaded into exports by threats while exporters in the capital have easiest access to the unofficial rewards.

### The Benefits and Costs of Unofficial Incentives

Given Colombia's great necessity to increase export volume, it is predictable that an enthusiastic national government will engage all its resources to promote more firms into exporting. All features of the promotional effort, including the unofficial ones, merit evaluation.

As stated above, 36 firms, 30% of the sample, state that the most important incentives are currently the unofficial governmental ones. This suggests a high impact for unofficial incentives. However these exporters are concentrated in the low volume group (30 of the 36); what is the absolute contribution of the incentives? The 1971 exports from this group in the sample was U.S. \$2.34 million or 4.4% of the total. However not all of this figure is due to unofficial incentives as U.S. \$1.45 million was shipped by companies who had negotiated export quotas in return for import privileges with INCOMEX; these quotas are official incentives and contrast with the subtle pressures brought to bear on firms that we have dubbed "unofficial" incentives. Nonetheless it may be safe to project that as much as 3% of all minor exports were stimulated by governmental rewards and sanctions.

Rather than delve into a contentious discussion of the propriety of these unofficial measures and their psychological impact, it may be more enlightening to speculate on the costs this program incurs. Note that after those firms that are exporting to fulfill a quota have been removed from this group, the remainder are exporting an average of U.S. \$29,000 each. Also note that the preferred method of sales promotion for 73% of the members of this group is multiple annual trips. No data was collected on promotional expenses, but one might envisage an exporter in this group spending from three to five thousand dollars of foreign exchange annually in direct sales costs alone to generate the average sales figure of U.S. \$29,000.

Adopting the perspective of the entrepreneur compelled to purchase the good will of the government by exporting, it may be expected that he will buy that good will at the minimum price. Some data suggests that the price of governmental good will is indeed low:

Interview #48: Annual exports = U.S. \$1,200; Marketing and promotion channels = several annual trips to the U.S.; comment by president "They think we should export so we have to export, but there is no market for our product."

Interview #116: Annual exports = \$32,000; Marketing and promotion channels = three annual trips to U.S.; comment by owner, "Right now we break even on costs to the U.S. and lose around 1% on sales to Puerto Rico, . . . but when I go to INCOMEX they give me the abrazo, congratulations for my patriotic effort, and an import license for anything I want."

Additional cases could be cited; however the intent is to exemplify the thinking of these firms without overdramatizing it. Some firms are satisfied that governmental good will may be obtained for annual exports for U.S. \$2,000

or less; others think the figure is higher. Of concern here is whether exports so motivated are helping or hindering foreign exchange problems. In eleven of the thirty cases being studied here, the probable net effect on balance of payments is negative: these eleven appear to be spending more foreign exchange on sales expenses (trips primarily) than they are receiving from their sales. If at this level of analysis the net effect is negative, lost opportunity costs and misallocation of resources certainly plunges the operation even deeper into the red.

Given this evidence that the current policy is proving of doubtful efficacy in a strictly economic sense, others may wish to consider the less tangible aspects of the unofficial incentives. One obvious alternative is to "officialize" these incentives by continuing to negotiate export quotas with importing firms. It is assumed that the government negotiators in this process will be mindful of the fact that not every firm has the ability to export: other countries do not export coffee and emeralds to Colombia; Colombia in its turn, should not expect to sell its cars in Wolfsburg or cigarettes in Virginia.

### The Force of Necessity

Moving to a higher level of abstraction, we consider the firms motives to enter into exporting in the most general terms: was the entry the result of necessity (saturated local market, capital shortage, etc.) or the result of obtaining new knowledge about export opportunities. Utterback (1970) in his research on the adoption of innovations has reported differences in profitability, organization, and promotion to be predicted by this dichotomy. Similarly Vernon (1966) has stated, "Any threat to the established position

of an enterprise . . . is a more reliable stimulus to action than opportunity is likely to be."

It was possible to divide the sample into 43 firms motivated by necessity ("compelled") and 71 who entered world markets largely as a consequence of new information ("noncompelled"). Analysis of all possible related factors suggests that the force of necessity will yield the following behaviors:

Those compelled to export are more likely to take a trip to foreign markets (46% vs. 24% for the noncompelled) as part of the market evaluation.

The noncompelled, those who enter because of increased knowledge of export opportunities, are more likely to make no initial evaluation of foreign markets (46% vs. 21% for the compelled). The compelled are more likely (67%) to sell via direct promotion and sales channels (trips, agents, representatives) than are the noncompelled (42%).

By contrast the noncompelled are more likely to employ indirect channels (friends, intermediaries, PROEXPO, publications) than the compelled (48% vs. 28%).

Similarly the compelled will tend to rely more on direct, personal, promotional efforts (46% vs. 32%) such as trips, representatives, and agents while the noncompelled will be more likely than the compelled to engage in no promotional activities of any kind (19% vs. 5%).

While the compelled and noncompelled are equally represented in both the marginal and export-committed groups, the compelled are more likely to export over 5% of sales than the non-compelled (59% vs. 42%).

Interestingly enough, there is no significant difference between the two groups of exporters on the basis of profit levels.

In summary, the firm that enters into exports out of necessity falls into a "travel" mode: it is more likely to rely on trips for initial market evaluation, information channels and promotion. Additionally, it will have a slightly higher sales volume but the same relative profit margin.

The firm that enters primarily because of knowledge of the opportunity is more likely to make no initial market evaluation, use less direct information channels, less direct or no promotional efforts, and export a slightly smaller percentage of total sales.

This analysis can be sharpened by defining necessity more narrowly. When only those fifteen firms are considered that entered when their domestic market share was declining, the following results are obtained: All of the activities characteristic of the compelled exporter discussed above are evident and somewhat strengthened but with two differences:

1. This group of exporters is evenly split between the highest and lowest volume export groups; there are very few that fall into the two intermediate categories - in fact only one of the fifteen firms is exporting in the 6-15% of sales volume (export oriented) category. This result is explained by the fact that the high volume exporting group realizes an average profit on exports of 15 percentage points above domestic sales profits whereas the low volume exporters realize average export profits 9 percentage points below domestic profit margins. Obviously firms under pressure are more sensitive to relative profits and cannot afford the luxury of low profits in external markets when facing strong competition in the domestic market place. It is interesting to note that both the high and low volume exporters of this group of firms promote export sales with equal vigor; evidently the low export volume firms are more selective in finalizing a sale because of lower world prices.

2. The second difference between these fifteen exporters and the larger group of "compelled" exporters is that, in the aggregate, they do receive slightly lower profits in world markets. This point does not conflict with the preceding one; rather it shows that, as a group, the firm with a declining domestic market is strongly compelled to do business elsewhere, and will have to accept less favorable terms.

### Market Evaluation

Proceeding chronologically, once the decision has been made to enter exports, the would-be exporter must determine where to find customers. The textbook prescribed sequence dictates a thorough market study at this juncture. There appear to be four distinct approaches to this problem in the sample:

1. No study of any kind undertaken; several of these exporters entered thanks to the intervention of others.
2. No study, but an immediate trip to foreign markets was made to gather data. Little or no advance work was done and the common remark was "I just walked the streets until I saw similar products in the store window".
3. Some statistical data was sifted to determine likely national markets. Frequently possible buyers were written to and on rare occasions a trip was made.
4. A complete and detailed market study was performed either by the firm or by a specialist in this field. A trip to the most promising market usually, but not always, followed.

What effect does the selection of one of these strategies have on sales performance? The evidence regarding impact on first sale is confounded by



other factors and the results misleading. For example the exporters who made the most complete market study suffered, with one exception, the smallest first sales. A more interpretable situation is the longer term impact of a market study on export sales; the following table relates market study to current export level as a percentage of total sales.

Table 2-6  
Current Exports and Initial  
Market Evaluation

<u>Market Evaluation</u>	Export Percentage				Row Totals
	≤ 1%	2 - 5%	6 - 35%	36+%	
0 Market Evaluation	13/32%	13/32%	2/23%	5/13%	40/100%
0 Evaluation, Trip	8/20%	9/22%	16/39%	8/20%	41/101%
Statistical Evaluation	7/41%	3/18%	7/41%	-	17/100%
Complete Evaluation	3/14%	6/29%	5/24%	7/33%	21/100%

As expected, firms that make a complete market study are the most likely candidates to reach a high volume of exports later on. But curiously enough, the firms that made a trip without prior study do almost as well as the preceding group and actually out perform those firms that made a partial market study at home. This is an arresting result because it violates the textbooks prediction and several alternative explanations present themselves:

perhaps the brash unprepared trip signals the type of mentality that is best suited to export marketing; however a more plausible explanation (in our view) is that a trip does give an entrepreneur a better feel for foreign markets. Buyers are no longer faceless names on a letter of credit and the whole enterprise takes on form and substance. This latter explanation was offered by the respondents, occasionally through the medium of a Spanish proverb, and is appealing in that it coincides with our own apprehensions about doing business with someone we do not know and cannot see.

The finding indicates that incipient exporters be given easy access to travel loans; however the textbook cannot be abandoned altogether and the lending agency should demand evidence of at least superficial research preparation for the trip.

#### Passive Entry into Exporting

The discussion to this point has assumed that the exporter was active in seeking out markets, and for most of the subgroups considered, this has been the case. However there is a group of forty-one firms, roughly one-third of the sample, who were passive entrants into exporting: buyers initially approached them, or PROEXPO carried the burden, or in isolated cases the parent company performed the export marketing function.

An interesting, but no doubt predictable, outcome of passive entry is seen in the following table.

Table 2-7

	Entry and Current Export Percentage			
	≤1%	2 - 5%	6 - 35%	36+%
Passive Entry	15/37%	18/44%	6/15%	2/5%
Active Entry	17/28%	13/16%	31/39%	18/23%

Active entrants tend eventually to export a higher percentage of their production than passive entrants; presumably the psychology that made the former group more pro-active at the outset is never fully compensated for by the passive entrants. Thus while 39% of the active entrants are export-oriented and 23% are export committed, only 15% and 5% of the passive entrants fall into these categories. If there is a policy lesson in this, it is that it is better to motivate sellers to leave the country than to motivate buyers to come. In practical terms, there will be a higher eventual payoff in organizing selling missions of entrepreneurs who have never before exported, than in recruiting buying missions from outside, although the short run gains from the latter are more promising.

#### Promoted Entry

A subset of passive entry is comprised of promoted entrants. In the majority of cases PROEXPO is the promoter that has, by one means or another pushed (or carried) the firm into world markets. This group includes 22 firms of the total of 41 passive entrants.

The current export sales level, expressed as a percentage of total sales, of the promoted group is identical with the other passive entrants and this suggests that nothing is sacrificed by promoting exports rather than waiting for an accident to bring the firm into exporting. On the other hand, of the twenty-two promoted entrants, only three had become independent of the promoter at the time of interviewing; the remaining nineteen were still being carried by the original promoter. And lest one believe that independence will come with maturity, the average years of export experience for the still dependent exporters was 6.2 and for the independent exporter 6.7 years, a non significant difference.

A very simple moral presents itself from this data: a dependency relationship, once established, is difficult to break. The palliative is more difficult to specify but it seems clear that PROEXPO, in particular, needs to train its promotees for independence. An indication of the direction this weaning might take is suggested by the fact that fifteen of the nineteen dependent exporters have no one in the firm that handles export marketing; two have assigned a clerk to handle the paperwork; and only the remaining two have management personnel assigned to exports.

