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List of Abbreviations

AGOA  Africa Growth Opportunity Act
CFR  Cost and Freight
CIF  Cost insurance and Freight
CIP  Carrier and Insurances paid
COMESA  Common Market of east and Southern Africa
COO  Certificate of Origin
CPT  Carrier Paid to
CTO  Container terminal order
EFE  Eswatini Federation of employers
EFTA  European Free Trade Area.
EIPA  Eswatini Investment Promotion Authority
ERA  Eswatini Revenue Authority
EU  European Union
FCA  Free carrier
FOB  Free on Board
FTA  Free Trade Area
GSP  General Systems of Preferences
ICT  Information Communication Technology
ISO  International Standard Organization
ITC  International Trade Centre
L/C  Letter of Credit
LCL  Less than a container load
MSME  Micro, Small and Medium Enterprises
POP  Point of Purchase
ROO  Rules of Origin
SACU  Southern Africa Customs Union
SADC  Southern African Development Community
SEDCO  Small Enterprises Development Company
SLEEPET  Social, Legal, Economic, Environmental Political and Technological
SMME  Small, Micro and Medium Enterprises
SWASA  Eswatini Standards Authority
SWIFT  Eswatini Fair Trade
SWOT  Strength, Weaknesses Opportunities and Threats
USA  United State America
1. Background

Eswatini is a small, landlocked economy located in Southern Africa. Her economic livelihood is heavily reliant on exports and export earnings. However, the country has been reliant on a small range of essentially primary products and has not been able to sufficiently diversify and expand her export sector to deal effectively with issues such as poverty and unemployment in the country.

The Government of Eswatini has therefore identified the export sector as an important driver for rapid economic growth and development. The country’s National Development Strategy and most recently, the Strategic Road Map 2019-2023 identify the Small, Micro and Medium Enterprises and the private sector as the engine for economic growth and the export sector as the main means of ensuring a vibrant and a self-sustaining economy. Export success contributes to job creation and the reduction of poverty in the country.

The need for an Export Guide was identified by Government through the Eswatini Investment Promotion Authority, as necessary to promote the participation of SMME in the export industry. The purpose of this document is to provide a training guide that clarifies steps and process which an aspiring Eswatini exporter would take, in developing their export business. It is based on the experience of current exporters and especially support organizations in the export business.
2. Export Readiness

2.1 Learning Outcomes:
- Define Exporting
- Explain why you need to export
- Describe the export market environment
- Assessing your export potential and demonstrate if you are ready to export
- Identify local export stakeholders and source of information on exporting

2.2 Module Content: Export Readiness

2.2.1 What is Exporting?
Exporting can be defined as the sale of goods or commodities and services to other countries in return for foreign currency. It is finding customers for your or the country’s products in a foreign country and ensuring that the products are safely delivered and in return a payment for that service is made. The product can be processed or raw materials but must originate from the country. The processes of exporting involves several steps including identifying the products and markets, production, documentation, freight and storage etc. This guide explains and illustrate some the key steps in exporting.

2.2.2 Why Export?
The size of Eswatini market, the emergence of a more open world economy, opportunities opened up by bilateral trade agreements, the desire to earn foreign currency and globalization in general are amongst the many reasons why export business is attractive. In general global wealth is expanding and the SMME sector can be part of this growth. Table below gives a comparison of the population size and economies of South Africa, SADC and the African Continent. This shows from a market size perspective the vast potential for growth in the export business. His Majesty the King has for example encouraged entrepreneurs to take advantage of the Africa Continental Free Trade Area opening opportunities of exports.

Table 1: Regional and Continental Market Potential

<table>
<thead>
<tr>
<th>Country</th>
<th>Population size</th>
<th>Gross Domestic Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eswatini</td>
<td>1 350 000</td>
<td>US$4.4 billion</td>
</tr>
<tr>
<td>South Africa</td>
<td>57 000 000</td>
<td>US$575 billion</td>
</tr>
<tr>
<td>SADC Region</td>
<td>280 000 000</td>
<td>US$US$575 Billion</td>
</tr>
<tr>
<td>Africa</td>
<td>1,216 billion</td>
<td>US$2.19 Trillion</td>
</tr>
</tbody>
</table>

Other reasons for getting in the export business include:
- Contribution to the national fiscus by SMME as envisaged in the Governments 2019 Recovery plan. The Governments of Eswatini considers export trade a major driver of the economy. It fully supports the growth and development of the export industry.
- To increase sales (turnover). By exporting the company goes beyond the domestic market. More sales lead to faster growth and expansion of the company and can also lead to more profits.
• To maximise under-utilised production capacity and reduce unit product cost or take advantages of economies of scale. Operating at full capacity helps in achieving a more even production flow.
• To sell surplus production, this occurs when a company has produced more than what the domestic market can absorb.
• Market diversification and to reduce dependence on the domestic market. Diversifying markets helps in reducing seasonal demand variations and can cushion the company when domestic market demand falls due to various reasons.
• To gain new knowledge and experience.

2.2.3 Understanding the Export Environment

Exporting is an attractive business if successful but is also a challenging business especially for SMME. This puts demands for the development of skills, abilities and knowledge to be a successful exporter. The export business is complicated by such factors like distances, social, cultural, economic, tariffs and legal factors. There are a multi-dimensional factors involved depending on the market one choose to work in. These are uncontrollable factors which an SMME exporter has to overcome.

Figure 1: Environmental Influence on Export Marketing

Differences in social conditions, religion or culture affects consumer perceptions and patterns of buying behaviour. Legal systems vary from country to country in addition to understanding international law. Economic factors are reflected in the buying power of the export market. There are major differences between developed and developing countries. Political risk may take the form of protectionist policies and restriction. While technological factors like e-commerce has introduced new ways of trading all which the SMME should be aware of.

These global factors are also complicated by the lack of clarity in understanding local or home based procedures for engaging in the export business. The decision to get into the export business must be taken after careful consideration the challenges and opportunities in this business.
2.2.4 Assessing Your Export Potential

Succeeding in the domestic market is a necessary but not a sufficient condition for entering the export market. You should begin with an internal audit of your export potential to assess your ability to take advantage of the export opportunities. Export potential is derived from a set of enterprises characteristic such as the product, resources and your domestic market performance. These are measurable at SMME or business level.

Potential exports factors can be classified into internal and external factors. A characteristic of the external factors is that you cannot influence them as an individual exporter. Example of these are:

- The inherent strengths or any comparative advantages of Eswatini, eg Resources, climate, location, cost structure of the economy, that will set the stage for your export efforts
- Governments Policy on taxes, finance schemes for SMME, information and incentive programmes or bureaucratic red tape and restrictions
- Bilateral and trade agreements offering opportunities in export market
- Exchange rate

Internal Factors focuses on the individual organizational readiness of the SMME to export. This can be summed up as organizational readiness and product readiness.

