

## FedEx PyMEx Business Center – Articles, Argentina (in English)

### The competitiveness of exporting SMEs

By Dr. Cristina I. Zapata (\*), Buenos Aires, August 2008

Statistics are showing us that approximately 6,000 small and medium enterprises (SMEs) have managed to go through the barriers of domestic market and started to get involved in the great game of the global market. Together, they export a total of 1 billion US dollars per year, approximately 15% of the total amount of Argentine industrial exports.

Beyond doubt, it is clear that the competitiveness of the SMEs of the industrial sector require a differentiated approach analysis for the scenarios where presented, because it is not a rule that a determined product or service, even though successful in the local market, is bound to repeat that success abroad.

Whenever the SME starts to face the global market, it has to take into account, and become aware, of the implications of this new situation for the organization in all company-related areas: management, know how, investment, action plans, strategies, vision, and mission. Likewise, it may have to overcome a number of problems such as lack of culture, rigid structure (not network structure), lack of financing, among others.

But deep down inside we know that the core problem to be worked out in the globalization process of a SME is corporate culture, because the management of the company has to change their ways of thinking, because they are shifting from their ways and means based in everyday struggle and survival in a known domestic, and sometimes captive market, to the awareness and acceptance of the rule stating that the only viable alternative for the future is to enter the international market.

In order to achieve success in this new management stage, the SME entrepreneur must stop thinking about the ways he acted so far to integrate new concepts, since various or even all previously mentioned aspects do not allow to consolidate a competitive and productive position in a new scenario of liberalization, openness and integration.

This is how the businessman shall become involved in a decision-taking process based on experience he lacks or maybe surrounded by a team of professionals which eventually will be so hard to control due to the lack of technical knowledge, because his old-fashioned ways led him out of phase in the presence of the need for reconversion, changes in the global management of the business, search for partners and the access to foreign markets.

The SME is characterized by the short-term vision, therefore, it has to incorporate the strategy-developing habit and focus in long term relationships, because exports have ongoing nature, different from sporadic, random actions.

Can a national SME be up to the exporting challenge?

We believe so, but in order to succeed, they must all develop a number of essential changes:

- Mind opening, so as to see the company as a generator of international concerns, not only a company that just sells its production.
- Formulation of long-term strategies.
- Permanent access and search for information regarding new markets and products.
- Deep analysis and internal restructuring of the company.
- The analysis and study of national and international competitors.

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- Development of team spirit, formed by a group of specialists in each area, acting integrally in the pursuit of well-defined objectives.
- Recognition, application and control of strategic and tactical tools provided by marketing and management
- Training of the staff at all levels.
- Developing strategic alliances, joint ventures, etc.

In a SME, opening to the international market means making jumbo-size changes, and many times, the leaders of the business are not well prepared, or changes are too radical for them to accept.

(\*) Cristina I. Zapata is Doctor in Economics specialized in International Trade graduated from University of Buenos Aires. The complete reproduction of this article is authorized, with the mention of the author, in the Federal Express web site.

### MARKETING IS ALSO A TOOL FOR SMEs

By Dr. Cristina I. Zapata (\*), Buenos Aires, August 2008

Many businessmen work every day making use of marketing tools and they are just unaware of it, they did not professionalize their acts. Marketing is not an attempt to shut down intuition or fencing creativity in, on the contrary, it is a tool that strengthens the former and gives freedom to the latter, by providing a thinking scheme, a methodology, a “marketing understanding”.

Introducing this system of business management to everyday operations implies having three panoramic viewpoints of analysis:

- The market: where, in addition to quantitative data (such as growth, sale forecasts and others), consumer characteristics are reviewed, together with purchasing behavior, factors influencing purchases, motivation, expectations and needs.
- The competition: as a parameter to measure strengths and weaknesses, as well as the opportunities and threats presented by the market.
- The company: in its organizational profile, with its philosophy, culture, habits, decision-taking styles, structure and information systems.

In this way, the market objective, or target, and the strategic attitude towards competition, are defined over a sound base of organizational possibilities.

Position to be gained in the mind of the consumer is the heart of the marketing strategy. In order to vanquish that space, it is imperative to create a solid bond between product and real market, where the consumer is fully understood and the company enters the race by competing from its management style.

As a result of this event, a dynamic relationship is born. The consumer evolves, changes, transform his expectations and the company adapts and anticipates changes in order to hold its ground, its market brand.

From an operative point of view, this methodology is shaped with a marketing action plan that includes strategies for products, prices, communication and distribution channels. The whole array of decisions allows the company to differentiate from others to consequently attain the preset

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objectives.

Marketing provides an integral and broad vision. It helps the company management to solve competitive conflicts, not through the application of static or magic formulas, but a thinking philosophy incorporated to everyday acts and aimed at the business decision-taking process.