### Chapter III

#### SOURCES AND FLOWS OF MARKET INFORMATION, FIRST SALE

##### One Versus Two Stage Information Transfer

A useful device in technology transfer and diffusion of innovations research is to separate one from two stage information flows. In the one stage , or direct, flow the information seeker goes directly to the information source; in the case of exporting, he would go straight to possible clients. The two stage flow is characterized by the presence of an intermediary, or information broker; in this instance the buyer, or seller, would first proceed to a reference person, agency, or publication before attempting to establish contact with the person with whom he will eventually do business. In the context of this study such information brokers are export houses, PROEXPO, the consulates, market researchers, etc. The flow has been characterized as two-stage if the information seeker first went to the intermediary with the intention of securing information on suppliers or buyers. Obviously almost any information seeking process can be viewed as two-stage: the world is large and it is inevitable that every buyer-seeking exporter will stop to ask directions at least once along the way to his first sale. In order to identify the true information-brokers in the system, two stage flow has been defined narrowly where: (a) the broker

was approached by either buyer or seller for information; (b) the broker was instrumental in identifying the opposite party with whom the sale was subsequently made.

Thus defined, one-fourth of the first sales were made with the assistance of an information broker and are truly two stage information flows. Contrast this figure with the following: another one-fourth of the sample obtained virtually no assistance in making the initial sale: commonly a buyer saw their product in a store window, or the neophyte exporter walked the streets of foreign cities until fortune guided him to a buyer.

Lying between these two quartiles of the sample are those exporters who received some assistance in identifying clients, but the information was not decisive.

We are belaboring this point because research on information flows associated with technology transfer (Allen, 1970) and diffusion of innovations (Utterback, 1970) demonstrates the greater efficiency of two-stage information flows over direct flows. The entering hypothesis for this study was that two-stage flows would again be found more efficient. In the general case this hypothesis was confirmed: the average size of the first sale was U.S. \$59,000 when a two stage information flow was used, against an average first sale size of U.S. \$10,300 for direct flow.

#### Quality of Information

While intermediaries may generate larger sales orders there is a sacrifice in the quality of the information received by the exporter. Exporters were asked to evaluate the reliability and specificity of the



information received on prices, quantities, and product specifications from buyers on the first sale. Of the thirty firms who attempted to find buyers without assistance, only three reported inadequate data on the three listed items; all three cases relied on correspondence to establish contact with the clients. By contrast, one-fifth of the firms receiving information via the two-stage flow reported that no information was received on the listed items until late in the negotiations, and another one-third stated that information initially received was either incomplete or misleading.

Of the information brokers, only the private export houses consistently passed reliable data on to the exporters; both PROEXPO and the consulates were chided for failing to provide price information to potential buyers or to relay bids to the exporter.

#### Two-Stage Flows and Quasi-Two-Stage Flows

As noted above, half of the sample received some, but less than decisive, assistance during the search for a first customer. It is interesting to compare the true information brokers with the quasi-brokers. The distinction between the two groups is what one might expect: the quasi-brokers are predominately local and foreign business acquaintances whereas the true information brokers are fairs, PROEXPO, clients, other companies, and in three instances, local export houses.

Further analysis of the performance of the direct and quasi-two-stage flows follows:

#### Active Entry (Direct and Quasi-Two Stage Information Flows)

The largest, and for purposes of this study most interesting, group

is comprised of active entrants. The following table shows which channels brought information to the firm leading to the first export sale. Foreign markets are categorized geographically by relative ease of access: the most accessible national markets are Group I: Ecuador, Peru and Venezuela (note that accessibility is defined by distance and language; political barriers, due to their variability, are not considered.) Group II comprises all the remaining South and Central American countries and the Caribbean. Group III is the most remote, physically and culturally, and includes North America, Europe, and Japan.

Table 3-1  
CHANNELS BY REGION

<u>Knowledge of Opportunity Via:</u>	Geographic Market			Totals
	Group I	II	III	
Aimless Travel Buyer saw in Store Friends	7	7	7	21
Business Contacts PROEXPO, Fairs	7	10	3	20
Consulates	2	3	2	7
Publications	2	5	-	7
Market Study	1	3	1	5
TOTALS	19	28	13	60

No interpretable indications emerge from this table other than the two trivial findings that publications do not lead to sales in non-Spanish speaking areas as well as the paucity of friends and business contacts in those areas.

The analysis is improved when the following table is considered.

This shows which information brokers were used to reach the three geographic areas.

Table 3-2  
Two-Stage Information Flows

<u>Information Broker</u>	Area		
	I	II	III
Business Contacts	1	1	-
Consulates, PROEXPO	-	1	4
Publications	-	-	1
Fair	2	-	2
Export House	-	1	1
TOTALS	3	3	8

Here there is a disproportionate number of first sales going to Europe and North America, especially the latter. This suggests that a two-stage flow is more expedient for finding customers in Group III countries; is it also more efficient on other grounds? The data shows that the average first sale to Group III countries by companies using an information broker is U.S. \$54,600 whereas more direct selling efforts yield an average first sale of only U.S. \$10,600. This difference provides a powerful argument for using an intermediary on the first sale to Group III countries, but the persuasiveness of the argument is moderated by the earlier finding that an early trip to foreign markets is predictive of higher eventual sales levels. This point is raised here because only three of the thirty firms employing an intermediary traveled to see the client in order to finalize the sale;

the remaining 27 completed the sale by correspondence or allowed the intermediary to handle the details. However, use of intermediaries is not inconsistent with gaining first hand knowledge of foreign markets. The exporter can still obtain information on potential clients from the information broker and then sally forth, either on his own or in the company of an intermediary, to contact buyers.

Direct, one stage, sales efforts in North America are predominated by the businessmen who fly north with an excess of hope and an insufficiency (by textbook standards) of preparation. However, the optimist who gets off the plane in Miami, to our surprise, does relatively well, making an average first sale of U.S. \$10,300 which is not different from the average for all direct selling efforts. However this may be the costliest method of generating sales. The least expensive method is exemplified by the three exporters who relied exclusively on correspondence and locally available data to generate an average first order of U.S. \$27,600 from their desks.

#### Establishing Contact with Clients (Active)

Once knowledge of a sales opportunity has been obtained, direct contact must be established between the two parties. Such contact can be personal, written, or via third parties. The question here is, does one method offer any special advantages to the seller? The answer appears to be no. Examination of the data does reveal that the very largest sales may be better negotiated on a face to face basis (but the advantage is slight) but there is no difference in relative profit on first sale between personal, written, or third party contact.

When method of establishing contact is evaluated by region, the only evidence to emerge is that a trip to Group I countries (Ecuador, Venezuela, and Peru) results in a higher absolute sale than other methods.

From this data it is concluded that method of establishing contact has little impact upon the size or profitability of the first sale.

#### Access to Information in the Four Cities

One of the purposes of interviewing in the four cities, Bogota, Medellin, Cali, and Barranquilla, was to determine if systematic differences in marketing problems existed among the four. The following results emerged:

1. Foreign buyers are more likely to look for export products in Medellin first; eleven Medellin firms entered exporting when an unsolicited buyer arrived. Buyers are somewhat less likely to go to Bogota (5 instances) and Barranquilla (2 instances). The data suggests that foreign buyers ignore Cali; the only two instances of a foreign buyer's coming to Cali occurred when contact was made through the company's outlet in Bogota.

2. The Antioqueño is more likely to receive help from other local companies than are exporters located in the other three cities. Six first sales opportunities were obtained by firms in Medellin on referral from other companies in the city, whereas there was only one instance of the same occurring in each of the other three cities. Similarly the only firms to receive technical assistance from other companies in filling the first export order were reported in Medellin.

3. Access to market data, considered in general terms, reveals a bias against Cali. Around half of all leads culminating in the first sale were

discovered within their own cities by Bogota and Barranquilla firms, 60% for Medellin firms, but only one-fourth of the Cali respondents found information in the city that led to their first sale.

The marketing disadvantage of Caleños was underscored during the interviewer's visit to the city. During that period PROEXPO was without a representative and requests for information made to three other organizations that had been instrumental in promoting exports in other cities were not answered. Clearly the exporters in Cali should not have to operate at such a disadvantage and it is recommended that more resources be invested not only in PROEXPO's office there, but in other organizations as well that are concerned with the economic and industrial development of the area.



## Chapter IV

### INFORMATION CHANNELS, CURRENT SALES

Analysis of information channels for current sales is not as simple as for the first sale. With export maturity, the firm finds information coming to it from several sources and via several paths; this situation makes analysis more complex, but does allow comparative judgements to be made regarding the relative efficacy of different information channels. Two tables will illustrate both the difficulties and the promise that the data presents:

Table 4-1

Number of Information Channels and Export Level

<u>Number of Channels</u>	Export Level				
	$\leq$ 1%	2 - 5%	6 - 35%	36+%	
1 Channel	18/39%	7/15%	13/28%	8/17%	46/99%
2 Channels	7/14%	13/26%	20/40%	10/20%	50/100%
3+ Channels	4/19%	11/52%	4/19%	2/10%	21/100%

Here the number of information channels is shown by export level. For example, 40% of the exporters receiving information via two channels leading to export sales in the current year fall in the export-oriented (6-35% of total

sales go to exports) category. The data in the tables suggests that higher volume exporters are more likely to receive information of market opportunities from two channels than from one or three channels. In the case of one channel flows, one might speculate that the capacity of that single channel is limited which imposes a ceiling on export orders. On the other hand, three channel flow may be the result, rather than cause, of low export volume; later analysis will in fact show that firms facing more difficult market entry problems (differentiated products and diffuse markets) will tend to use three or more channels of information in response to these problems.

The second table shows the primary information channel employed by current export volume.

Table 4-2

Primary Information Channel  
and Percentage of Sales Exported

Primary Channel	Export Level				Row Totals
	≤ 1%	2 - 5%	6 - 35%	36+%	
Trips, Reps, Agents	15/24%	15/24%	22/35%	10/16%	62/99%
Publications	6/40%	1/7%	6/40%	2/13%	15/100%
Business Contacts	4/29%	4/29%	4/29%	2/14%	14/101%
PROEXPO, Fairs, Export Houses	2/13%	7/47%	3/20%	3/20%	15/100%
Formal Market Studies	-	-	-	1/100%	1/100%
Passive (Buyer comes, Parent, Licensor)	2/20%	4/40%	2/20%	2/20%	10/100%

The differences in the table between the effectiveness of the primary channels are negligible; if there are efficiency advantages for any particular channel, they are lost at this level of aggregation. (The reader will note that the information "channels" as presented in the table actually comprise several different mechanisms. A presentation listing each separate channel merely lengthens the table without improving the analysis.)

To begin the task of disaggregating this data, first consider the incidence of each channel by frequency of use - first, second, or third most frequently used channel

Table 4-3

## Relative use of Channel

Information Channel	1st*	2d	3d
Trips, Reps, Agents	62	22	2
Publications	15	11	4
Business Contacts	14	10	5
PROEXPO, Fairs, Export Houses, Consulates	15	20	8
Market Studies	1	1	0
Passive (Foreign Buyers, Parent, etc.)	10	5	2

\*1rst signifies primary reliance on this channel, 2d signifies secondary reliance, etc.

There is a clear preference for intermediaries as back up information sources, most notably those mechanisms that were defined earlier as information brokers in two-stage-flows, PROEXPO, consulates, export houses, and, in some cases, fairs. This result, when considered with the earlier finding that such information brokers are the most efficient channel for identifying customers for the first sale, suggests a maturing process that strongly recommends itself: entry into world markets be made via an intermediary, and once the exporter has gained confidence and knowledge, he takes more direct

control of export marketing. Evidence for such a trend appears in the data. Of the thirty exporters who made their first sale via an intermediary (two-stage flow), seventeen currently place primary reliance on direct selling efforts such as trips to clients, agents, representatives, or direct correspondence. Another six continue to rely principally on the intermediary, but now employ direct sales efforts as their second most frequently employed sales channel. The remaining seven still place almost exclusive reliance on the intermediary.