Organizational Readiness to Export

A number of factors internal to the organization determine how well equipped it is to engage in export transactions. These factors are:

- Manufacturing or production Capacity: Plant and equipment sufficient to supply the home market or export market
- Management and organization: Exporting requires additional management time specially in the early stages of market development
- Financial Resources: Marketing abroad requires additional working capital and capital for additional market investigation, promotions, product adaptation and so on
- Technical Knowledge: an enterprise that has the technical works-force capable of product development and adaptation is likely to have greater potential than one without such capabilities
• *Market know how*. Enterprise with substantial home market experience are better adapted to the requirements of the export business.

• *Export experience*: An Enterprises export performance to date and the lessons form success and failure have a bearing on its export potential.

• *Management Goals and priorities*: Management should be committed to engage in export and they should have a clearly defined export business plan.

**Product Readiness for Export**

Product advantage carry over to the export market as well. If a product is successful in the domestic market, competitively priced, up to date in design and engineering, appealing to the selected customer segment, marketing opportunities for export are likely. To assess your product readiness for export you must look at each of your products critically and in the context of the export market, identify their strengths and weaknesses. Think of the product benefits: the elements that the consumers perceive as meeting their needs and providing satisfaction through performance and image. Product attributes are the elements closely associated with the product, such as, features, specifications, styling, branding and packaging. And any additional elements to the core product which contribute to providing satisfaction and include delivery, after sales service and guarantees.

After assessing the export readiness of your enterprise and your product you should be best equipped to decide where your enterprise needs to improve for better and more successful exports.

### 2.2.5 The Export Value Chain

The concept of a value chain generally describes, a sequence of related business operations (functions) from the provision of specific inputs for a particular product to production, transformation, marketing, and up to the final sale of the particular product thus adding value to the business. The export value chain is here used to describe the key activities or steps an enterprise take to get value from the export process. These steps have been identified as follows: (1) **Export Readiness Assessment**, (2) **Strategic Intent/Export Planning**, (3) **Product Development and Production**, (4) **Market Assessment**, (5) **Export Process & Documentation** and (6) **Export Financing and Insurance**. The Figure below gives a diagrammatic presentation of the steps. We will look in detail at each of the steps in next session of this manual.

*Figure 3: Export Value Chain*
2.2.6 Stakeholders and Sources of Information

Here we have identified individuals, group, or institution who have a vested interest in the export business and will assist you to understand the export business or facilitate your engagements in the export industry. The goal of the stakeholder map is to help you the exporter, to develop a strategic view of the human and institutional landscape, and the relationships between the different stakeholders and the issues they care about most and impact on your export business.

The list in the following Table below is not exhaustive but will help you to identify:

- Those stakeholders who may influence or support your export initiatives
- Issues of compliance or potential conflicts or risks that could jeopardise the initiative;
- Opportunities and relationships that you can build as you run your business;
- Institutions that you can consult for different needs in your business;
- Appropriate strategies and approaches to engage the stakeholders and
- Provide you opportunities for learning, build your capacity and enhances responsibility in your business.

The list is not exhaustive but provides you with stakeholders you may need to consult and get your export business off the ground.

*Figure 4: Key stakeholders and Sources of information*

<table>
<thead>
<tr>
<th>Stakeholder and Contact Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Eswatini Investment Promotion Authority (EIPA)</strong></td>
</tr>
<tr>
<td>- The mandate of the EIPA authority is to attract, encourage, facilitate and promote local and foreign investment. The Authority also promotes domestic and export trade and initiates, co-ordinates and facilitates the implementation of Government policies and strategies on investment and trade. Furthermore, the Authority has to provide a one-stop information and support facility to local and foreign investors and to also advise the Minister on investment policies, strategies, proposals and suitable incentives.</td>
</tr>
<tr>
<td>- The External Trade Activities include: Export market penetration of Eswatini products; Dissemination of market information and Customer registration and profiling process</td>
</tr>
<tr>
<td>Contact Details: 1st Floor, Sibekelo Building, Mhlambanyatsi Road Mbabane; Tel: 2404 0470/4, Fax: 2404 3374; Email: <a href="mailto:enquiries@sipa.org.sz">enquiries@sipa.org.sz</a>; website: <a href="http://www.sipa.org.sz">www.sipa.org.sz</a></td>
</tr>
<tr>
<td><strong>2. Eswatini Revenue Authority</strong></td>
</tr>
<tr>
<td>- The Eswatini Revenue authority is the main Tax regulatory body in the country. It is also responsible for the customs and excise duty on all goods which come into the country. They also keep records for economic planning purposes. Relatively few goods are subject to export controls. While imports are also of statistical interest, they are invariably subject to a number of import controls which are put in place to control the entry of say, health –or environmentally-sensitive products, to protect certain industries and/or to generate revenue for the country.</td>
</tr>
<tr>
<td>- You must be registered as a business entity with the Eswatini Revenue Authority. You may be an individual, cooperative, partnership, SMME or corporate body your registration will help identify you as a legal business entity and you will be issued with a TIN number (Tax Identification Number). Once the registration is done you can then periodical complete and secure the necessary export documents you require for each export cargo you make.</td>
</tr>
<tr>
<td><strong>3. Ministry of Commerce, Industry and Trade</strong></td>
</tr>
<tr>
<td>- Policy and Regulatory Function,</td>
</tr>
<tr>
<td>- Facilitate export driven growth and increase SMME participation in economy,</td>
</tr>
<tr>
<td>- Develop an integrated land use strategy and expedite rollout of Special Economic Zones,</td>
</tr>
<tr>
<td>- Improve effectiveness of investment promotion agencies and re-launch investor roadmap programme,</td>
</tr>
<tr>
<td>- Address key Ease of Doing Business Indicators</td>
</tr>
<tr>
<td>Contact Details: Ministerial Complex Mbabane, Tel: 2404 3201, 2404 3206, 2404</td>
</tr>
</tbody>
</table>
4. **Department International Trade** (Ministry of Commerce and Trade)
   - Charged with the responsibility to coordinate all external trade related matters and is also the focal point for the country’s trade relations with the rest of the world.
   - Contact Details: International Trade Department, Gwamile Street (Next to DPM offices)
     PO Box 451, Mbabane H100; Tel: 24041808/9; Fax: 24043833; 2404 4711; Email: info@itdswaziland.org

5. **The Quality Department** (Ministry of Commerce and Trade)
   - The Regulatory and Quality Infrastructure Development Department is a policy and regulator of quality in Eswatini. It works closely with SWASA in the implementation and maintenance of quality standards. It is also responsible for weights and measures in the country. Their services are available for exporters largely through SWASA to improve and supply quality competitive goods. They also have access to testing laboratories and can therefore advise on where to test.
   - Contact Details: The Regulatory and Quality Infrastructure Development Department, PO Box 451 Mbabane, H100, Tel: 240427509; Cell: 7604 6408, 7611 7929

6. **SWASA – Swaziland standards Authority**
   - Eswatini Standards Authority was formed by the Government of Eswatini through the Quality and Standards Act (10) 2003, and has the mandate of promoting standards and quality in local industry, commerce and the public sector and is also the sole custodian of all issues regarding standards and quality in Eswatini.
   - To support SMMES to ensure they produce quality goods and services which are acceptable in the domestic and foreign markets
   - Legislated and Voluntary standards Certification
   - Certify management processes; Certify Products
   - Contact Details: Plot 247 Marble Construction Premises, King Mswati III Avenue/11th Street, Matsapha Industrial sites, Website: www.swasa.co.sz, Tel: +268 2518 4633/2518 4610, Fax:+268 2518 4526