Which are the marketing tools that have to be used by the SMEs to defend themselves from big competitors? They have two main choices. One is to enter high specialization. In this way, small retailers can offer a greater assortment of products and become experts within a group of highly focused clients. The second approach is to become noticeable by their consumer service strategy, based on narrow, direct contact with customers: small concerns cannot compete in prices because the great company groups and holdings overwhelm them with the operative excellence, but small businesses can retaliate taking advantage of their deep knowledge of their clients.

**Achieving a privileged position in the mind of the consumer is the core of marketing strategy. The *sine qua non*, absolutely necessary condition is to correctly handle the variables of market, competition and company.**

A good marketing strategy can be the key to survival in a recession scenario, such as the one currently presented by Argentine economy. During times of recession, consumers want to save up their pennies. It is the moment now for sale promotions, time for offering the most economic lines of products, reduction of offers both in prices and product quantities, in order to adjust and meet the purchasers' possibilities.

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### NON TARIFF BARRIERS – 1st part

By Dr. Cristina I. Zapata, Buenos Aires, August 2008

The types of non-tariff obstacles differ according to countries. The most common barriers can be grouped into:

(a) Rules, regulations, administrative steps and procedures affecting the supply of imported goods and products

- Quantitative restrictions
- Currency exchange restrictions
- Technical and administrative rules and procedures
- Consular formalities.

(b) Different ways of official commerce

- Official purchases
- State commerce

The exporter must have advance information as regards the existence of such hindrances in the market wished to send the exported products to, and also he must make himself sure of complying with all applicable procedures and formalities. Below, we make an analysis of these previously listed measures.

- Quantitative Restrictions:

They can appear in a number of different ways and, in general, they include the fixation of fees and quotas, the concession of licenses or both measures together.

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- o Fees and quotas tend to be all-comprising (applicable to all countries), bilateral (for certain countries only) or historical (based on the total imported in a determined previous period).  
It is very convenient to find out, in each particular case, the exact designation of product and the quantity and volume fixed, the validity period (for example, one quarter, one semester, one year), the government agency regulating the fee system, terms for submittal of applications and requests, the criteria used for distribution of fees and quotas among importers and manufacturers and the providing countries.
- o Import licences that, according to requested formalities, can be subject to analysis to control imports of sensitive products, or those which are automatic, for mere statistical purposes.  
Whenever a license is requested, the customer usually tells the importer the number of such license, or sends a copy of the original license for the importer to include it among shipping documents.

- **Currency Exchange Restrictions:**  
Another tool for putting a limit to imports is currency exchange control, where the raising of currency for the payment of international goods is restricted.  
Some countries use multiple exchange rates, less or more favourable depending on the products at issue and according to the convenience to national economy.  
Other countries obtain the same results through the application of taxes to the foreign exchange settlements varying according to the nature of imported goods.
- **Consular Formalities:**  
In this particular case, the import transaction must be accompanied by one or several pre shipping documents sponsored by the authorities of the country of destination.
- **Purchases made by official government or state agencies as sole importers in countries of centralized economy (such as the Popular Republic of China), where foreign trade is usually a monopoly of the State and the commercial policy is mainly determined in line with national plans and bilateral agreements where products and quantities to be traded are clearly specified.**

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### **NON-TARIFF BARRIERS – A Conclusion**

By Dr. Cristina I Zapata (\*), Buenos Aires, August 2008

In addition to the restrictions mentioned in the previous article, we can find a vast group of Technical or Administrative Regulations. Let us keep in mind that in some countries the processing of these documents is problematical and difficult, or the proceedings are much too slow. Among the most common ones we can find the following:

- **Technical Rules –** They are customized for each country and they refer to the characteristics and properties that the imported item must carry. The compliance with these technical rules allow the importer to guarantee the purchasing consumers that the products they are acquiring have the adequate quality, safety and manufacturing specifications in order to give them the sought, intended use. In general, these rules are certified by a recognized organization that sets forth, for a common and repeated use, a set of rules, directives or characteristics for goods and processes.