This trend raises a problem for the intermediaries, especially for those who earn their livelihood from export promotion. Intermediaries, especially export houses, will be dismayed to find that a client stays with them for only the first few sales before he divorces the intermediary and begins pursuing foreign buyers independently; yet this evolution seems inevitable. Efforts on the part of intermediaries to bind client exporters by a more permanent arrangement will naturally decrease the exporters' enthusiasm for using the service; evidence presented later will show that exporter enthusiasm for private intermediaries has already decreased to the vanishing point. Yet the relative efficiency advantage of intermediaries continues to recommend them, at least for initial export sales.

#### Quality of Information Channels

As in the case of the first sale, again there appear to be significant differences in the quality of information transmitted by the information channels. The following table shows, for each channel grouping, the percentage of each channel that transmitted inaccurate/partial or no data to the exporters.

Table 4-4

## Quality of Information Through Channel

<u>Channel</u>	<u>Information Quality</u>		
	<u>% Partial or Inaccurate</u>	<u>% No Information</u>	<u>Total % Deficient</u>
Trips, Reps, Agents	8%	-	8%
Publications	4%	76%	80%
Business Contacts	19%	69%	88%
Intermediaries (PROEXPO, Fairs, Consulates)	27%	56%	83%
Passive (Foreign Buyers, Parent)	18%	18%	36%

The clear superiority of personal, direct channels is evident. Somewhat surprising is the result that intermediaries transmit such poor quality information; is this a deliberate attempt to maintain the exporter in a dependent status? Presumably not, the largest entity in the intermediary category is PROEXPO which certainly wants to establish independent exporters as rapidly as possible. Unfortunately the respondents consistently reported that PROEXPO transmitted deficient information. Twenty three firms are currently receiving market information through PROEXPO; of this number, fifteen state that virtually no information is transmitted regarding prices, quantities, and specifications; seven state that partial or inaccurate information is transmitted; and only one reported the information relayed by PROEXPO from the buyer was complete and precise. Note that this group of twenty-three includes only exporters who have recently concluded sales with PROEXPO located clients and excludes cases where PROEXPO has found a lead, but no sale resulted. Twelve exporters volunteered the unsolicited information that PROEXPO had generated leads that did not result in sales; these exporters explained that the leads were usually false ones, that no attempt at contact would have been made had either party been aware at the outset of the prices or specifications demanded by the opposite party.

Reasons for the alleged low quality of PROEXPO transmitted information were not pursued in the study. It was presumed that either policy restrictions placed on PROEXPO, or reluctance of exporters to give price information to governmental agencies, accounts for the paucity of necessary information apparently relayed by this agency. Insofar as some of the strongest criticisms made against PROEXPO related to this deficiency, this would seem to be an area that would receive priority in improving the quality of PROEXPO service to exporters.

#### Unfinished and Finished Goods for Industries and Consumers

Much of this section is merely descriptive, as opposed to analytic, and deals with a four way classification of export products. Goods may be either unfinished, thus requiring additional processing, or finished - the customer may put the product directly to the use intended. Additionally, goods may be destined for industrial or consumer usage.

The following tables show how each category relates to the firm's export volume.

Table 4-5  
Exports, Percentage of Total Sales

<u>Type and Destination of Good</u>	Export Level				<u>Row Total</u>
	<u>≤ 1%</u>	<u>2 - 5%</u>	<u>6 - 35%</u>	<u>36+%</u>	
Unfinished	7/16%	12/28%	16/37%	8/19%	43/100%
Finished	25/33%	18/24%	21/27%	12/16%	76/100%
Industrial	8/20%	9/23%	14/36%	8/20%	39/99%
Consumer	24/30%	21/26%	23/29%	12/15%	80/100%
Unfinished-Industrial	3/20%	1/7%	7/47%	4/27%	15/101%
Unfinished-Consumer	5/18%	10/36%	9/32%	4/14%	28/100%
Finished-Industrial	5/21%	8/33%	7/29%	4/18%	24/101%
Finished-Consumer	19/38%	11/19%	14/27%	8/15%	52/99%



It may be noted that firms producing finished consumer goods dominate the sample (n = 52, 44% of the total sample). It may also be noted that these firms tend to fall into the "marginal exporter" category more often than other groups. This fact raises the possibility that they are facing the greatest natural market barriers.

Another observation is that unfinished goods, particularly unfinished industrial goods, tend to higher volumes than do finished goods. To the extent that these relative volumes can be manipulated, they show that Colombia is exporting more goods with low value added and might consider policy measures to promote the export of products with high domestic source content and high domestic value added. Obviously products must be considered individually before such policy measures can be suggested, something we will not do here.

One other cipher may be singled out: the fact that firms selling industrial goods are able to export sizable quantities lends courage to the conviction that Colombia can compete in markets where technology is at a premium. Given the range of technological sophistication possible, (we assume that this range is narrower for industrial goods than consumer goods and, therefore, pursue the implications of those sales), the question arises, is the technological level of Colombian industry appropriate for all markets, or only for a select few? The following section will discuss the question.

#### Destination of Finished Industrial Goods

To answer the question raised in the preceding paragraph, consider the pattern of sales of finished industrial goods to technologically advanced countries in Europe and North America. The following table shows how trade

patterns for the three geographic regions have changed from the first export sale to current exports for both finished and unfinished industrial goods.

Table 4-6

<u>Time of Sale and Product</u>	<u>Geographic Area</u>			
	<u>I</u>	<u>II</u>	<u>III</u>	
1st Sale, Unfinished-Industrial	5/37%	4/31%	4/31%	13/99%
Current Sale, Unfinished-Industrial	8/44%	7/39%	3/17%	18/100%
1st Sale, Finished- Industrial	15/60%	8/32%	2/8%	25/100%
Current Sale, Finished-Industrial	16/42%	22/58%	0/-	

Note: Totals in this table will not coincide with those in Table 4-5 as many exporters ship to more than one geographic area.

The figures for exports to Europe and North America may reflect a technological disadvantage for Colombia: note that the percentage of firms exporting unfinished industrial goods to Europe and North America declined from first to current sales and the small number of firms initially exporting finished industrial goods to those countries have now left those markets. The reader is cautioned that this data is far from conclusive because of the small numbers involved.

The biggest increase of industrial exports into a geographic area is into Latin American countries other than Ecuador, Peru, and Venezuela. The trend for exports of all classes of goods shows the following:

Number of Firms	<u>Initially</u>	and	<u>Currently</u>	Selling in Region
Region I	38		47	
Region II	43		71	
Region III	39		41	

The largest increase in new markets has been into Group II countries, (L.A. and Caribbean excluding Ecuador, Peru, and Venezuela) despite a wholesale retreat from Chile. The smallest increase was recorded for new entrants into Group III markets (Europe, Japan, and North America).

We envision the following sequence: the neophyte exporter is attracted either to the U.S. as the largest single market or to a bordering nation as the handiest market. Subsequently he discovers Brazil, Curacao, etc. as lucrative markets; at the same time he finds sales promotion is difficult in Europe and North America (many of the inhabitants speak the wrong language) and that the markets in Peru and Venezuela are limited. Perhaps increasing protectionism in the U.S. helps account for the failure of more firms to enter or remain in that market.

#### Information Channels for Finished Industrial Products

This time the reader will be spared the customary treatises, tables, and negative findings; the results on information channels for finished industrial products are summarized as follows:

1. Direct personal selling efforts are slightly favored to yield higher volume sales;
2. Intermediaries (Consulates, PROEXPO, export houses, etc.) provide almost no sales.

These two findings are related: finished industrial goods are frequently technologically sophisticated; the salesman must have detailed knowledge of his product and is commonly required to assist in installation and adaptation of the product. Because of this, engineers or other technically trained members of the firm must be engaged in selling. By the same logic, the general export house is unlikely to possess the knowledge necessary to

represent these products. While the use of intermediaries has been suggested elsewhere because of their greater relative efficiency in finding first customers, the same recommendation cannot be made here; in fact, the additional advantages to the firm from placing its engineers in contact with foreign buyers strongly suggests that export marketing of finished industrial goods be left to the engineers.

#### Information Channels for Unfinished Industrial and Consumer Goods

Brief notice will be given to the marketing of unfinished consumer and industrial goods.

The principal finding regarding unfinished industrial goods is that they are marketed through few channels to many areas. This statement, decoded, rests on the finding that only one of the fifteen firms exporting unfinished industrial goods receives information via more than two channels, yet each firm markets its products in several countries. A second finding is that the firms exporting unfinished industrial goods settle on one type of channel and do not seek others; in the total sample only a minority of firms rely exclusively on one information channel; in this group nearly two-thirds rely on a single channel, and of the five who employ two channels, four use the same general mechanism for both (e.g., if channel #1 is a published source, channel #2 will also be a published information source). The reason for this phenomenon is not apparent to the author. The firms in this group have not been exporting longer than the average for the entire sample, nor are they selling in organized commodity markets for the most part. The entering hypothesis that the relatively standard nature of products in this group would allow firms to market by correspondence was not supported.

Unfinished consumer goods provide data more amenable to interpretation. The last mentioned hypothesis for the previous group of exporters, not verified for them, appears to be true of this group. A disproportionate number of exporters of unfinished consumer goods market relatively high volumes via correspondence (although direct personal selling efforts continue to be slightly more popular). In view of the higher amounts marketed via mail, and the earlier finding on the predictive value of a trip, we wondered if those exporters relying on the mails had at one time traveled to establish contact with the clients with whom they now correspond. The answer is no; 78% did not report any earlier sales trip (although non-report is not conclusive evidence, a trip may have been made in some context not covered in the interview). Another possibility arises with regard to years of experience: are these old, well established exporters? Here we find that the firms that only correspond by mail with clients are either very new to exporting (trying to make cheap quick sales?) or very old (established clients?). Perhaps the rationale that ties this all together is the relative standardization of the products, unfinished consumer goods, and the predictable demands of the clients. A buyer will want to purchase #7 clothing hooks, and provided that the quality is not obviously poor, the only considerations will be price and delivery date. No amount of direct salesmanship will compensate for a cheaper price, and this strong incentive to keep costs down may account for the sudden appearance of letter writing exporters in the export oriented and export committed categories.

#### Channels for Finished Consumer Goods

Despite the fact that the largest group of exporters, by product, is in finished consumer goods, the comments here will be brief and serve primarily

as an introduction to a more meaningful division of export marketing problems. This group is in some ways the reverse of the preceding: unfinished consumer goods are frequently standardized, or at least directly comparable items; buyers will emphasize price and objective quality. By contrast the purveyor of finished consumer goods is selling a unique commodity, even if it be shirts, and the consumer's evaluation may include color, design, prestige of label, packaging, prestige of store, and finally quality and price. Another contrast is found when the market structure is examined: the industrial goods seller is looking at a market composed of a limited number of major purchasers, whereas the consumer goods exporter faces thousands of small clients spread evenly across the map.

Given these difficulties of marketing, it is not surprising to find this group of exporters placing disproportionate reliance on the public and private intermediaries (export houses, consulates, PROEXPO, etc.); it therefore appears that faced with such marketing problems these exporters are more likely candidates to use the in-place marketing services of an intermediary. Also in contrast to the preceding group, these exporters find the mails a relatively unproductive conduit of information.

Actually not all, if even a majority of the exporters of finished consumer goods are prey to the special problems listed above; however, there are many firms that are and the succeeding section will deal with marketing problems inherent in the product.