7. **Micro, Small and Medium Enterprises –MSME Unit** (Ministry of Commerce, Industry and Trade)
   - Coordinates the implementation of the MSME policy objectives:
     - To increase access to financial products and services;
     - Strengthen MSME business support institutions and structures;
     - Legislative and regulatory framework for the development of MSME;
     - Development of a culture of entrepreneurship and innovation;
     - Strengthen the Domestic and international competitiveness of MSMEs;
     - Define and recognise the informal trade sector;
     - Develop and improve the position of support of MSME owned by women, youth and disadvantaged groups and enhance policy implementation and integration by improving dialogue between stakeholders.
   - Contact Details: MSME Department; Tel: 24043201/5/6, Fax: 2404 4711/24042959

8. **SEDCO- Small Enterprises Development Company**
   - The Mission of SEDCO is to contribute to Eswatini economic development through the facilitative interventions in entrepreneurial activities to ensure a vibrant MSME sector and meaningful support to Eswatini’s poverty reduction programmes. Their target is aspiring and existing SMMES. They offer the following services: Company Registration, Business Plan Compilation, Business Training, Business Counselling and advisory services, Office Space and workshops, Marketing
   - Contact details: Website: www.sedco.biz;; Mbabane estate: PO Box 295 MbabaneTel:2404 2811/2, Sidwashini Estate: PO Box A186, Swazi Plaza, Tel: 2422 0591; Pigg’s Peak Estate: PO Box 114, Pigg’s Peak; Tel: 2437 1166; Manzini/Matsapha Estate: PO Box 438 Manzini; Tel: 2505 2752; Vuvulane/Siteki Estate; PO Box 77 Vuvulane, Tel:2331 31406; Nhlangano/Hlathikulu, PO Box 20 Nhlangano Tel: 2207 8039

9. **Ministry of Agriculture**
   - The Ministry of agriculture regulates the export and importation of agricultural products including plant and animal products. They will issue export permits/certificates for the export of these products
   - Contact details: For Plant materials contact Malkerns Research Institute, Tel: 2527 4071; 252 4077, 2527 4069 For Animal Products: Manzini Veterinary Offices Tel: 2505 2204

10. **NAMBOARD**
    - NAMBoard is the Kingdom of Eswatini’s National Marketing and Agricultural Board which is enable d by the Act No.13 of 1985 and charged with facilitating markets for farmers and assisting with production, processing storage, transportation, distinction and sale of schedule products as well as advising government on availability of and demand of scheduled products. NAMBoard Offers:
      - Farmer support unit- extension, training, information dissemination and liking farmers to markets
• Fresh Produce marketing facility-training, logistic support, quality control and cold chain management
• Regulatory Function to enable trading, import and exports of scheduled agricultural produce including issuing: Export permits, Transit permits, Animal feed permits. Popcorn permits, Yellow Maize permits, Maize starch permits etc.

Contact Details: Plot No. 1A Lot 165, Cnr Masalesikhundleni and Mbhabha Street, PO Box 4261 Manzini
Website: www.namboard.co.sz, Email: info@namboard.co.sz; Tel: (+268) 2518 6040/4088; Fax: (+268) 2518 5211; Encabeni Fresh Produce Market, PO Box 1713, Matsapha

11. SWADE:
• SWADE is the leading and key water and agricultural development investment implementation agent of Government with a current programme that focuses on mobilising people, development of Swazi Nation land and constructive use of water resources to stimulate food security, poverty alleviation and social invigoration in disadvantaged parts of the country. There are several farmers under them participating in several agricultural enterprises including sugar, vegetable, fruit etc.

12. Ministry of Health
Department of Environmental Health
• The Department will ensure compliance, and check that products meet the health and safety standard expected in the export destination country. An import licence from the destination country is needed for the application of the health and safety certificate.
• The Department also safeguards the importation of raw materials or products into the country. (THE PUBLIC HEALTH ACT (1969) and THE PUBLIC HEALTH (FOOD HYGIENE) REGULATIONS, 1973)
• Contact Details: Chief Environmental Health Officer; Unit 4, Cooper Centre Mbabane. Tel: 2404 9351/2404 8060; Public Health Unit, Mbabane.: Tel 2404 7761; Public Health Unit, Nhlangano, Tel: 22079673/7862; Public Health Unit, Siteki, Tel: 2343 4436; Public Health Unit, Manzini, Tel: 2505 8723

13. Chambers of Commerce/Federations or Associations
a. Eswatini Federation of Employers (EFE)
b. Federation of Eswatini Business Industry and Commerce (FESBIC)
c. SWIFT (Swaziland Fair Trade) facilitates trade and export opportunities both locally and internationally for its members. It currently has over 48 members and growing. Members enjoy the benefits of group training, one on one strategic planning, local and international market access, market linkages, day to day coaching and much more.
Contact Details: OFFICE ADDRESS: Oribi Court, Gwamile Street, Mbabane, Eswatini; PO Box 446 Malkerns, Eswatini, M204, Email: info@swazifairtrade.org; Tel: +268 24041468 Office Shop 4, Portion 3 of farm 1209; Ngwenya Glass Premises

14. Banks and Financial Institutions (Central Bank Commercial Banks)
• Export Credit Guarantee Scheme: The Export Credit Guarantee Scheme promote the country’s export trade. The policy objective of the scheme is to facilitate Eswatini exporters to obtain loans from commercial banks at concessionary rates of interest and without undue limitation to the collateral that exporters can afford when applying for the loans.
• Small Scale Enterprises Loan Guarantee Scheme. This is a fund designed to increase lending by commercial banks to small scale enterprises while reducing risks to the commercial banks. It is designed to stimulate small scale industry, agriculture, commerce, tourism, construction and services by providing adequate capital to local businesses. The guarantee scheme is designed to cover shortage or lack of other collateral for credit to small scale enterprises.
• Both these scheme are managed by the commercial banks. Contact Your bank.

15. Clearing Agents Freight Forwarders
Traditionally functioned as intermediaries between shippers with goods to despatch and carriers with space to be filled. More recently, however, forwarders have become more specialised and offer a forwarder range of services. The most valuable of these from the perspective exporting are:
• Advice. They have good knowledge of transport and customs procedures.
• Transport arrangements.
• Documentation completion - customs and transport documentation
• Customs clearance.
• Groupage services. Act as groupage operators consolidating small consignments into full container loads
2.2.7 Activities

Question 1:

- Discuss and list some factors that may impact your export business?
  - Population Composition?
  - Culture?
  - Regional integration?

Question 2:

- Discuss and prioritise three export readiness factors which apply to your organization?
- What are the features that are attractive about your products?
3 Strategic Intent/Business Export Plan

3.1 Learning Outcomes

- Explain why export planning is important
- Describe the export planning process
- Explain the structure of your export business plan
- Carry out a SWOT Analysis and Action Plan of your export business

3.2 Module Content: Strategic Intent/Export Business Plan

3.2.1 The Purpose of an Export Business Plan

The decisions for your company to engage in the export business is a strategic one which must take into consideration several factors. The attraction to export is driven mainly by the opportunities presented by earning foreign currency and better returns for your company resulting from access to larger markets. The growth potential of the export trade has been estimated by the World Trade Organization at 25% p.a. with a value of over US$2.34 trillion in 2015.

