

Export Marketing in Bangladesh: Problems and Prospects

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INTRODUCTION

Export marketing is considered as the most common form of business strategy in international business expansion (Morgan, 1997) as it requires fewer resources compared to joint ventures and other form of international business expansions, and tends to be associated with less risk for the international business operations (Bertrand, 1989; Business Week, 1988). Business organizations from developing countries usually suffer from lack of capital resources in industrialization and business development, and therefore, export marketing is seen as the most viable option for them to enter and expand in the international market. Bangladesh as a developing country faces the same limitations of capital resources for industrial development and international business expansion. However, over three decades, business organizations from Bangladesh have shown considerable growth in international market expansion through export of goods and services in the international market (Mamun et al, 2005). Export items have grown from 25 to 162 during the period of 1972 to 2006 which counts average annual growth rate of 154% (EPB, 2007). In fact, the transition from a socialist economy to a free market economy, and change in the government industrialization strategy of import-substitution to export-orientation have resulted in expansion of export market opportunities for export oriented business organizations of Bangladesh (Mamun et al, 2005). The latest export policies were designed to achieve the projected GDP growth at 7% and contribution towards positive balance of payment through increased export earnings (GOB, 2007). The objective of this study is to analyze the trend of the major export items of Bangladesh and try to identify the export marketing problem based on literature review of secondary sources.

LITERATURE REVIEW: EXPORT MARKETING PROBLEMS OF DEVELOPING COUNTRIES

While academics in other disciplines have paid considerable attention to LDCs exports performance, there have been relatively few studies in the area of export marketing in the developing world. The issues and problems faced by exporters from a developing country are very much likely to be different from those of the developed countries (Das, 1994). Different researchers have identified different problems involved with export marketing and attempt to explain from their own perspectives. Das (1994) explained that LDC-based firms face two distinct types of problems while attempting to export their products, and identified those as the governmental policies and interventions and the market related problems. The government policies and interventions related problems mainly come from frequent changes in export related policies, and ineffective governmental assistances (Colaiacono, 1982; Nayyar, 1976; Morawitz, 1980). These problems originated mainly from the macro level problems such as lack of proper trade institutions, unfavorable exchange rates, absence of a stimulating national export policy, and international trade agreements (Ogram, 1982; Figueiredo and Almeida, 1988; Cardoso, 1980; Ghauri and Holstius, 1996; Mary *et al.*, 1991; Kaleka and Katsikeas, 1995; Ortiz-Buonafina, 1984). These macro level problems are sometimes termed as exogenous economic barriers for the firm (Ghauri, 2003) as they are beyond the firm's control. Market related problems were identified as fragmented market (Kinsey, 1988), rising domestic demand which reduce the supply available for exports (Nayyar, 1976) and lack of trained marketers (Kinsey, 1988). On the other hand, according to Ghauri, *et al* (2003), export from the developing countries are facing some internal as well as some external problems. Internal export problems are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing. For example, problems pertaining to meet import quality standards, establishing the suitable design and image for the export market, poor organization of export departments, lack of competent personnel to administer exporting activities, the inability to finance exports, insufficient information about overseas markets, identification of appropriate overseas distributors, and communications with overseas customers (Czinkota and Rocks, 1983; Kaynak and Kothtari, 1984; Rabino, 1980; Yang *et al.*, 1992). External export problems are related to the industry, the export market,

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and the macro environment (Ramaseshan and Soutar, 1995). Kerin *et al.* (1990) considered industry structure as a key determinant of a firm's strategy in the domestic-market context. In order to develop a proper export-marketing strategy, the differences between market systems, firm sizes, and presence of foreign competitors across markets should be taken into account. In addition, Jain (1989) stressed that technology and intensity of price competition in the industry are important determinants of the marketing strategy.

Katsikeas (1994), after a comprehensive review of the export marketing problem literature revealed four key problem areas as external, operational, internal, and informational which is similar to classification of Das (1994) into four categories such as organizational, managerial, behavioral (or aspects of buyer-seller relationships), and external variables. Das (1994) classified external variables (level of competition, types of industry the firm is in) as one of the success factor but Ghauri (2003) termed this factor as external export marketing problem. Several characteristics of the organization, such as size, presence of an export department/manager, product type, age of the firm, export experience and R&D efforts, have been linked to export success (Das 1994). Other researchers also found significant relationship between industry size and exporting capacity (Bilkey *et al.*, 1997, Fenwick *et al.*, 1977, Kammath *et al.*, 1989). However, conflicting findings have also emerged in the cases of other organizational variables and their impact on success in exporting (Das, 1994). Some researchers have found that newer firms tend to be better at exporting (Ursic *et al.*, 1984) and that age of the firm affects the type of adoption process in export marketing (Lee *et al.*, 197). Others, notably Reid (1989) and Kammath *et al.* (1984) found no relationship between age and export success.