### Differentiated Products

Differentiation of products is a conceptual device that dates to Chamberlin, but owes its recent emphasis to Bain (1965). The concept is



this: as discussed previously, some products are sold on the basis of small, subjectively evaluated differences. Uniform standards of quality do not exist and direct price comparison is difficult because the products, say toothpaste, while similar, are not identical. Likewise cigarettes, liquor, and automobiles in the U.S., are all highly differentiated products, the term differentiated referring to the slight modifications just discernible from brand to brand. By contrast a non-differentiated, or standardized, product is compared largely on the basis of price. Examples of low- or non-differentiated products are table salt, gold, Bessemer steel converters, and soya cakes.

Two qualifying conditions need to be introduced:

1. Different degrees of differentiation of the same product may be evident in separate markets. For example automobiles are a more highly differentiated product in the U.S. than in Colombia.

2. The degree of differentiation of a product may change at different points in the processing. A familiar example would be coffee which is non-differentiated in the international coffee market, grades, by origin, are uniform and command a uniform price; but coffee is a highly differentiated product when it reaches the supermarket shelves. Our Colombian colleagues gasp with disbelief and indignation at commercials proudly proclaiming that brand X is "100% Brazilian coffee;" yet such is product differentiation.

The entering hypothesis is that those firms exporting highly differentiated products would face particularly difficult marketing problems. They would be forced to establish the unique qualities of their product for buyers and this process could well be costly and protracted; alternatively

they could avail themselves of an existing marketing service. To test this hypothesis, we assigned each product in the study a coefficient of differentiation on a four point scale. The degree of product differentiation was rated for the market to which the product was being exported. The subjectivity of this process is obvious, but inevitable. The data for the firms exporting more highly differentiated products was then examined.

The first result to emerge from the data for these 33 firms exporting highly differentiated products is the predominance of marginal exporters in this group. Sixty-eight percent of the 120 firms studied exporting less than one percent of total sales are found in the highly differentiated group. From another perspective, 39% of the firms exporting differentiated products are marginal exporters whereas only 7% of the firms exporting non-differentiated products fall into the marginal category.

These comparisons demonstrate that exporters of highly differentiated products tend to export low volumes, a predictable result given the market entry problems they face.

A more important question is directed to those exporters of highly differentiated products who successfully market abroad: how do they succeed? The summary answer is that they either expend great effort on export marketing, or they tap into existing market information channels that have already been established by intermediaries (private and governmental).

It was anticipated, erroneously, that subsidiaries of foreign companies would fall into the category of high volume, highly differentiated product exports since they have access to distribution channels abroad. The subsidiaries do produce differentiated products, but those few in the sample export little of their total production. Six of the 33 were either foreign

controlled or might have access to the distribution channels of a larger international company (usually a licensor); of the 6, 2 export at a 4% rate, one at a 2% rate, and the remaining 3 at 1% or less of total sales. This again kindles the old suspicion that the parent, with markets of its own to protect, does not encourage subsidiaries to export out of a nationally defined market area. This suspicion only applies to the export of finished goods, as international companies contribute handsomely to South American export statistics of primary goods.

#### Successful Export Marketing of Differentiated Products

Given the difficulties of market entry with a differentiated product, we have qualified any firm that breaks the 5% barrier a "success;" there are 9 firms in the sample exporting over 10% of total production, and 3 more presently exporting exactly 5% of total sales. The efforts of these 12 firms could best be described as heroic. A detailed run down of their activities will impart a clearer idea of the problems entailed in exporting a highly differentiated product.

Eight of the 12 employ multiple information and promotion channels; eight employ an intermediary such as PROEXPO, a trade association, or an importer, to reach their markets. One firm employs 3 different intermediaries, although intermediaries tend to play a secondary role to more direct selling efforts. Nine firms rely on direct selling efforts, either multiple annual trips or foreign based salaried agents; note that no firm in this group engaged sales representatives, only agents. Moreover, eight placed primary emphasis upon such direct efforts, and two relied exclusively upon direct sales efforts.

Thus it appears that substantial direct selling efforts plus the judicious use of intermediaries is the rule for success. However there is always an exception and we wish to underline this particular case since it so clearly violates the guide for success just announced. We interviewed one individual who exports 30% of his product without leaving his desk, without intermediaries, without training, and with only limited export experience. This firm annually sends out over 6,000 mailings of a clever brochure printed in perfect idiomatic English and prepared by a local printing company (no one in the firm speaks English and correspondence is handled by a part time interpreter - the interviewer translated some pending correspondence). The quality of the mailings was striking, not only for the breadth of coverage of the mailings but also for the content of the brochure: the product was clearly described, but, more importantly, simple instructions were given for importing the product into the U.S., thus removing much of the buyer's terror of entering into such an agreement. Total promotion and selling costs amount to less than one short trip to the foreign markets.

This example again demonstrates that despite the clear preference of the majority, some alchemist somewhere has found a new way to put the elements together and has produced gold.

#### Marketing Function for Differentiated Products

One might logically expect that in a firm faced with such significant export marketing problems, the organization of the company would reflect this emphasis; that is, the firm would gird itself for entry by creating an export marketing department and would staff the department with experts.

Such an expectation is fulfilled. The more successful firms exporting differentiated products do tend to create departments for export marketing (eight of the twelve) whereas the less successful do not erect special export market tending organs (two of the less successful twenty-one have a separate export department). Still one might have expected a greater number of the successful, that is all twelve, to have established a special office. Investigation of the data shows that of the remaining four successful exporters of differentiated products, one relies heavily upon intermediaries, and two are small operations where one man performs most of the managerial functions; thus, in these cases it is not surprising to find no export marketing department.

#### Entry into Exporting by Firms Producing Differentiated Products

Brief reference should be made to the manner in which these firms entered exporting. The aggregate data reveals the predictable effect of market entry barriers: proportionately more of these firms entered passively or via an intermediary than did other firms in the sample. Conversely, fewer employed direct personal selling efforts to make the initial sale. Taken together this suggests that fortuitous circumstances or assistance of a third party is more important in the discovery of the first client for these firms. Additionally, slightly more of these firms state that the idea to export originated outside of the firm than did the other exporters in the sample, which reinforces the doubt that these firms would engage in such an undertaking without outside encouragement and assistance.

### Geographic Destination of Differentiated Products

The final note on differentiation applies to geographic market selection. The data indicates that a differentiated product is about one third as likely to be marketed in Group III countries as is a non-differentiated product. Presumably the compounding of language differences, market complexity, and product differentiation combine in multiplicative fashion to discourage entrants.

### Diffuse and Centralized Markets

The preceding discussion focused on marketing problems inherent in products; this section will take up the obstacles posed by market organization. Clearly some markets are well defined, centralized, and accessible to all producers. By contrast, other markets are composed of thousands of individual retailers scattered around the globe. Problems in reaching the second mentioned, the diffuse, market are obviously greater. Again there are process point and geographic differences: it is easier to sell a ton of coffee beans in world markets than a ton of processed and packaged coffee grounds; there exists a centralized market for the former but not the latter. The geographic differences may be similarly exemplified: grains enjoy a centralized market in the U.S. and Europe, but not in many developing countries.

The methodology employed was to determine for each firm whether it faced a relatively diffuse or centralized market in the country where it carried on most of its export business. This yielded 28 firms facing the centralized markets, 86 facing diffuse markets, and 6 firms for which no



judgement could be made.

The entering hypothesis was that successful exporting to diffuse markets would be accompanied by use of pre-established distribution channels. Centralized markets will be reached by correspondence or direct personal contact.

It may be argued that market diffusion poses a distribution problem, not a marketing problem. The argument would be that fractionation of a market provides more contact points between buyers and sellers and would actually simplify the process of discovering clients. The data indicates that this is not true: Exporters facing diffuse export markets predominate in the marginal exporter category (31% to 14% for exporters to centralized markets) and are under-represented in the top export volume group 29% to 14%. Relatively more exporters facing diffuse markets employ three information channels than do firms exporting to centralized markets; the assumption here is that diffuse markets are "causing" the firms to employ more channels. We rest our argument that diffuse export markets present a greater marketing challenge on the above cited evidence; however, the correctness of this contention is less important to the reader than the results obtained on channel utilization and efficiency.

The following data summarizes the results for primary channels for all exporters, regardless of relative success of their efforts: Thirteen percent of the sales to diffuse markets are via import houses versus 7% to centralized markets.

The only sales to export houses are destined for diffuse markets.

Intermediaries (public and private) are the primary channel for export information for 29% of the exporters facing diffuse markets versus 7% of the

primary channels for exporters facing centralized markets.

Directories are used as the primary information channel by 12% of the firms looking at diffuse markets, but by none selling to centralized markets (either directory information is not needed or fails to identify centralized markets). Including all channels, 22% of the exporters to diffuse markets refer to directories versus 4% for the others.

Agents and representatives are employed equally by both groups but when all information channels are considered agents tend to be secondary channels to diffuse markets more often.

Trips are favored more by exporters to diffuse markets as the primary channel (31% to 21%) and for all three channels (43% to 28%).

Successful exporters are defined for this situation as those firms that export in excess of 10% of their total sales value; the 10% figure was determined by examination of the data for firms exporting to diffuse markets. Roughly one half of the sample of exporters selling in diffuse markets meets or exceeds this level of exporting; roughly one-fourth exports below 3% of total sales value, and is classified unsuccessful. The arbitrariness of these categorizations is evident but a helpful expedient. The results for successful exporters, so defined, follows:

Diffuse markets - 31% of the successful exporters employ intermediaries as the primary channel.

Centralized markets - no successful exporters place primary reliance on an intermediary.

Diffuse market - 3% of the successful place primary reliance on correspondence versus 29% of the successful in centralized markets.

Diffuse markets - 10% of the successful exporters primarily employ agents as a channel; centralized markets - 29% use agents as the first channel.

Diffuse markets - trips are favored by the successful 36% to 21% for those exporting into centralized markets.

A negative view, that of the unsuccessful exporters (exports 2% or less of total sales), reveals that each channel was utilized in the listed percentage by unsuccessful exporters to diffuse markets:

Intermediaries	=	39%	of	all	first	channel	usage
Correspondence	=	75%	of	all	first	channel	usage
Directories	=	40%	"	"	"	"	"
Agents	=	29%	"	"	"	"	"
Representatives	=	50%	"	"	"	"	"
Trips	=	27%	"	"	"	"	"

This signifies that correspondence, when used, tended to be used by unsuccessful exporters to diffuse markets. By contrast, those placing primary emphasis on trips did not fall into the unsuccessful category as frequently.

Pulling all of these scraps together we can summarize as follows:

Centralized markets may be effectively communicated with by correspondence and agents; trips are also effective. Intermediaries are customarily a back-up channel when used.

Diffuse markets seem best approached through an intermediary or personal trips. Directories provide some leads but correspondence fails to yield volume sales. In general, exporters facing diffuse markets tend to lower export volumes despite their use of more information channels.

### Selling Differentiated Products in Diffuse Markets

The worst of all possible worlds exists for the firm with a highly differentiated product facing a diffuse market; there are 27 such hapless cases in the sample.

The first data to attract attention is the absence of any firms in this group exporting between 5 and 20% of total sales; generally these firms appear to export at very high or very low volume. Consequently the "success" level was set at 20% and those exporting at or above that level were adjudged successful.

The successful, seven firms, are characterized by either enormous vigor or the use of intermediaries; the vigorous usually travel to sell but export only to neighboring countries; more remote markets are reached by intermediaries. Six of the seven successful firms made no initial market study, again confounding the textbook writers; however, they did make an early trip to export markets. The marginal exporters in this group are also characterized by direct personal selling efforts that are, presumably, less vigorous. Nine of this group of eleven appear to export primarily to court governmental favor and this observation may explain both their presence in exporting as well as their low commitment to reach high export volume.