However, the export markets are also foreign and may present higher risks which you must understand. The negative side or higher risks of the export industry include trade barriers, language and communication, transportation risks, control, and so on. Some of the reasons why companies fail in their export trade are:

- Having products which do not meet the export market
- Picking the wrong trading partner or distributor
- Assigning wrong people for the export business or
- Simply lack of strategy for the export industry

The difference between the domestic and the export market must be recognized. Have a fairly good understanding of your domestic market and its behaviour in order for you to make the necessary adjustments as you move into the export market. It is also easier to start exporting to the neighbouring countries especially South Africa and SACU countries than anywhere else.

You also need to look at your capabilities or carry out an internal analysis of your company to succeed in the export trade. This includes not the product itself but also your production capacity, quality assurance, licences, staffing, logistics etc.

Developing an Export Plan is therefore a crucial first step in your planning. It will provide a broad consensus among key management personnel on the company’s goals, objectives, capabilities, constraints and the personnel involved in the exporting process should agree on all aspects of the export plan.

The purposes of the export plan are:

- To assemble facts, constraints, and goals
- To create an action statement that takes all of those elements into account

The plan includes specific objectives, sets forth time schedules for implementation, and marks milestones so that the degree of success can be measured and can motivate personnel.

Without a plan, your business may overlook much better opportunities. In addition, reactive exporters may quickly give up on exporting, concluding prematurely that it’s not worth the effort.
or that it’s easier to serve customers closer to home even if that business may not grow, and could very well shrink, in the future. Doing the hard initial work of deciding how you want to develop and grow your export business increases your chances that the best options will be chosen, resources will be used wisely, and execution will lead to a successful result.

### 3.2.2 The Planning Process

The first time an export plan is developed, it should be kept simple. It need be only a few pages long because important market data and planning elements may not yet be available. The initial planning effort itself gradually generates more information and insight. As you learn more about exporting and your company’s competitive position, the export plan will become more detailed and complete.

A good marketing plan integrates your company’s marketing activities into a coherent whole, protects if from sudden changes, establishes targets and acts as a focal point for management action. It cannot, however, predict, prevent mistakes or provide guarantees.

If your company has a marketing manager, you should prepare the plan together with him/her and in consultation with your production and financial managers (if you have them) to ensure that the plan fits with the company’s overall business strategy.

The first essential of any plan is to determine the time span it is to cover. This span could be 10 years (for a perspective plan), five years (for a strategic plan), one year (for an operational plan) or even one month (for a control plan). There are no hard rules for choosing a particular time span, because it depends on the degree of uncertainty, the shorter the time span should be. Even if it is difficult to prepare strategic plans up into annual operational plans and further subdivide them into control charts for a monthly review.

From the start, your plan should be written and viewed as a flexible management tool, not as a static document. Objectives in the plan should be compared with actual results to measure the success of different strategies. Your company should not hesitate to modify the plan and make it more specific as new information and experience are gained.

Here are some important preliminary questions to ask and the answers will become an important part of the plan.

- **Product**
  - What need does my product or service fill in the export marketplace?
  - What modifications, if any, must be made to adapt my product for the export market?
  - Do I need special licenses or certificates from my or the buyer’s government?
  - Do I need to modify my packaging or labelling?

### Additional Benefits of Plans

- Plans display your strengths and weaknesses more clearly.
- Written plans are not forgotten.
- Written plans may be required in seeking financing.
- Written plans are easier to communicate to others.
- Written plans assign responsibilities, keep track, and help you measure results.
- Written plans allow for the articulation of assumptions about you and the business.
- Written plans give you a clear understanding of specific steps that need to be taken and.
- The plan represents a commitment to exporting.
• Pricing Considerations
  o How much will it cost to get my product to market (freight, duties, taxes and others)?
  o What is my pricing strategy? Given an estimate of the costs of getting my product to the buyer,
  o What, if anything, do I need to protect my intellectual property?

• Promotion
  o What modifications, to my website should be made for potential buyers to understand the value of my product or service, to contact me, and to make a purchase?
  o Should I sell my products on third party e-commerce platforms?
  o What kinds of social media should I use to build awareness?
  o Should I attend a trade show where international buyers are present?

• Management Issues Involved in the Export Decision
  Management Objectives
  o What are the reasons for pursuing export markets?
  o How committed is top management to an export effort?
  o Is exporting viewed as a quick fix for slumping domestic sales?
  o Will export customers be neglected if domestic sales pick up?
  o What are management’s expectations?
  o How quickly does management expect export operations to become self-sustaining?
  o What level of return on investment is expected?

  Experience
  o With what countries has business already been conducted?
  o Which product lines are talked about the most?
  o Is the trend of sales and inquiries up or down?
  o Who are the main domestic and foreign competitors?
  o What general and specific lessons have been learned from past export attempts?

  Management and Personnel
  o What in-house international expertise does the company have (for example, international sales experience and language capabilities)?
  o Who will be responsible for the export organization and staff?
  o How much senior management time should be allocated?
  o What organizational structure is required to ensure export sales are serviced?
  o Who will follow through after the planning has been done?

  Production Capacity
  o How is the present capacity being used?
  o Will filling export orders hurt domestic sales?
  o What will be the cost of additional production?
  o Are there fluctuations in the annual workload? When? Why?
  o What minimum-order quantity is required?
  o What would be required to design and package products specifically for export?

  Financial Capacity
  o What amount of capital can be committed to export production and marketing?
  o What level of operating costs can be supported by the export department?
  o How are the initial expenses of export efforts to be allocated?
  o What other new development plans in the works might compete with export plans?
  o By what date must an export effort pay for itself?
  o Do you qualify for export financing from government or commercial sources?
3.2.3 Structure of the Plan

Your export Plan may be structured as follows:

1. Table of Contents and Executive Summary (1–2 pages)
2. Introduction: Why This Company Should Export
3. Part I: Export Policy Commitment Statement
4. Part II: Situation or Background Analysis
   • Product/Service for Export
   • Operations
   • Personnel and Export Organization
   • Resources Inside the Company
   • Resources Outside the Company
   • Industry Structure, Competition, and Demand
   • Export License (if needed)
   • Export Control Compliance
   • Products/Services to Be Exported
   • Product Classification(s)
   • Products That Qualify Under FTAs
5. Part III: Marketing Component
   • Identifying, Evaluating, and Selecting Markets
   • Product Selection and Pricing
   • Distribution Methods
   • Terms and Conditions
   • Internal Organization and Procedures
   • Sales Goals (Profit and Loss Forecasts)
   • Pricing Including Consideration of Duties, Taxes, Freight Costs, and Logistics
6. Part IV: Tactics—Action Steps
   • Primary Target Countries
   • Secondary Target Countries
   • Indirect Marketing Efforts
   • Quarterly Accomplishments
7. Part V: Export Budget
   • Pro-forma Financial Statements
- Website Enhancements
- Trade Show Visits
- Marketing Materials
- Travel
- Other Costs

8. Part VI: Implementation Schedule
   - Follow-up
   - Periodic Operational and Management Review (Measuring Results against the Plan)

9. Addenda: Background Data on Target
   - Basic Market Statistics (Historical and Projected)
   - Background Facts
   - Competitive Environment

3.2.4 Activities

1. **Carry out a SWOT analyses of your Export Business?**
   a. Establish the business objectives for the company.
   b. Doing what is known as a SWOT (strengths, Weaknesses, Opportunities and Threats) analysis; and
   c. Defining the scope of your company’s business.
   d. Decide the activities needed to achieve your stated objectives.
      - This would mean preparing a capital plan, a raw materials plan, a manpower plan, a financing plan, and a marketing plan.