EXPORTS FROM BANGLADESH: PAST AND PRESENT

Bangladesh has increased export earnings considerably in recent years. However, different industries and sectors show differentiated trends in this regard. If we look at the earnings situation, the earnings from Jute sector has increased but their contribution is insignificant as compared to early stage of export market expansion (EPB, 2007). Argument to this declining trend is blamed for decrease of demand of jute products in international markets. If we look at the neighboring countries, the situation is somehow different from Bangladesh. In India, export of jute good during 2002-2003 (April/March) recorded an impressive increase of 52% and 48.9 % in terms of quantity and value respectively to 226.0 thousand tones valued at Rs.913.32 crores against 148.2 thousand tones valued at Rs. 613.32 crores during the same period of previous year.

Table 1: Income from major exportable items

End of period	Raw jute	Tea	Frozen food	Jute goods	Leather	Knit and woven garments	Other*	Total
2001-02	379 (1.22%)	91	1689	1398	1309	19270 (62.29%)	6798 (21.19%)	30934
2002-03	401 (1.20%)	77	1859	1272	1229	20852 (62.72%)	7552 (22.71%)	33242
2003-04	454 (1.11%)	85	2284	1271	1441	26189 (64.53%)	8857 (21.82%)	40581
2004-05	564 (1.10%)	94	2576	1677	1608	33333 (65.57%)	10983 (21.60%)	50835
2005-06	860 (1.37%)	80	2951	2159	1981	40529 (64.73%)	14048 (22.43%)	62608
2006-07	977 (1.23%)	42	3702	2602	2290	51891 (65.75%)	17414 (22.06%)	78918

Source: Statistics department, Bangladesh Bank. Export data are FOB basis (2007)

Bangladesh also extended its export basket in terms of product diversification. Now almost 162 types of different items are exported to different destinations of the world. But the pessimistic side of Bangladeshi export is dependence on a few items heavily. After independence, Jute was the main export sector. Total share of Jute in export earnings was 90.3% in 1972-73. But in the current situation, readymade garments (both Knitwear and Woven garments) constitute about 74.2% export share (2004-2005). The dependence of one sector is the main export marketing problem for Bangladesh. Bangladesh has expanded the export items only by the number and not by the earnings amount. There are fifty four categories under food item but no considerable earnings have been achieved from this sector. The characteristics of the export firms and the policy of the government are the other problems for export marketing. Total exportable items to US region are 32.29%, EU region - 53.40% but to Asia it is only 7%. So, it is the problem of right product for the right destination. Table-2 shows the number of categories of exportable items from Bangladesh.

From the Table 2, it is quite obvious that dominant share of export earnings come from a few exportable items. During 1972-73, raw Jute and Jute goods constituted 90.3% of the total export earnings. During that time, other

Table-2: List of Present exportable items of Bangladesh

Exportable item	No of categories	Exportable items	No of categories
Woven garments	20	ICT products	14
Knitwear	20	Toiletries	20
Frozen Fish	27 different types	Potteries	20
Leather and Leather Products	43	Home textile	20
Jute products	13	Cards and Calendar	20
Food products	54	Ceramic products	20
Agricultural products	20	Tea	21
Handicraft	18	Bicycle	1

Source: www.epb.gov.bd (2007)

exportable items that were present were frozen food, tea, leather, etc. but their contribution was insignificant. With the passage of time during 1982-83, the major exportable item was jute (raw jute and jute goods) and it dominated the export sector with 62.8% of the total export earnings. The contribution of other sector was not noteworthy. However, the jute era diminished in the early 1990s and the new thrust sector was evolved during 2004-2005. In 2004-2005, resign Jute signifies 4.7% of the total export earnings and the thrust sector, readymade garments (Knit and woven) contributed around 74.2% of total export earnings. Dependence on a single sector does not signal sound export marketing. This scenario was realized by the Government of Bangladesh, and it was mentioned in the export policy of 1997-2002 as:

“Our export trade is featured by the dominance of a few commodities in a narrow market. Such dependence on at limited number of export items targeted to a limited market is not desirable for economic development. We must, therefore, aim both at product and market diversification or else our export trade will become stagnant in the near future.”