## Chapter 5

### PRIVATE INTERMEDIARIES

At several points in the study it has been noted that intermediaries such as consulates, PROEXPO, and export houses, provided the most efficient method of market penetration. Intermediaries appeared to possess distinct advantages in either volume, profit margin, or cost terms for the initial export sale, for sales to remote countries, for sales of differentiated and finished consumer goods, and sales to diffuse markets. Given all these powerful advantages, one would expect to find intermediaries widely used and heralded ; the reality is far from the expectation. PROEXPO was found to be a popular backup information channel for many exporters and foreign import specialists are sold to by thirteen firms, but local private intermediaries are rarely used by the firms in the sample. While thirty firms in the sample reported that they had attempted sales via private local export houses, seven indicated they were satisfied with the service, and at the time of interviewing only three were making sales via export houses.

The exporters that had never used export houses were asked if they would describe why they had not employed them. The answers fell into three categories:

#### Table 5-1

10 - Too Expensive
39 - Not Needed
38 - Distrust/Zero Sum

"Zero sum" means that the exporter felt that the intermediary would siphon off some of the exporter's rightful profits; this line of argument was often indistinguishable from guarded statements of distrust of the export houses and so the two answers are combined.

Some of the reasons for not using private local intermediaries are based upon accurate perceptions of the world market and a well thought out marketing strategy. For example, one firm commented that their product was very technical and required servicing on delivery by representatives of the firm; additionally the negotiations preceeding a sale usually centered on technical specifications requiring an engineer to be present to assess the needs of the client; for these reasons an intermediary would be unable to operate effectively. Other firms noted that the market for their product was sufficiently well organized and information moved freely enough to make an intermediary superfluous. Of course, some of the firms have exports of a scale that permits them to mount an export department which soon surpasses the intermediary in sophistication and experience.

But not every firm could raise such cogent objections to the use of intermediaries; for many the reasoning was less rational-economic, and was often based upon a zero-sum view of export earnings: e.g., if the intermediary makes any money on my product, than I must necessarily be loosing that amount. The clearest example of this reasoning was exemplified by a respondent in the pilot survey who stated that he had turned away firm offers from export houses for three years as he did not wish to share his profits with them. During this three year period he realized no exports himself despite promotional efforts of fairs and through personal trips. Unhappily



this is not an isolated case as 38 participants (32%) employed this type of reasoning for not using local private intermediaries.

We can easily refute the zero sum logic used by the manager just cited; more difficult to refute are the objections of 23 exporters in the sample who claimed that the intermediary offered a service of dubious quality; in the study 4 exporters of the 30 that reported that they had used an intermediary claimed that they had been defrauded; another 19 claimed that the export house had produced no sales. As these reports of dissatisfaction with private intermediaries accumulated during the interviewing, we determined to test the veracity of the reports by doing our own small study of intermediaries. Although the sample and methodology does not permit generalization to the larger population of private intermediaries, the results are sufficiently disquieting to warrant attention.

In selecting the sample of intermediaries to be studied we tried to replicate the steps a potential exporter might take if he were looking for an intermediary: thus we asked friends who were already exporting for advice and looked in the telephone directory yellow pages for the names of export houses. Since the suggestions offered by the exporters coincided with the largest advertisements in the yellow pages, we selected these prominent advertisers for our sample.

The author spent two days interviewing individuals in seven firms and, as the overall study dealt with information channels, pressed this line of questioning: how, did the intermediary find markets for his client? Unfortunately, the answer was rarely clear; the respondent stated that his preferred role was for the buyer to come to him and then he would find the local supplier.

Further questioning revealed that the export agent would take a trip. Would he do a study of potential markets before traveling? No, he would rely on his experience and contacts. And well he would have to; his immediate information resources were limited and his knowledge of other information sources non-existent: for the seven agencies, publications on market opportunities ran to two subscriptions to Neuvo Mercado, one subscription to Business World, one subscription to the PROEXPO weekly bulletin, and a copy of the International Yellow Pages. At least six of the seven directors of these agencies did not know of the existence of the excellent research library at CIPE; the seventh waffled on the question. None had visited either the CIPE or PROEXPO library.

One highly original attempt by an export house to locate markets was encountered. The firm sent an individually typed letter to the Chamber of Commerce of every town in Canada and Australia asking for the names of potential buyers. However the letters, written in Spanish, had not generated a single response, much to the surprise of the agency.

These letters raise an interesting point: none of the intermediaries interviewed spoke English although all of them said they had promoted products in the United States. How does one sell in the U.S. without speaking English? Apparently contacts are restricted chiefly to Spanish speaking North Americans which substantially reduces the client population.

To this point we have only presented negative evidence concerning the ability of the private intermediaries to promote sales; we hasten to add that the sample was not scientifically selected, is small, and that not all exporters had had negative experiences with intermediaries. On the positive side, the

export agents appeared to be honest interested men, eager to deliver quality service to the limits of their ability. Unfortunately they are not well prepared. This leads us to our strongest recommendation of the report: PROEXPO should dedicate substantial training efforts to the skill upgrading of the cadre of private intermediaries.

Looking back at the preparation for this study, we encountered an early report done for PROEXPO on potential markets which had an appended description of combination export managers. It seemed curious to find this obiter dictum attached to a market study - but then again the paucity of qualified export houses was not anticipated. Given the large role expert private export organizations have played promoting exports between the principal trading nations, one fails to recall that such experts do not appear spontaneously, but must be created.



## Chapter VI

### PROMOTIONAL ACTIVITIES

#### Fairs

Midway through the interviewing schedule it became evident that fairs and expositions were going to finish poorly as a source of export orders. The respondents were asked to identify the promotional activities that they had undertaken and to evaluate the results of those activities. In the total sample 66 firms had participated in fairs, 7 in industry fairs, and the remaining 59 in general trade fairs, usually under PROEXPO's aegis. The exporters' evaluations of the promotional effectiveness of fairs were necessarily vague insofar as participation in a fair may yield benefits at a future date which bear no clear reference to the fair itself. Looking first at the data from general trade fairs, ten of the 59 felt that there had been some beneficial outcomes as a result of their participation and three more stated that they had made contacts with individuals at the fair who subsequently became agents. Unhappily the remaining 46 were unequivocal in their belief that participation in the general trade fairs had produced no benefits, no sales, and no foreign good will for their firms.

Even if we accept the common rationalizations given for fairs - "improve the country's image", "stimulate interest for later sales" - still the performance of general fairs as sales promoters is considerably worse than anticipated. So, we were delighted to have the opportunity to see an

international trade fair, the IX Feria Internacional de Bogota, at first hand.

### The Bogota Fair

Our first intention was to take advantage of the fair to interview some of the firms in the sample that we had been unable to contact earlier. Thus, armed with questionnaires, the interviewer trudged from one pavilion displaying Colombian products to the next looking for someone who might know something of exports. No results; not only did the girls attending the stands know nothing of prices, and in many cases whether the firm exported or not, but they were generally unable to predict when a manager or salesman might arrive who could supply this data. We realized the situation was hopeless when, in the Fedemetal pavilion, the interviewer encountered a total of only two company representatives, one of them drunk and the other an engaging Parisian who had come to sell French products.

At this juncture the thought occurred that, in fact, there may be nothing wrong with fairs as promotional devices, the fault may lie with their misutilization. Therefore it was determined to test the following hypothesis: The quality of the Colombian merchants' representation at the fairs is such as to make it difficult for a foreign buyer to make purchases. Specifically, were the participating firms in the fair prepared to answer questions a foreign buyer might ask.

The methodology was not elegant: the author passed himself off as a buyer for a Boston import house (fictitious) and tried to obtain information that seemed appropriate for export marketing. It was decided to visit only firms in the PROEXPO pavilion as those firms had given strongest evidence of



their interest in exports by their presence under the PROEXPO roof. Additionally, it was determined to focus on only two industries, clothing and leather apparel (including shoes) as these were represented by several firms.

Sixteen booths were found manned and were visited by the interviewer beginning during the special "buyers only" hours and extending into the evening. Of the sixteen, seven had absolutely no information on prices, styles, and quantities; four of this group asked for a telephone number which was given, promising that a salesman would call - no calls were received. Ironically three of these firms purported to be exporting.

At the next level of preparedness, two firms had prices available in pesos (ex works), but no printed information of any kind. Another company had a printed price list in dollars (ex works) but the interviewer was told by the girl attending the booth that orders would have to be placed at the home office in a distant city as she did not think any company representatives were coming to the fair.

One company had prices in pesos, FOB, and another, prices in dollars, FOB, but in both cases it was difficult to identify the product being priced and the absence of any printed material for the client added an air of hazardness to the operation.

Ironically the company that had perhaps the best information available - prices, material swatches, monthly capacity, design variations - had no one on hand to present the information or answer additional questions - nor could the arrival of such a person be promised.

Of the sixteen, only four really seemed in earnest. They had dollar FOB prices printed for distribution to buyers, and either sketches of the

products or pictures. Additionally they knew what CIF meant although not willing to quote C.I.F. prices. Unhappily our experience with this group was not uniformly encouraging either. Samples were ordered of particularly handsome products that two of the firms were producing; after listening to promises of unlimited production capacity, neither sample could be obtained for alleged problems with supply of materials.

Discussion: Somewhere here there must be a moral. This sample was picked in the expectation that this group would be, if not particularly sophisticated, at least enthusiastic. Instead, we found unmanned booths, and fourteen of sixteen visited that absolutely undermined our confidence in local producers.

Returning to the theme of this study (the flow of information) we may summarize this as a situation where the buyer comes to what he expects is a concentrated source of supply data and finds that, at the source, the data is incomplete, inappropriate, or non existent. This is a heavy indictment.

The question now is, to what extent may one generalize from the behavior of these merchants at a fair in Bogota to the apparent failure of past trade fairs. Are the negative results reported by participants in those fairs the product of their own lack of preparation?

Recommendations: PROEXPO should ensure that all participants in fairs or stands sponsored by PROEXPO should conform to the following minimum requirements:

(a) Booth attendents should be familiar with technical aspects, prices, delivery delays, financing of sales, and production capacity of all products available for export.

(b) Every product displayed for export sales be detailed in a simple brochure containing information on price, (FOB if not CIF), specifications,

and where design is an important marketing aspect, sketches or photos should be available.

### Industry Fairs

Industry fairs have not yet been mentioned; here the record is much better. Of the seven exporters in the study that had participated in fairs specific to only their industry, all were positive in their appraisals of the fair's impact on their export sales.

It was not possible to do the type of evaluation done of general trade fairs, but our disenchantment with general fairs as opposed to industry specific fairs was echoed by the recommendations of industry spokesmen in El Tiempo, 17 August 1972, (p. 1-c). Apparently their enthusiasm for general trade fairs had waned as well and they would also recommend that exporters first consider an industry fair over a general fair as a promotional mechanism. To this should be added the caution that general trade fairs have not been proven useless by our disastrous visit to the IX Feria; what has been established is that poor quality participation in a general fair is counterproductive.

### Publications

The other principal promotional activities mentioned by the respondents were trips and use of publications. While most of the firms had essayed promotion in published media via directories, eleven of the exporters had also purchased advertising space in trade magazines and general publications. Some of these ads had generated great interest, others had not. Consumer goods

and industrial goods seem to benefit equally from advertisements in published media: however the common feature in ten of the eleven cases is that the products that had been advertised have low prices per unit.

With regard to destinations, a disproportionate number of the advertisements were placed in publications in the more remote Group III countries. Nevertheless there were indications that advertisements in Ecuador and Central America were effective as well.

The problem cited most frequently by the exporters with regard to published media was in finding and evaluating alternative publications. When asked for advice we were able to refer some of the exporters to the CIPE library; greater utilization of this library might help many exporters to find appropriate media. The quality of the CIPE library is underappreciated and it appeared to be underutilized during our visits there.