These plans are related to each other and must be complementary. In other words, your policy should not be such that while the capital plan is being carried out, the raw materials plan goes out of control, or the financing plan becomes impractical, or the marketing plan becomes irrelevant.
A SWOT analysis is a good way to help you clarify your export strategies and strategic intent. The objective of the analysis is clarity what to do in the export business. A knowledge’s of your products, your markets, an understanding of your competitive advantages, the stakeholder relationships to be build for example and the challenges you are getting into.

### Strength
- Attractiveness of your product to export?
- Certification and accreditation of your products or production plant
- Branding and Labelling of your product
- Your value chain/production process
- Product Prices
- Your commitment and willingness to learn and develop the export market.

### Weaknesses
- Can you meet the specific technical and non-technical requirements of your market?
- Do you have an export strategic plan?
- Delivery and distribution channels.
- Access to data and market information
- Finance
- Stakeholder relationships

### Opportunities
- Bilateral Agreements that make exporting your products attractive (e.g. AGOA, SACU, COMESA, EU))
- Incentives or opportunities offered by your Government for the manufacture or export of your products (Export Credit Guarantee Scheme, The Small Scale Enterprises loan Guarantee scheme)
- Product differentiation and market segmentation
- Do you have a clear pictures or description of who your buyer/distributors are?
- Social Media and E-marketing

### Threats
- Who are your competitors
- Are there similar products on the market or substitutes?
- Supply of your raw materials?
- Geo-political issues
- Ability to manage external stakeholders (Trust and reliability)
- Price stability and Currency Fluctuations

#### Elements of SWOT Analysis
There are five straightforward steps in preparing an export marketing plan:

- Assessing the past performance of your company
- Assessing its competitors
- Looking at export markets to find opportunities and to avoid pitfalls
- Decide on your (export marketing) objectives
- Deciding how to achieve these strategy and action plans

The first two steps will reveal your company’s strengths and weaknesses and the third steps its opportunities and threats.

Go through these steps one by one.

#### a. Analysing your company’s strengths and weaknesses
**Assessing your past performance.**
- Production Resources?
- Marketing Resources?
- Financial Resources?

Remember this analysis is for you – so be honest with yourself. It is a good idea to use other persons to help you do it, those with some knowledge of your business would be best.

#### b. Assessing your competitors
**Opportunities ad threats**
Scanning the world around you. The preparation of an export marketing plan cannot be done in a vacuum. It should involve identifying the outside factors that will have an impact on the business in the future either by presenting opportunities or by posing threats.

What factors should you scan of the outside world cover and how will these factors affect your business? How can you know (unless you have unusual powers) what is likely to happen? The answer to the first question will depend to some extent on your line of business and is discussed below. Finding the response to the second question involves keeping abreast of events and of forecasts for the future, and analysing how these are likely to affect you.

Every business needs to look out for the following trends in the target country:

- Trends in the economy
- Population trends
- Technological changes
- Political, legislative or policy changes
- General changes in society

Within each of these broad categories, there are many factors that will affect business enterprises. But even a cursory examination of the changes likely to happen in, say the next three to five years, will reveal both opportunities and threats to your business. A plan should help you prepare for these changes and keep you from being caught completely unawares.

You should read a daily newspaper and a regular business magazine. In this way, you will be kept informed about the most significant events as they occur. You should then study the possible implications of these events for your business.

c. Setting SMME objectives

Objectives are statements about what you want to achieve in the future. They are sometimes called goals or targets. If you ask most business managers why they are in business they will probably say “to make money” or because they want to be their own boss or something to similar effect. Such statements are, however, too vague to be useful in helping managers to decide on future courses of action. This section will help you to write objectives that will be useful when you decide what your next moves should be.

For a small business like yours, it is sometimes difficult to divorce personal from business objectives. The first thing to do therefore is to sort out one from another.

Let us start with your personal objectives. What do you want from your business? Here are some alternatives for you to consider.

- A high annual income to allow you and your family to live very well
- A business that will employ you and keep members of your family at a reasonable standard of living (which you should define in terms of an income figure)
- An initial low income with rapid growth prospects in three years which will enable you to sell your business and start another one.
- A fast-growing business leading to an annual expansion of production, work force, capital base and profits in the foreseeable future, to the point where you will be running a big business and gain social acceptance in your community.

These are distinctly different objectives. Which one appeals most to you? The answer you give depends on the weight you attach to matters like:

- Your ability to manage a larger work force and cope with the related problems
- Your ambition level
- Your ability to raise more capital to expand
• Your readiness to work very long hours
• Your desire for free time to spend with your family
• Your health and physical stamina

So before you set out your objectives for continued expansion, or market dominance, stop and ask yourself the above questions. You may have other reasons for working harder or working less and these should be examined before going further.

The ambitious may want to see their business develop and perhaps become a major force in their industry or expand into export markets. What size mountain do you want to scale?

**What are your marketing objectives?**
Marketing objectives also have to be set in the context of more general business objectives such as the financial return expected on the overall investment. For example, you may wish to have a 20% annual return on capital invested, or you may want to grow only to a certain size in terms of employees. Your business objectives set other boundaries for you.

In addition, before you can actually say what your specific marketing objectives are going to be, you should have completed your analysis of:
• Your enterprise’s strengths and weaknesses
• Your competitors’ strengths and weaknesses
• Opportunities and threats in the market

Now is the time to review your analysis of these items. What do you see there? Are you some things obvious?

Some examples:
• Your market opportunity analysis may reveal a growing market segment that you had not been aware of
• Your analysis of your competitors may show that they have also missed this market segment but that they have become very price competitive in other areas.
• The analysis of your strengths and weaknesses may disclose that your product quality is fine but that your sales literature does not highlight your product’s good points, your sales staff are untrained, and you are losing accounts because of late deliveries.