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- Technical Safety Rules - They apply to specific products of home use, such as electrical home appliances, and to product which are presented as totally harmless, this is the case of toys.
- Quality Rules – they set standards as early as the stage of production
  - o ISO Standards series 9000 – Certify the company's production process and, in addition, it provides the certification for the product.
  - o ISO Standards series 14000, oriented to environmental Management issues, in order to ensure the compliance with a company policy directed to minimize the environmental impact of productive activities.
- Health Department Inspection Regulations (for plants or vegetables, animals, fish – seafood and human health).  
They apply in general to food and agricultural products, and they comprise the production processes, the use of pesticides and fertilizers, limits for contents of metals and residues, product preservation, etc.
- Intellectual Property in Brands and Patents. Protection of these distinctive attributes in the destination market.
- Labels – Regulations over the brand of product, contents, ingredients and information of the producer, exporter and importer.
- Containers and Packaging – Regulates the requirements with regard to the size and materials used for containers and / or packaging.
- Labelling of Packaging – These regulations include common packaging issues and also the ones for the used container.
- Bar Code – Regulates the electronic identification through bar codes for all products, providing to both wholesale and retail importers a common method for stock administration.
- Food Good Manufacturing Practices – These are procedures applied to all food handling, manufacture, fractionation, storage and transport processes, whenever these products are destined for human consumption. These procedures are good for ensuring the quality of production of food stocks.
- HACCP (Hazard Analysis Critical Control Point) – It is a system through which possible hazards related with food production are identified all along the production processes, and, in addition, preventive measures of control are applied.
- Certificate of Origin – It is the formal document stating that a product comes from such a country or region and, therefore, it can have a preferential treatment derived from agreements which are the result of integration treaties or under the GSP (Generalized System of Preferences).

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### **INTERNATIONAL RULES FOR MARKINGS AND LABELS IN EXPORT PACKAGING**

By Dr. Cristina I Zapata (\*), Buenos Aires, July 2008

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It is mandatory for international packagings to bear the markings and labels stipulated by ISO 780 series Standard. Likewise, uniform symbols are commonly used as caution markings, a generalized practice in all international cargo terminals worldwide.

Once again, we are in the presence of an international procedure that IS NOT LEGALLY DEMANDABLE but which form an integral part of customs and practices that have been standardized to avoid misunderstandings, errors and conflicts, as well as the penalties and costs arising from them.

Caution markings such as graphic signs of chains (hold sling from here), glass cups (fragile, handle with care), open umbrella (protect from water and moisture), or the known arrows, indicate to any stevedore or transporter of the world the ways to handle a bulk and the precautionary measures required by the contents of the package to arrive in good shape and condition to its destination.

On the other hand, identification or shipping marks have the purpose of signalling the direction of the goods both in origin and in destination. There we can find shipper data, country of origin, consignee (destination and order number), port of entry, bulk number and dimensions, as well as weight marks, where the net and gross weights are stated.

In general, these marks are written in English, independently from the fact that they can be expressed in the languages of the places or ports of origin and destination.

Argentina, Brazil, Paraguay and Uruguay, within the framework of the Latin American Integration Association (ALADI) have entered into a Partial Scope Agreement for the Transport Expediting of Hazardous Goods.

One of the most important aspects to be highlighted is that this Agreement regulates the transportation of high risk goods among the MERCOSUR countries. The agreement establishes with a great detail the symbols and colors that must be used to facilitate the handling of packages.

In this context, we must consider the ongoing evolution of the rules and regulations applicable to export packages and containers, such as the cases of biodegradability and bar codes that, as from the passing of specific laws on this regard, have become MANDATORY.

The rules and regulations that have been established to reduce, reuse and ecologically value containers and packages, where the concept of biodegradability is of paramount importance, were of voluntary use during the early stages of their application until in the early 90s, Germany adopted a strong position on this field and provided specific legislation that was legally approved and applied by other countries of the European Union and the United States of America.

The same happens with the current obligation to use bar codes for the identification and repetitive localization of products at both industrial and commercial levels.

Following, we provide a list of international institutions connected with the main topic of this article:

### **STANDARDIZING ORGANIZATIONS AND RELATED INSTITUTIONS**

ISO - International Organization for Standardization

AFNOR – Association Française de Normalisation - French Association for Standardization

DIN –Deutsches Institut für Normung eV - German Institute for Standardization

BSI – British Standards Institute

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IBN – Institut Belge de Normalisation - Belgian Institute for Standardization

UNI – Ente Nazionale Italiano di Unificazione (Italian Standards Body)

IRAM – Instituto Argentino de Normalización de Materiales (Argentine Standardization Institute)

CEN – European Committee for Standardization

MERCOSUR – MERCOSUR Committee for Standardization

COPANT – Pan American Standards Commission

### **INTERNATIONAL FEDERATIONS AND ORGANIZATIONS FOR CONTAINERS AND PACKAGING**

CCI – Centre du Commerce International - International Commerce Center

WPO- World Packaging Organization

APF – Asian Packaging Federation

EFP – European Federation of Packaging

ULAE – Unión Latinoamericana del Embalaje (Latin American Packaging Union)

IATA – International Air Transport Association

ICOGRADA – International Council of Graphic Design Associations

PMMI – Packaging Machinery Manufacturers Institute

FEFCO – Fédération Européenne des Fabricants de Carton Ondule (European Federation of Corrugated Board Manufacturers, Belgium)

OCDE – Organisation de Coopération et de Développement Économiques (Organisation for Economic Cooperation and Development)

Finally, we must take into consideration that the major part of the national and international institutions for packaging and containers are somehow connected to the organizations mentioned in these two lists.

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