The sample of exporters using published media other than directories is too small to draw any conclusions. Certainly the reported success of some of the exporters using advertisements is encouraging and this suggests that others be urged to try this promotional activity as well. PROEXPO's foreign offices could be useful in placing copy in appropriate trade and general journals.

## Chapter VII

### COSTS OF EXPORTING

No profound reorientation of economic activity can be accomplished without cost. Noting that the costs attendant on free trade are popularly accepted (whether true or not), and the societal costs of a policy of import substitution are becoming better understood, we can not pass by the opportunity to publish the data collected in this study on some of the often forgotten costs of exporting.

Actually this chapter was initially going to be titled "Additional Benefits from Exports" but the data for two of the three variables measured ran counter to the popular expectations.

#### Employment Effect

The first expected result was that expanded exports would increase employment opportunities. Data was collected from each of the firms on number and skill level of employees added as a direct result of exports.

The first result is that 73 of the 120 firms did not hire any additional workers at all to handle the increased production due to exports. It is unknown whether this is due to more efficient use of existing labor or to diverting products originally destined for local sale. It should be noted that while many of these 73 firms are marginal exporters, 17 fall into the export oriented category (46% of that group) and 2 in the export committed category (10% of that group).

Twenty-one firms hired on 10 or fewer additional employees to handle export production; eleven firms hired from 11 to 50 additional employees; and another eleven hired over fifty additional employees as a direct result of exporting.

This leaves four companies, and they did a very curious thing - they reduced employment in response to exporting. What occurred is that they found it necessary to modify their production process to meet quality requirements in international markets and substituted unskilled labor with more capital and fewer skilled laborers. This phenomenon leads to the skill distribution question discussed below.

#### Skill Levels

The most optimistic prospect would be that exporting would absorb surplus unskilled labor: such a possibility was raised in case studies performed by Fedesarrollo in 1971. The data accumulated for the firms reveals the following labor increments by skill level:

Professional	90
Skilled	937
Semi Skilled	402
Unskilled	457

Thirty-three unskilled laborers were dismissed from the four firms that reduced their labor force which would drop the total for unskilled laborers to 424.

Disquieting in this data is the high demand for professional and skilled labor. If there is any fixedness to these ratios, they suggest that for each five unskilled laborers absorbed in export industries, one new engineer or manager will have to be found as well as ten technically competent workers.



Even without resort to manpower availability statistics for Colombia it can be seen that the present path of export development does not offer a panacea for the absorption of unskilled surplus labor.

Presumably the demand for more skilled labor is reflective of a phenomenon mentioned earlier - increased quality control.

#### Industry Sector, Labor Demands

It might be supposed that producers of industrial goods would be the chief employers of skilled labor. Again the data shows that naive intuition is erroneous: consumer goods industries that increased employment for exporting hired an average of 80 additional skilled workers and 10 professionals against averages of 48 and 3 for the industrial goods producers. However it should be noted that slightly fewer (6% less) consumer goods industries than industrial goods industries expanded employment.

#### Capital Equipment

The exporters were asked if they had increased capital investment in response to export demand, and if so, was the investment in additional equipment similar to that in use or was it in different, more technologically advanced, equipment. In the sample, 48 responded that they had purchased additional equipment - virtually the same number that hired additional labor. Of this 48, 8 said that they had added equipment similar to that in use in order to increase capacity whereas 40 installed different equipment, usually commenting that this was to raise quality as well as output.

Again comparing industrial with consumer goods producing firms it may be seen that 40% of the latter purchased different capital equipment whereas 21% of the industrial goods producers did so.

#### Consumer and Industrial Goods Producers

Thus far it has been observed that consumer goods exporters hire more professional and skilled labor, and are more likely to add different, more sophisticated machinery. Now add that they are more likely to change the production process in response to export demands (35% to 21% for industrial goods exporters) and to improve quality (51% to 41%). The pattern is fairly clear: consumer goods exporters are making a larger adjustment and are having to technify their production more than are the industrial goods exporters. Two possible explanations present themselves: (1) the industrial goods producers already share a common international technology and do not have to "catch up"; (2) the industrial goods producers export relatively less to technologically advanced countries (as seen earlier) and do not need to make the changes the consumer goods exporters are forced to make. Our suspicion is that both reasons are operative.

#### Factor Intensity

Questions of factor intensity are merely more sophisticated queries into the resource demands occasioned by alternative production processes. The labor generating potential of export demand was considered earlier, and the demand for capital equipment was touched on in the preceding paragraphs. An index that considers demand for both labor and capital simultaneously was constructed

for the exporting firms by dividing the total value of fixed assets by the currently enrolled labor force in each plant. Figures for the current value of plant and equipment were arrived at by asking the respondents to estimate replacement costs of fixed assets, and current market value of the firm, less good will; a single figure for value of fixed assets was ultimately agreed upon. The resulting ratio of capital to labor represents the average value of capital per worker in each plant.

No attempt was made to trace the manner in which this index of capital intensity had moved as the firm adjusted to exports; since both capital equipment and the labor force were undergoing qualitative as well as quantitative changes, longitudinal comparisons would be difficult. What has been done is to compare the capital:labor ratio for exporters with the same ratio for their industry.

Comparison statistics for several industries were found in a recent survey by the National Planning Department (DNP, 1970). As well as can be determined of the methodology used by Planeacion, their industry averages should be comparable. The results are presented below for those industries in which there were sufficient firms in an industry in the sample to make an average meaningful.

Table 7-1  
Factor Intensity by Industry

<u>Industry</u>	<u>Nat'l Average</u>	<u>Sample Average</u>	<u>n</u>
Wood	COL \$36,600	COL \$110,900	6
Clothing	26,900	43,000	11
Food-processing	44,700	146,800	9
Leather	26,000	119,700	3
Minerals (non-ferrous)	34,900	1,045,000	4
Metal Products (not machinery)	37,100	105,000	7
Machinery (non-electric)	45,400	69,800	4
Electric Equipment	47,100	122,900	8

The consistent feature of this table is that the exporters in the sample always employ more capital per worker than do other firms in the industry. This suggests that export production is the purview of the more capital intensive firms within each industry. Such a finding does not conflict with intuition: foreign buyers are more likely to buy machine stamped refrigerators than those hammered out by hand.

This data does not mean that labor intensive industries are not suitable exporters. A recent publication (Wiesner, Vargas, 1971) reports cases of creative labor intensive technologies employed in exporting industries. Some of the firms interviewed had truly low capital:labor ratios; however these firms invariably were small exporters.

### Summary

The data presented in this chapter all points in the same direction: in order to export the firm must employ more capital, newer technology, and more highly skilled labor for its products to be competitive in world markets.

This entails additional costs for the firm in upgrading both fixed and human assets. It entails readjustments for the society as resources are diverted from domestic to export oriented industries. The purpose of this exposition is not to make moralistic judgements against export promotion or deride those who view exports as a panacea for all national economic ills, rather it is to present empirical data in support of the ancient truism that no benefits are secured without costs.





## Chapter VIII

### Methodology

#### Selection of Sample

In selecting the sample we attempted to stratify as follows:

1. Consumer and industrial goods producers represented in the ratio 2:1.
2. No foreign controlled firms.
3. The four cities should be represented in the ratio Bogota-4, Medellin-3, Cali-2, and Barranquilla-1.

These cities were selected after examination of export data revealed that the bulk of exports emanated from them and the incremental cost of interviewing in other cities was not justified by the marginal returns.

The above stratification was accomplished by selecting firms at random and replacing those that exceeded the stratum requirements by a new random drawing. The first list was drawn from the PROEXPO directory; however the shortcomings of this procedure were evident when subsequent checking revealed that half of the firms selected had to be discarded because they were not actually exporting or were foreign controlled. Replacements were drawn from PROEXPO files of current exporters. (We must report that the guardians of the files never allowed us access to more than names, a fact that speaks well of the concern these men have for the confidentiality of their records.) Generally

we were able to stratify the sample in accordance with our intentions; however, some foreign controlled firms were not identified and selected out.

The initial sample size was 150 firms; it was hoped that interviews could be completed with 120. Interviews were finally conducted with 124, the data from three of which were not used because the firm had ceased exporting and could relate almost nothing of its brief exporting history; the data from the fourth was discarded for reasons discussed later.

### Pilot Study

Several drafts of a questionnaire were prepared and a pilot draft was finally drawn up for use with a sample selected for convenience. Eight exporters were interviewed during the pilot survey; the two interviewers conducted the first interview jointly and discussed the results of subsequent pilot interviews extensively. The author continued to debrief the other interviewer after all interviews for the first half of the study to improve the similarity of the methodology employed by the two.

After eight interviews the questionnaire was rewritten to improve comprehension, to exclude items that appeared superfluous, and to add items uncovered in the pilot study. The pilot study data was then discarded.

### Data Collection

All participants were mailed a letter signed by the director of Fedesarrollo explaining the purpose of the study and the use to be made of the data. One week later they were phoned for an appointment, which was followed by the actual interview. The interviews ranged between 20 minutes

and two hours, but usually lasted slightly under one hour. In all cases we asked to speak to an officer who had been privy to the decisions to enter and remain in exports. Usually this led to the president or a senior executive although frequently the export chief was interviewed.

#### Validity Check

A few uncharitable souls prophesied that it would be impossible to obtain reliable answers from Colombian businessmen. (Such prophesies were made by Colombians; whether or not our American colleagues felt the same, they kept their thoughts to themselves.) To counter such difficulties, we tried to ask for no information which might give an advantage to a competitor should it become known. As a partial check on the validity of our data the answers for value of 1971 exports were checked against published records of the same for 52 firms. In only one case did the answer given diverge by an amount greater than could be attributed to vague recall, and the data from that interview was discarded. Thus we have a strong measure of confidence in the data obtained.



## Chapter IX

## CONCLUSIONS

The initial objective of the project was to study information channels; obviously, we ranged well beyond that as the subject matter forced new issues upon us. In this chapter we will try to recapitulate a few of the findings and offer our interpretations as to what they mean in the present context and what they augur for the future.

Entry

Entry into world markets is a difficult step. Note that those firms with the greatest marketing problems due to product and market organization were the most reluctant to take this step unaided. It is also notable that those firms who did not enter under their own initiative--who were promoted into exporting--tend to remain in a dependent status vis-a-vis the promoter.

The barriers to market entry appear to be psychological as well as structural. In support of this contention, we note the relatively greater success of those exporters who make an early trip to world markets.

Given the deplorable preparation that precedes these trips, we doubt that the exporter actually obtains information during the trip regarding buyers that gives him a strong competitive advantage; what he does gain is a sense of commitment to exports and the confidence that he can operate in the international sphere. The importance of this

commitment can be seen at another level when we compare the greater export volume of exporters who were active entrants against the volumes exported by passive entrants to exporting.

### Benefits

The question now turns to: how is such commitment maintained?

The obvious first answer lies in the profitability of exports; however, only a third viewed profits as the principal benefit before entering and currently only 40% see profits as the greatest benefit they derive from their exporting activity. The remaining exporters cite either indirect economic benefits or governmental pressures as the reasons they entered or continue in exporting.