These findings would obviously point to what needs to be done in the longer term (develop new market segments) and in the short term (prepare new sales literature, train staff, and improve on delivery). Putting this terms of objectives means making statements like the following:
• Next year, and for each succeeding year, this SMME wants to achieve an overall growth in sales and profitability of 10%
• During the next year, the SMME will break into the following new markets (defined geographically, by customer or by market need:
• Next year the SMME will increase its market share by 2%

d. **Translating objectives into action**
This involves looking at alternative strategies and deciding which one appears best.
Example. You have decided that your long-term (say, five year) objective is to export to Japan and the republic of Korea while expanding your current domestic market base. To achieve this, you set your objectives for the next year as follows:

- Expand total sales by 10%
- Open up the market in Japan

What are the alternative strategies you can use to achieve these? Here are a few ideas for the first objective. You could:

- Sell 10% more of your products to each of your present customers, that is, expand your market share in your existing market
- Concentrate on your fastest-growing customers and expand sales to them
- Open up some new accounts in your present market
- Add some new products to your line and sell them to existing customers

Alternative strategies for achieving the second objective could be:

- Conduct market research on your products’ saleability in Japan and carry out necessary product changes
- Appoint a sales agent or distributor for Japan
- Advertise in Japanese newspapers and service customers from your home base

Your ability to think of alternative strategies depends on your knowledge of the marketing ideas that you have covered earlier.

e. **Action planning.**

Your action plan identifies the activities and schedule them over a planned period. This will help in implementing these activities on time as well estimating the resources you require. Useful framework for thinking about what you need to do to put each strategy into action is the “marketing mix” concept. This consists of four items on each of which you have to make a decision: Your product (and its presentation); Your price; Your distribution and Your promotion.
2. **Activity**  
   Complete an Action Plan for your Export Plan

<table>
<thead>
<tr>
<th>Priority</th>
<th>Marketing Objective</th>
<th>Task</th>
<th>Resources</th>
<th>Schedule</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Create Export Plan</td>
<td>Review Export plan template</td>
<td>Staff Time</td>
<td>3 weeks</td>
<td>Export Plan</td>
</tr>
<tr>
<td>2.</td>
<td>Update website</td>
<td>Identify web designer</td>
<td>£5 000.00</td>
<td>4 weeks</td>
<td>New website</td>
</tr>
<tr>
<td>3.</td>
<td>Learn Mandarin</td>
<td>Attend Mandarin classes</td>
<td>£7 500.00</td>
<td>3 months</td>
<td></td>
</tr>
</tbody>
</table>
4 Product Development and the Product Value Chain

4.1 Learning Outcomes

- Describes ways to improve your product and increase your export earnings
  - Quality control
  - Standardization
  - Product design
  - Packaging
- Understand the Product value chain
- Be able to determine product price

4.2 Module Content: Product Development and the Product Value Chain

4.2.1 Product Identification and Selection

One of the key requirements for engaging in the export business is to have the right products to export. What are the product benefits or what do consumers perceive as the product meeting their needs? Product development is a process which requires generation of ideas, screening, business analysis, development (e.g., production, design and packaging), market testing and launching. Even for direct products like vegetables which may not require additional processing you may have to sort out issues such as varieties, taste, size, blemishes etc.

There are also elements associated with your product such as specifications, styles, branding and packaging you need to think about. Product utility value can range from nutritional value, tastes, aesthetics, colour use and so on. The product must be of sufficient quality to be acceptable on the international market. This is also linked to the search of markets discussed below to which your product can be sold. The key point is to assess the suitability of your product for the export market.

4.2.2 Product Quality

The quality must be right and it must be maintained.

Inconsistent quality is often an important obstacle to the development of the export trade of an SMME.

Even when you can turn out products of high quality, production can be inconsistent. As some goods are of high quality and some are not, buyers are never sure of what they are going to get. Quality may be generally good, but the product may vary from one lot to another in such aspects as colour or size.

The result is the importers are not as prepared to pay good prices for these products as they are for more consistent products from suppliers they can rely on. Worse still, they may not buy them at all, and the goods will remain unsold.

An individual exporter’s products of poor or unreliable quality can damage the entire country’s reputation as a supplier. Even if your product is of high quality, you might suffer from this national reputation.

4.2.3 Quality Control Scheme

One way of enhancing your product quality is to get product certification through the Quality Assurance Department of the Swaziland standards Authority (SWASA). This helps assure your consumers that your products meet a certain standard of quality. SWASA will offer compulsory or
voluntary or a combination of both quality check certification. Compulsory quality check schemes are important if your product is expected to meet certain legal quality standards.

Pre-shipment control can take the form of checks on consignments before shipment, or inspection and checks of goods during production.

These quality control checks can have different objectives. They may seek to ensure that the products:
- Meet the phyto-sanitary, safety and similar regulations of the importing country;
- Meet the specifications set out in the sales contract;
- Meet minimum quality requirements set by the government.

Quality improvement can also be done through programs that include worker training and the provision of information on inspecting and testing procedures, and on quality standards.

The Department of Quality Assurance has a list of approved testing laboratories which can carry out quality tests.

4.2.4 The Need for Standardization

Standardization, the establishment of agreed sets of specifications for specific products, is closely connected with quality control.

Standards are very important in international trade. Through the International Organisation for Standardization (ISO) and the International Electro-technical Commission (IEC), the national standards bureau of many countries have agreed on international standards for numerous products.

ISO has established a particularly important series of standards on quality systems, the ISO 9000, applicable both to manufacturing and services. ISO 9000 is distinguished by the fact that the implementation of its standards is increasingly essential to gaining entry into markets in developed countries.

The Eswatini Standards Authority was formed by the Government of Eswatini through the Quality and Standards Act (10) 2003, and has the mandate of promoting standards and quality in local industry, commerce and the public sector and is also the sole custodian of all issues regarding standards and quality in Eswatini.

- To support SMMEs to ensure they produce quality goods and services which are acceptable in the domestic and foreign markets
- Legislated and Voluntary standards Certification (Certify management processes; Certify Products)

If a contract specifies that the goods are to correspond to a recognized standard, the buyer knows exactly what to expect and the seller knows what he or she is obligated to deliver. This obviously simplifies buying and selling and prevents uncertainty and misunderstandings.

**Standards for primary commodities:** Standards exist at international level within most commodity trades. For primary commodities, international standards cover grading, storage, packaging and conservation during transport as well as sanitary and environmental issues. An exporter of primary commodities who does not comply with these international standards must sell on the basis of samples. Buyers will usually pay a comparatively low price for such products as they will consider the possibility that actual consignments may vary from the sample.
Standards for manufacturers: Standards become even more necessary as a country exports more manufactured products. Then, the international standards apply not only to the quality of materials, but also to many aspects of product design. For example, if a consumer purchases a table lamp she wants to be certain the lamp will receive her bulbs and that its plugs fits into standards wall sockets.

Establishing standards: To export, international standards should be the most important to you. When there are no established standards, the process of standardization must start within your company. To obtain information on standardization procedures, you should turn to SWASA.

4.2.5 Production Process
Resources and capabilities. The product value chain is about understanding the processes that got into the production of your product. You need to make a thorough analysis of your firm’s situation and rectify any deficiencies which might interfere with your production capacity. This may include not only ensuring a reliable supply of raw materials but also deal with seasonal variations of raw materials which may arise. Be careful of wholesale upgrade of process and production equipment’s which might be very expensive before your market is fully tested. Incremental or organic growth is preferable.