Table 3: Change of percentage of major export items over the last three decades

Items	1972-73	1982-83	2004-5
Raw Jute	38.5%	16.3%	1.1%
Tea	2.9%	6.1%	0.2%
Frozen food	0.9%	8.5%	4.9%
Jute goods	51.4%	46.5%	3.6%
Leather	4.6%	10.1%	2.6%
Chemical products	0.9%	1.1%	2.3%
Woven garments	-----	1.1%	41.6%
Other	0.8	10.3%	11.3%
Knitwear	-----	-----	32.6%

Source: www.epb.gov.bd(2007)

According to EPB, the current exportable items are 16 different types (each type has further categories, total number of categories is 351) but this wide category list is not an indication of export basket expansion or even market expansion. The thrust sector, readymade garments, both woven and knit, occupied a total of 40 categories which is almost 11% of total categories.

OVERCOMING EXPORT MARKETING PROBLEMS OF BANGLADESH

The governments of many developed, newly industrialized and developing countries have identified exporting as a leading priority for their indigenous firms and several have formulated sophisticated export-oriented trade strategies and extensive assistance programs to encourage export markets to grow (Dicle and Dicle, 1992; Kotabe and Czinkota, 1992; Seringhaus, 1993; Seringhaus and Botschen, 1991). Government of Bangladesh also takes some policy measures and structural programs to increase export earning. Example of policy related measures are reduction of regulation and control along with tariff rationalization, a liberalized market-based competitive structure; and disinvestment of public sector enterprises (Mamun *et al.*, 2005). The government also simplified export procedures, and encouraged the private sectors to achieve efficiency and act as a facilitator to boost export (GOB, 2007).

Considering all the above mentioned initiatives, the export earnings could have increased in recent years (Table I). However, still, the main export marketing problems are dependence on one sector and export markets destination problems. Bangladesh exports its commodities to 173 countries. Among those destinations, the North American

region contributes 32.29%, EU region 53.40%, and others regions contribute only about 14.31% (EPB, 2007). In the whole export market composition, Asian countries contribute only 7% to Asia, and presence of African countries is almost invisible.

In fact, readymade garments sector is the main thrust sector, and the market for the garment products is the USA and the Europe, and therefore, major export share is directed towards these two regions. According to Export Promotion Bureau, there are many potential exportable items (16 items with 351 different categories) but their contribution to export earning is not significant. Organizational related export marketing problems such as size, presence of an export department/manager, product type, age of the firm, export experience and R&D efforts, etc., have been linked to export marketing success on different occasions (Das, 1994). Any organization's marketing activities and its success in exporting may also be related to the quality, attitudes and characteristics of its managers (Das, 1994). For example, export involvement and success in export marketing have been found to be associated with the manager's knowledge of foreign languages (Bilkey et. al., 1975) and experience abroad (Langston et. al., 1976; Da Rocha, et.al, 1990). Most of the Bangladeshi firms are facing the above mentioned organizational level problems. The export managers usually failed to identify the right product for the right destination (market). Das (1994) mentioned that the major export marketing problem for the developing countries is the nature of the product and the destination of exports. This statement is visualized in poor export performance of Bangladeshi organizations in the Asian market.

To identify the export marketing problems of Bangladesh, Haque et al., (2005) conducted in-depth interview with 20 company executives. The study identified the barriers of export marketing problems and categorized those in four main areas. First, the problems related to government initiative, participation in trade, and restrictive practices were policies regarding state aid, countervailing duties, state trading enterprises, government monopoly practices etc. The second groups were identified as related to technical barriers to trade such as technical regulations, quality standards, testing procedures, and certification arrangement problems. The third groups were problems related to different specific industries regarding specific limitations of quantitative restrictions, import licensing, embargoes, exchange control, etc. And the fourth group was identified as problems related to import charges such as prior import deposits, surcharges, port taxes, statistical taxes, etc. Haque et al (2005) also mentioned that the extent of the above problems is not same for all types of organizations. The intensity of the problems varies from industry to industry, and sector to sector. They recommended strong policy measures and government interventions for overcoming export marketing problems of Bangladesh.

There is also a need to diversify the export product mix, i.e., widening the export basket to overcome the export marketing problems of Bangladesh. The successful exporters from Bangladesh still concentrated in the low value-added consumer products category and policy makers need to be concerned to overcome this. The Export promotion bureau (EPB) must be run by dedicated and expert experience managers. The performance of EPB for promoting export diversification and promoting value added export has not been realized so far.

CONCLUSION

The recent economic policy changes have opened up the export marketing possibilities for business organizations in Bangladesh. However, neither the academicians nor the policy makers have taken any initiatives to identify the export marketing problems and put forward any recommendations to overcome the problems. The present study tries to review the existing scattered information on export marketing problems of Bangladesh and assessed the options for overcoming the present situation. This will provide a guideline for future research in this important area of national interest.

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