Taking up the issue of indirect economic benefits first, it is heartening to find the appeal of exporting is so diverse. Yet while the multiple benefits from exporting provide the promoter (PROEXPO) an arsenal of arguments with which to coax new firms into world trade, it also introduces another element of instability. For example, those firms that see exports as a temporary solution to problems of excess capacity may leave exporting as domestic demand grows to absorb total output. Alternatively, the prestige impact of exports may be transient; the unwarranted belief of consumers that improved quality control in exporting firms is spilling over to domestically marketed goods cannot be maintained indefinitely unless such quality standards are, in fact, enforced plant-wide; it is easy to foresee a backlash of consumer cynicism regarding the products of exporting firms which would substantially reduce the incentive to be associated with exporting. Thus



it can be argued that some of the more salient current incentives might be short-lived. On the other hand, it is worth noting that not every producer in Colombia is aware of differentiated pricing and the possibility of covering marginal costs with export revenues; thus, even though indirect economic benefits may fail as permanent incentives for many exporters, they will continue to appeal to new populations of Colombian producers faced with overcapacity, domestic market instability, etc., once they become aware of these benefits.

We note that governmental incentives figure largely in the arguments exporters currently forward for their continuance in exports. Two points need emphasis: First, the unofficial incentives appeal primarily to the marginal exporters who, in the aggregate, do not make a significant contribution to total national exports. And, second, given that there is no way for the firm to quantify the benefits of governmental goodwill in monetary terms, it is difficult for them to determine how much they should invest in securing these blessings. Our observations suggest that many firms invest too heavily in this area and the cost of their promotional efforts and direct losses may exceed the return in foreign exchange. Unhappily, the data on this point is only suggestive, not conclusive, and we can only offer a caution along with the pious hope that additional research is done in this area.

#### Information Channels

The finding to be underlined in this area concerns the proven utility of intermediaries in identifying clients for initial sales, sales to remote countries, sales of differentiated and finished consumer goods,

and sales to diffuse markets. Offsetting these advantages is the widespread belief that the intermediaries are ill-equipped, dishonest, or not needed. Our own cursory investigation into the intermediaries does not encourage confidence in them as a marketing vehicle. It appears that intermediaries suffer from ills of psychological, historical, political and legal origin. The psychological affliction is expressed by the exporters who take a zero-sum view of markets and marketing. They reason that the intermediary's gain (usually his commission) is obtained only at the producer's direct loss. The producer does not see offsetting volume gains from the intermediaries and, given their limited abilities, he may be partially justified in believing that he can do as good a job as they in developing markets.

The historical affliction refers to the short period of time during which export promotion has been popular in Colombia. Experienced exporters recount the difficulties in obtaining export licenses twenty years ago when it was considered by some a sin to ship the national patrimony abroad. The history of active export promotion only extends back six years, a brief period of time in which to develop a sophisticated marketing apparatus.

The political philosophy and machinery have raised an obstacle to the private intermediaries in the creation of PROEXPO, a formidable competitor, that provides many of the same services as the intermediaries free of charge. We have noted that PROEXPO still fails perfection in its performance, yet it functions well enough to make the private intermediaries a weak second choice for exporters.

The legal obstacle to better utilization of intermediaries lies in the nature of agency contracts and relationships in Colombia. While favoring the intermediaries, the legal relationship is such that few producers want to risk legal difficulties when the intermediary has outlived its usefulness and they wish to market independently. The contrasting perceptions of the producers and intermediaries are almost comical to the outsider: the producers see the intermediaries as spinsters attempting to lure them into a marriage to which there can be no annulment, when what the producers are really looking for is a young mistress. The intermediaries, for their part, see the producers as mercurial suitors who will soon abandon them, probably without picking up the check.

The problem is a legal one and amenable to legal remedies. Some headway is reported by an export house that negotiates and signs a detailed and specific contract with client producers. The merit of this contract is that it recognizes the role of the intermediary to be market development and not the routine processing of repeat orders; thus the intermediary enjoys geographic exclusivity for the life of the contract (usually six months to two years) with no claims on proceeds from sales realized after termination of the contract. Hopefully, the benefits of such an arrangement will be appreciated by others.

#### Source Utilization

With only a few notable exceptions, exporters appear to be relying on fairly obvious and direct sources of information. Note that the preferred marketing effort is a trip, perhaps a representative

or agent will be assigned later. These efforts are particularly appropriate for servicing existing markets, but cumbersome for market exploration. Even the most enthusiastic traveling salesman will concede that it is impossible to turn every stone within a small region; the problem explodes when one considers the world as his market. It is not our intention to summarize a text on export marketing; however, some of the sources being ignored now may be pointed out. The exporter might ask himself who else besides himself has a stake in the sale. He may find that transportation companies are well-equipped to seek out customers; some of the major airlines have been performing this service for years. Additionally, the carrier need not be the one to whom he makes delivery in Colombia; airlines and freight moving companies closer to the destination may also be enlisted if it appears that they will share in the benefits of a sale.

We were surprised to find no evidence of "piggy-backing" in the sample. The term refers to a collaborative arrangement where a major exporter with established overseas marketing units carries the complementary products of another exporter, frequently for a fee or a commission. While we are aware of one famous example of this in Colombia, it is a marketing concept that could be more generously applied.

Another source of free market information are the resident foreign buyers, particularly those that represent trading companies that purchase and sell a broad line of products. An extension of this last has been recently reported: one of the major Japanese trading companies is now opening its information network to third parties. Entrepreneurs pay a nominal charge for full use of the network and are able to telex inquiries

and offers to all nodes of the network; affiliated trading company offices respond to the inquiries and transmit the offers to interested merchants.

Finally, information may be purchased. It comes in journals, bulletins, trade reports, or via specific reports purchased from one of the commercial information brokers such as Gallatin's.

Perhaps we impart the erroneous impression that the answer to every exporter's question is immediately accessible; obviously, this is an exaggeration. However, the exaggeration is not a great one.

### Ingredients for Success

Early indications of eventual success in exporting may be misleading. While it is true that those firms that realized high profit margins on the initial sale were the most likely candidates to maintain a suitable margin and become high-volume exporters, it is also true that better than half of the firms that showed poor profits on the first sale eventually saw export margins push into the black. At the same time, profits appear to improve with experience for almost all of the firms.

If one had to pick out a firm with the best prospects in exporting, it would be a firm selling an undifferentiated product to a centralized market. Notice that emeralds, coffee beans, and petroleum all fit this description. Conversely, if one were to select a firm with the greatest marketing obstacles to surmount, it would produce a highly differentiated product, probably a common finished consumer good, and face a diffuse market. Unhappily, developing countries may find more of their industries in the latter than the former category. Save primary products, such as coffee and oil, the LDC's are caught at the end of the product life cycle which operates in the following manner: A country with substantial R&D

capability (by definition, a developed country) creates a new product. Because of its uniqueness the product enjoys fairly inelastic demand worldwide and is exported from the developed country. This is phase 1 of the cycle. Phase 2 begins when other countries force local manufacture through tariff barriers and import restrictions; the combination of tariff wall and acquisition of technology permit the growth of domestic infant industries. Phase 3 occurs when the domestic firms are able to compete in third markets with the product from the developed country, and phase 4 is entered when the domestic industry has mastered the technology so that it may compete with the developed country in its home market. By this time the product is regarded as being low in technology as the developed country has moved on to create new products which are, of course, in phase 1 of the product life cycle.

Looking at the cycle as it affects exports, we can see that during phase 1 the developed country exports to all markets; large computers are an obvious example of a product currently in phase 1. In phase 2, the LDC is able to stem the inflow of imports by creation of a protected industry; electronic desk calculators may fit this description. In phase 3, the developing country exports to other developing countries and the product becomes somewhat differentiated as numerous factories enter production; in our sample we encountered many examples of light machinery, pumps, sprayers, irrigation equipment, mills, that appeared to fall in phase 3. By the time the product is in phase 4, it is usually highly differentiated and produced by many low technology countries; here we think of shoes, clothing, textiles, etc. By now LDC producers have



fully mastered, if not improved upon, the technology and have discovered economies of scale and factor endowment advantages that permit them to ship the product back to the originating developed country. This analysis suggests that the continuing lot of the LDC's will be to export highly differentiated products, those that face the greatest market entry barriers. Meanwhile, the developed country will have the least difficulty marketing its phase 1 products. The upshot is that the LDC's will have to promote their products more vigorously than the developed countries in order to maintain a trade equilibrium in manufactured goods. Some countries, such as Colombia, enjoy the advantage of universally demanded primary products which help offset the trade deficit incurred on manufactured goods.

Lest the reader suspect that our brief theoretical discourse is not grounded on the realities of the Colombian situation, we point to the evidence in Table 4-6. From first to current sale, the number of firms selling unfinished industrial goods to Region III countries (Japan, Europe, and North America) had declined, and the number of firms selling finished industrial goods to those developed countries had abandoned those markets altogether in favor of less developed neighbors. Case-by-case examination of the data shows that phase 3 products are marketed successfully only in other developing countries. By contrast, the great bulk of manufactured exports going to Region III countries fall clearly in phase 4 of the product life cycle.

Lest someone inquire why developing countries export products in the final stage of the product life cycle, the answer is that those are

the products where they have the greatest comparative advantage. The initial comparative advantage in phase 1 of the cycle resides with the developed country due to the advanced technology embodied in the product. However, the technology relevant to the product is eventually diffused and other countries are able to capitalize on the advantages of their own resource endowment--abundant labor, cheap transportation, raw materials, etc. Thus the developing countries are able to produce the product more cheaply due to some comparative advantage they possess. However, comparative advantage as discussed by economists only dictates which countries can produce a good. As any businessman will testify, products do not sell themselves; for the businessman comparative advantages include not only the holy trinity of economics, land, labor, and capital/technology, but also distribution nets, retailing outlets, internal organization, motivation, ad infinitum. The simple existence of cheap labor may not be sufficient to give a country comparative advantage in exports; more is needed, particularly aggressive marketing. Japan's astounding success in world markets is not only the result of productive efficiency; it is also the result of the most complete and sophisticated export marketing system extant.

Our musings have led to the conclusion that the LDC's manufactured products which enjoy the greatest potential demand in hard currency areas are those that face the stiffest market entry barriers. (A notable exception is the export of unfinished consumer goods which may be fairly standardized and undifferentiated. Recall that these goods were successfully marketed by mail.) Is there any way out of this trap? We think not.

Colombia will have to continue exporting low-technology products to the developed countries and medium-technology products to other developing countries; these are the products and markets where Colombia enjoys the greatest comparative advantage. (Incidentally, they may also be the industries that generate the greatest employment opportunities.) To export these products will require a vigorous and continuing market effort.

### PROEXPO

At this juncture it may be appropriate to comment on the activities of Colombia's most visible export marketeer. As a government agency, PROEXPO is the target of all the standard epithets leveled at the bureaucracy and in the course of our interviewing we heard all of them. Happily, we also heard a fair measure of praise directed towards PROEXPO, praise which we are inclined to echo given the rapid growth to maturity of this organization. In later considering the criticisms, some of them recorded, others recalled, we find there is one common denominator that rings true: PROEXPO lacks the lean, hungry aspect that the businessmen recognize as the mark of a successful entrepreneur. Perhaps the exporters perceive that PROEXPO is not motivated by the same concerns that they are and fear that PROEXPO personnel cannot identify with the producers nor fully comprehend their situation. After all, PROEXPO is peopled with salaried technocrats to whom the loss of a sale or two means little. By contrast, the exporters frequently describe their situation in dramatic terms, referring to "life and death" decisions where the future of the enterprise is at stake. Where PROEXPO views the exporters as timid and risk-averse, the businessmen view the export promoters as indifferent, insulated, and unrealistic.

These mutual perceptions would move closer together if PROEXPO were exposed to the same risks and uncertainties as the businessmen, but at a cost. It appears to us that the primary strengths of the existing export promotion arrangement is that PROEXPO is permitted a longer time horizon; it can make marketing investments where the risk of failure is high and the payback period long; it probably can be more neutral in its dealings with producers than if organized as a private enterprise. These are all strong reasons for maintaining the present organization, and we do not think any changes should be made. However, we do feel PROEXPO should be active in creating its own private competition. We have mentioned training programs for private intermediaries. Beyond this venture capital might be offered to the intermediaries who are attempting to expand. Most importantly, PROEXPO itself can be the training ground for intermediaries: successful promoters should be encouraged to leave PROEXPO to establish their own private export agencies. New measures of efficiency would have to be devised: PROEXPO would not be rated simply on the basis of export expansion, but also on the basis of new service firms fathered.