It is obvious that you must master the production process to ensure good quality for your products. In some cases, the production process may be similar or identical to processes used in other countries. You could infringe on an existing patent for such a process. Under the Uruguay Round’s Agreement on Trade-Related Aspects of Intellectual Property Rights and the Agreement on Trade-Related Investment Measures, the holder of the patent could take action against you and perhaps damage your company seriously. You must therefore make sure that there is no patent or related legal protection in regard to your production process or the goods you intend to produce. The Intellectual Property office will assist in this regard. If a patent exists, you could think of producing goods under licence. This means that you may use the production technology but that you must pay for it.

4.2.6 Product Design and Appearance
Ensuring that the products are up to standard in terms of quality and specifications is only part of what is needed to make them right for the market. Products have to look right in the eyes of the consumer and they have to function in the way the consumer wants to use them. Numerous SMMEs all over the world have learned this at great cost. Two SMMEs can make similar products radios, say, or shoes or any other manufactured or even handicraft product and they can be of the same high quality and sell at the same price. Moreover, both SMMEs can be equally efficient in their delivery,
sales practices and servicing. Yet the product of one SMME can be a great market success, while that of the other SMME fails.

The only difference may be in the appearance of the products. Quite simply, the final consumers liked the look of one product and did not like the other. Thus the way a product looks is obviously crucial for consumer goods. However, there is much more to product design than the way the product looks. How it functions is just as significant and often more important.

On one level, product design is largely a matter of what is often called styling making a product look more attractive to particular groups of buyers. Essentially, however, product design is concerned with the functional design of the product, what is known as “industrial design”. This means making the product function effectively in the situation in which it is to be used. It also covers the technical and economic problems involved in manufacturing, handling, shipping and storing it. For example, reducing the number of joints in a product can simplify manufacturing; designing chairs so that they can be ‘nested’ against each other can cut shipping and storage costs. You can see that good industrial design can make a product more attractive to buyers. It can also increase its producer’s profits by reducing his or her costs.

4.2.7 Designing for Export
The problems of achieving good product design increase when one enters export markets.

One reason is that tastes vary from one country to another. In some European countries such as France, for example, many consumers still prefer what Scandinavians would consider old-fashioned furniture, and the colours and styles of clothing that appeal to many Mexican men would be unattractive in Germany.

The functional requirements of products also vary from market to market. For example, did you know that the arms of French men tend to be longer in proportion to the rest of their bodies than those of Germans? A manufacturer of men’s suits who wishes to export to France and Germany would have to take that into account. If a firm wished to export chairs to a particular market, it would have to know how the chairs are most likely to be used to design them properly. For example, they might be used as outdoor garden furniture; that would require a finish different from that of furniture used indoors.

Finding out about these differences in product requirements is obviously much more difficult if you are a long way from the market.

Export product often have to go through three or more stages of transport between the factory and the consumer, and at each stage they are likely to be subject to rough handling. They may be exposed to sea water or dampness or insect infestation, and may pass through extremes of hot or cold. After the product reaches the market, it may need further protection when it goes through the various stages of distribution and even when it is in storage.
4.2.8 Packaging and Sales Promotion

The sales promotion function of packaging is essentially important for consumer products when they are exported in the packs which reach the final consumer. Very often consumers obtain their first impression of product when they see it on the store shelf, usually side by side with competing products. In effect, the packaging must act as the exporter’s salesman; it must make consumer feel that this is the product they want, and not the others that are also on display.

The design of a product’s package can greatly influence how easy it is to use, and therefore how attractive it is to consumers. This may be related to its size or volume, its volume, its shape, or the way it opens and closes or dispenses the product.

Packaging has at least five major functions:

- Protecting the product against damage and spoilage
- Easing handling and transport
- Informing the buyer about the contents
- Stimulating purchase of the product by the final consumer and
- Making the product easier to use.

You should consider these functions and look at the packaging of your product(s) and reflect on what can be improved. Also consider the legal requirements for packaging in foreign markets (e.g. recycling obligations which are growing ever more stringent) and in regard to international transport.

4.2.9 Production differentiation

The combined effect of quality, design and packaging is what we have called the “product” in this discussion. Any of these elements can be changed, like the ingredients of a recipe, to obtain a different effect. This leads to what is commonly known as “product differentiation”

From a marketing point of view, product differentiation is a very important and powerful tool. In fact it is a necessary condition for the success of your export business. If there is no differentiation between products of two SMMEs in the perception f the consumer, why should the consumer prefer one product to the other? The niche that a product looks for in the market is dependent on how
differentiated it is from other similar products each product has to find its unique selling points. It is important that your product be perceived by consumers being different from the others.

4.2.10 Product Pricing

Pricing is a main element of the marketing mix. Nevertheless, you should recognize that all elements of the marketing mix are interdependent. Thus product differentiation will change costs, hence the price. Channels depend on the product, and choice of a specific channel means a particular cost, affecting the price and so on.

In export marketing you often have to accept a price for your product that is lower than the price you can get in the home market. This is why business people are often reluctant to go into exporting. They overlook the fact that exporting can be profitable even if prices sometimes do have to be lower.

To understand why we can market at a lower price and make profit, we must examine the whole question of costing and pricing.

Your decision on what price to set for your product(s) will have to consider:

- Your costs
- The market
- The intended profit margin

1. What are your costs?

First we have to define the term “cost”

A cost is the amount of expenditure incurred on, or attributable to, a specified thing or activity.

The cost of production and your market and delivery costs can be major cost items. There are also overhead costs.

Overhead costs, also called indirect costs, are costs that can be directly attributed to a product. Let us take a simplified example.

A factory has three different products (A, B, C) and three workers. Each worker works on one product only. One foreman supervises them. In this case, the direct cost for each product is clear; the salary being paid to a worker working on one specific product. But what about the foreman’s salary? He supervises all the workers and hence covers all products. As his costs are not directly attributed to one product only, they are overhead costs. One appropriate way of taking into account these costs would be to charge each product with a third of the foreman’s salary, provided that he spends almost the same amount of time on each product.

2. How much will it cost to produce?

The cost of production varies with quantity produced. Example, 5 000 pairs of shoes cost more to produce than 500 pairs. However, the cost per pair is less. In other words, the unit cost decreases as the quantity increases. There are fixed costs to be paid no matter what quantity is produced. Examples are the factory rent, the cost of machinery, the wages of the factor manager. The more units produced the more these fixed costs can be spread, reducing the fixed cost per unit.

On top of these fixed costs are the variables costs, which rise as the quantity produced rises. Examples are the cost of materials, direct labour, fuel and power.
3. Marketing and delivery costs
Production costs are sometimes regarded as the only important times when costing and pricing a product. However, marketing and delivery costs can be just as significant, particularly in export marketing. For example, you have to take into account the costs of holding stocks (capital and physical storage costs), packing and transport, commissions, advertising, sales trips, etc.

Marketing and delivery costs can also be divided into fixed and variable costs. For example, a salesman’s salary is a fixed cost, while his commission is a variable cost. It is not always easy to distinguish the fixed and variable costs of marketing and delivery, but it is important to try to differentiate them when pricing your product.