It is our belief that PROEXPO provides an invaluable service that cannot be duplicated by private intermediaries; further, it appears that PROEXPO is improving constantly. On the other hand, it cannot provide the identity of interests with producers nor the ambition-driven motivation that private export promoters can; for this reason, we look forward to the emergence of successful private competitors to PROEXPO.

In Comparison

Frequently during this report we have been guilty of smugness that may have implied a superior knowledge on our part. We hasten to correct that impression: our insights into the problems of exporting are the result of the study, and we embarked on the adventure as naive about international marketing as the greenest novice in our sample. Further, it should be noted that by comparison the Colombian exporters in our sample are no less well prepared than the average exporter in other countries. A recent text reports that in a study of 490 U. S. firms active in international trade, only one out of six had an international research director, another one out of six had never conducted any marketing research or economic analysis in a foreign market, and that specific goal-oriented research was quite rare (Robinson, 1973). We cannot compare this data directly to the Colombian sample; however, the shortcomings of the U. S. exporters have a familiar ring to them. We were very impressed by the enthusiasm and aggressiveness of the exporters; frequently they would interview us on export marketing almost as long as we had interviewed them. This open recognition that there was much for them to learn about world markets, and their willingness to expend the necessary effort left us with the distinct impression that they would soon master the requisite skills.

## Notes

Allen, Thomas J., "Roles in technical communication networks," in Communication Among Scientists and Engineers, C. E. Nelson and D.K. Pollock, eds., Lexington, Massachusetts: Heath Lexington Books, 1970.

Departamento Nacional de Planeacion, "El desarrollo de la pequena y mediana industria a traves del credito y medidas complementarias," Report UEIA-029 DI, October 1970, Bogota.

Utterback, James M., "The process of innovation: a study of the origination and development of ideas for scientific instruments," Working paper #462-70, Alfred P. Sloan School of Management, M.I.T., Cambridge, Massachusetts, 1970.

Vernon, Raymond, "International investment and international trade in the product cycle," Quarterly Journal of Economics, LXXX, 2, May 1966.

Bain, Joe S., Barriers to New Competition, Harvard University Press, 1965, Cambridge.

Robinson, Richard D., International Business Management: A Guide to Decision Making. Holt, Rinehart, Winston, 1973, New York.



PROYECTO  
FEDESARROLLO - MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Fecha: \_\_\_\_\_

Empresa: \_\_\_\_\_

Fecha en que inició exportaciones: \_\_\_\_\_

Producto principal de exportación: \_\_\_\_\_

Estamos interesados en conocer la forma en que exportadores exitosos han obtenido información sobre oportunidades de ventas en los mercados mundiales.

I. En relación a la primera exportación realizada por su empresa:

1). - Cómo descubrió sus posibilidades de exportar? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2). - Cómo entró en contacto con el primer cliente? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3). - A quién se le hizo la primera venta?

Intermediario: En Colombia    Fuera de Col.    Consumidor/distrib. fuera de Col.

País de destino - \_\_\_\_\_

4). - Qué tan precisa fué la información que usted recibió con respecto a:

Precio:            Ninguna            Alta            Baja            Acertada

Cantidad:        Ninguna            Alta            Baja            Acertada

Especificaciones: Ninguna            Irrelevante    Incompleta    Errónea

Completa y precisa.

5). - Recibió asistencia técnica? (Agencia de Aduana, Cartas de Crédito, Embalaje, incluyendo el comprador, etc.).

De: \_\_\_\_\_

Tipo: \_\_\_\_\_

6). - Relación de primera exportación a ventas anuales:

-            1%            5%            10%            +

7). - Valor de la primera venta: \_\_\_\_\_

8). - Qué tan rentable fué esa primera exportación en comparación con ganancias sobre ventas domésticas:

a). - Precio de exportación contra precio interno: \_\_\_\_\_ %.

b). - Precio/costos directos:

mismo -            -30%            -20%            -10%            +10%            +20%            +30%            +

c). -  $\frac{\text{precio} + \text{incentivos (CAT, Vallejo)}}{\text{costos directos}}$

mismo -            -30%            -20%            -10%            +10%            +20%            +30%            +

9). - Qué tan rentable fue la primera exportación en relación con exportaciones posteriores?

mismo -            -30%            -20%            -10%            +10%            +20%            +30%            +

## II. - Proceso de toma de decisión.

1). - Sería útil si usted pudiera identificar algunos de los eventos que lo condujeron a su decisión inicial de exportar. Incluya incidentes y factores que lo hicieron considerar la posibilidad de exportar, tales como situación financiera, capacidad de producción, aumento de personal, etc., y factores externos tales como seminarios, competencia en el mercado interno, incentivos del gobierno, etc.

1-a) Porqué decidió investigar el mercado? - Dónde se originó la idea?

---

---

---

1-b) Cuál fue el beneficio principal que esperaba obtener o el problema que quería resolver exportando? \_\_\_\_\_ -

---

---

---

1-c) Cómo se evaluó el mercado? ( p.ej. - viajes, correspondencia, Proexpo)

---

---

---

1-d) Por qué decidió exportar? - Cuáles factores fueron más importantes?

---

---

---

---

1-e) Qué cambios se requirieron para implementar esta decisión?

---

---

---

---

2. - Fué la decisión un resultado de necesidad (p.ej. - ampliar el mercado, obtener financiación, etc.) o el resultado de conocimiento del mercado?

Necesidad

Conocimiento

3). - Qué riesgo percibió en el negocio? Su cálculo de las probabilidades de éxito -

100% seguro      75%      50%      menos de 50%

4). - Cómo financió la exportación? - (fondos propios, bancos, entidades de fomento, pago adelantado por parte del comprador, intermediario, etc.)-

---

---

5). - Cuánto dinero arriesgó? \_\_\_\_\_

6). - Qué conocimiento tenía de la competencia externa? -

Precios-            nada                            poco                            completo  
Calidad-            "                                    "                                    "

Nombre de principales competidores: \_\_\_\_\_  
\_\_\_\_\_

III. Experiencia exportadora reciente.

1). - Cuá es/son las principales fuente(s) de información que lo han conducido a exportar con éxito ? (si varios, póngalos en orden de frecuencia):

a). \_\_\_\_\_  
b). \_\_\_\_\_  
c). \_\_\_\_\_

2). - Qué tan confiable y precisa es la información sobre:

Precios      a)    ninguna      alta      baja      acertada  
              b)      "                "            "            "  
              c)      "                "            "            "

Cantidad    a)    ninguna      alta      baja      acertada  
              b)      "                "            "            "

Especificaciones

a) ninguna      irrelevante      incompleta      errónea      precisa y completa  
b) "                "                "                "                " " "  
c) "                "                "                "                " " "

3). - En los pedidos qué información específica adicional le sería más útil?

---

---

4). - A quién vende los productos?

Intermediario: En Colombia    Fuera de Col.    Consumidor/distrib. fuera de Col.

País de destino \_\_\_\_\_ %  
\_\_\_\_\_ %  
\_\_\_\_\_ %

5). - a). Ha usado los servicios de intermediario ?    Sí                      No

b). En caso afirmativo cuáles servicios aprovechó y cómo los evaluaría?

---

---

c). En caso negativo, por qué ? \_\_\_\_\_

---

---

6). - Cómo promueve las exportaciones y quién financia esta promoción ?

---

---

---

7). - Asistencia técnica: ( comprador )

De: \_\_\_\_\_

Tipo: \_\_\_\_\_

De: \_\_\_\_\_

Tipo: \_\_\_\_\_

8). - Qué porcentaje de las ventas totales son exportaciones ? \_\_\_\_\_

9). - Valor absoluto de exportaciones: \_\_\_\_\_

IV. Estamos interesados en posibles modificaciones hechas dentro de su Empresa como resultado de haber entrado al mercado internacional.

1). - Empleados adicionales como resultado de la actividad de exportar: \_\_\_\_\_

1-a). Tienen ellos conocimientos nuevos? \_\_\_\_\_

\_\_\_\_\_

2). - Cómo ha cambiado su sistema de mercadeo desde que empezó a exportar? - (nuevo personal, departamentos, uso de intermediarios, etc.).

\_\_\_\_\_

3). - Exportaciones (cambio % anual) \_\_\_\_\_

4). - Qué tipo de preparación formal tuvo usted para exportar?

\_\_\_\_\_

4-a). Podría citar un ejemplo de enseñanza práctica que ha aplicado al exportar?

\_\_\_\_\_

5). - Qué entrenamiento en el campo de las exportaciones han recibido otros empleados de su empresa? (puestos y tipo de entrenamiento)

\_\_\_\_\_

5-a). Qué resultados prácticos ha tenido ese entrenamiento?

\_\_\_\_\_

6). - En qué otra forma se ha preparado usted para exportar?

\_\_\_\_\_

7). - Qué cambios operacionales se han hecho?

- a). - Equipo - \_\_\_\_\_  
\_\_\_\_\_
- b). - Proceso de Producción - \_\_\_\_\_  
\_\_\_\_\_
- c). - Financieros - \_\_\_\_\_  
\_\_\_\_\_
- d). - Calidad - \_\_\_\_\_  
\_\_\_\_\_

8). - Son más rentables las exportaciones que las ventas internas?

a). En términos de precio de venta/costos directos :

mismo - -30% -20% -10% +10% +20% +30% +

b).  $\frac{\text{Precio} + \text{incentivos (CAT, P.V.)}}{\text{costos directos}}$

mismo - -30% -20% -10% +10% +20% +30% +

9). - Mercado externo es más / menos estable que el interno ?

10). - Obtiene usted beneficios intangibles de exportar? (prestigio, oportunidad de viajar, diversificación, impacto en ventas domésticas, reputación doméstica, participar en un mercado creciente, pago más rápido, etc). En orden de importancia:

---

---

---

---

10-a) Qué tan importantes son estos en relación a beneficios monetarios?

---

---





INTERVIEWER' S SUMMARY

Firm \_\_\_\_\_

1. Why, and how, did firm enter export market? \_\_\_\_\_

---

---

---

---

---

---

---

---

2. Principal information channels \_\_\_\_\_

---

3. Exporter was active passive in entering market.

4. If passive, exporter was subsequently dependent independent of promotor.

5. Direct monetary benefits indirect benefits more important to exporter.

6. Had a game plan from the start. yes no

Comments concerning methodology: \_\_\_\_\_

---

---

---

---

---

---

---

---

---

---





DATE DUE

Date Due

APR 16 '76 <del>APR 28 '77</del>	2861 MAY 7 1987	
	DEC 7 1991	
<del>MAY 14 '78</del> MAY 07 '81		
	FEB 28 2001	
APR 22 '82 5/20/82		
DEC 14 '82	MAR 11 2004	
FEB 11 '84		
MAY 12 '87		
	JF 20 '89	

Lib-26-67

MIT LIBRARIES DUPL

671



3 9080 003 702 500

MIT LIBRARIES DUPL

671



3 9080 003 671 366

MIT LIBRARIES DUPL

671



3 9080 003 702 369

MIT LIBRARIES DUPL

671-73



3 9080 003 671 473

MIT LIBRARIES DUPL

671



3 9080 003 671 424

T-J5 143 w no.649- 73  
Zannetos, Zeno/Some problems and prosp  
637249 D\*BKS 00027756



3 9080 000 747 714