4. Break-even price
We have to pay fixed costs regardless of the quantity we produce. These costs include the factory rent, the cost of basic machinery, and the wages of the factory manager and the costs of the sales office.

On top of these fixed costs are the variable costs which rise as the quantity produced increases. Examples are the cost of materials and direct labour, the cost of oil and electricity to run the machines, transport, your agent’s commission and so on. By dividing your total costs (Fixed cost + Variable Cost) by the quantities produced you get your unit cost. This is your breakeven price. If you market above this price you make a profit.

Getting the highest price for your product or marketing the maximum number of units are not necessarily the ways to earn the largest profit. The trouble with trying to increase your profit by raising your price is that higher prices usually mean fewer sales. On the other hand, marketing more units by lowering your price could simply mean lower revenue from sales. The successful marketer is one who sets his or her price at the level where revenue from sales exceeds total costs by the largest margin. Finding this point is what pricing policy is all about.

5. Marginal costing
Export sales at the same price as home sales can obviously earn extra profits. Assuming you are operating below full capacity, the greater volume will mean lower unit costs of production and higher profits per unit on every sale, domestic and export.

However, it is often true that lower prices do have to be charged abroad in order to compete with other suppliers or to surmount tariff barriers, among other reasons. It is also true that promotional and other costs may be higher in foreign markets.

Business people are naturally reluctant to reduce their prices. If they can obtain a certain level of profits at home, why should they bother exporting their goods at a low profit (or no profit) or marketing them at home at a high profit, their choice would at first glance, be obvious. But should this really be the choice? Often, a company will have more production capacity than the domestic market can absorb. If it does not expand its sales by exporting, it will not expand sales at all. Therefore, even if it accepts lower profits on its exports, these are still profits it would otherwise not make.

Business executives may accept this only to find that they must export at a price that is lower than the price they have calculated as their break-eve price. They therefore conclude that they make no profit by exporting.

They may be right. On the other hand, they may be analyzing the situation incorrectly and missing profitable sales.
The key to calculating your export costs to see how low you can set your prices is to look at your marginal costs.

Let us assume that a company goes into export and maintains its home prices but has to reduce its export prices in order to sell. Instead of calculating costs for export sales on the same basis as for home sales, the manager looks at them differently.

He figures that his fixed costs are already covered by his home sales he would have these fixed costs whether or not he exported the additional products. He therefore calculates only extra costs involved the variable costs of the extra products for export. These are his marginal costs (also called incremental costs, but we will not use the expression). As the marginal costs is lower for his export products than the unit cost of products for the home market, his break-even price for export is also lower.

The techniques of marginal costing can reveal the true costs of exporting, and the extent to which you can reduce your export price and still make profit.

The key to marginal costing is to view your home sales and your export sales as separate compartments and to consider your export sales as extra sales. If you are recovering your fixed costs with your home sales, you can consider the extra cost of the additional products made for export as variable costs. This means that your break-even price for exports can be far lower than if you had calculated it on the basis of both fixed and variable costs. Note that marginal costing is valid only if no additional investment is required for export production.

6. Creative pricing

Marginal costs are often so low that they give you great scope for aggressive price setting, or for heavy expenditure on initial or continuing promotion, or for absorbing the extra costs involved in exporting.

Creative pricing means taking advantage of the flexibility you have between the lower limit of your break-even price and the upper limit of your competitor’s price for similar products.

Marginal costing is probably best used not to lower export prices, at least not too low nor for too long a period, but to justify higher expenditure on marketing. Generally, the successful firm is one that sells at a high price than the lowest in the market. It is able to command this price level because its product incorporates higher values, such as:

- A good brand reputation, created with the help of a substantial investment in promotion.
- Reliable quality, service and delivery
- Ready availability from better placed and more reputed retailers, wholesalers or other marketing channels
- Representation by efficient and trained sales persons
- Effective and attractive packaging

Lower prices may be an effective marketing tool in the short or the long term. However, it is important to remember that this is only one way of using a cost advantage, and the advantage can easily be removed by a new entrant in the market with an even lower price. A market position secured by product quality and effective marketing is far harder to dislodge.

A decision on the right pricing policy depends on:

- Your overall analysis of the market
- The prices and marketing positions of competitors
- Cost levels in your firm
There are three main pricing policies open to a firm, namely:

- Cost-oriented pricing
- Market—oriented pricing
- Competition-oriented pricing

**Cost-oriented pricing or “cost plus”** is the simplest and most widely used policy. A computed cost is determined for each unit of production and to this base cost a percentage or absolute mark-up is added to determine price. Break-even pricing and marginal cost pricing, which you have just studied, follow the cost-oriented pricing approach.

**Demand-oriented pricing** relates to the intensity of demand as expressed by consumers. A high price set when customer interest is high and a low price when customer interest is low. Actual costs may be the same in both cases.

**Competition-oriented pricing** is based on the actual or anticipated behaviour of competitors. Companies using this approach do not seek a relationship between prices and costs or market demand. Instead, they fix their prices in relation to what their competitors are doing, maintaining prices at current levels if this is what the competition is up to.

To fix your price for an export market, you should consider cost, demand, and the competition.

### 7. Making a quotation

When manufacturers receive an enquiry about their products, they quote the customer a price. Quoting for orders in the home market is relatively simple. Manufacturers know what their production costs are and they can quickly calculate a selling price that will give them a profit. But when they are quoting a price for an export order, they must take into account a whole set of extra costs, and they must know which of these the buyer will take care of, and which ones they themselves will have to cover.

*Table 3: Export Costing Sheet*

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted to: ___________________________ Date: __________________</td>
<td></td>
</tr>
<tr>
<td>Unit: __________________________________________________________</td>
<td></td>
</tr>
<tr>
<td>Gross weight __________ Cubic Measurement ________________________</td>
<td></td>
</tr>
</tbody>
</table>

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4.2.11 Activities

1. Discuss and answer the following:
   - For what purpose is your product been developed and how would the product be used?
   - What area the distinctive properties does the product have?
   - What benefits is the consumer expected to gain
   - Which consumer segment of the market does your product serve?
   - You may want to protect your product competitive advantage by taking out a patent protection. Which office deal with Patents in Eswatini?

2. Work out a price for your selected products?
5. Marketing

5.1 Module Outcomes
By the end of this chapter, you will be able to:

- Identify and select appropriate marketing channels for particular products
  
  - Describe the difference between direct and indirect customers
  
  - Explain the role of the distributor and other direct customers
  
  - Describe the role of agents and how to appoint and use them in your marketing

- Identify and select elements for your marketing communications

- List at least three social media techniques to promote your business

5.2 Module Content: Marketing

5.2.1 Marketing Channels

Marketing is the process of providing the right product, at the right place, the right place and right price.

Marketing seeks to maximize customer satisfaction by getting the marketing mix right, which leads to the highest profits. Each variable in the marketing mix can be adjusted. The aim is to achieve the most appropriate marketing mix.

1. Direct customers

Direct customers buy your product directly from you. Indirect customers buy your goods from someone else further along the marketing.

- Distributors buy and hold large stocks of a product. In return they are granted an exclusive right to sell the product in a particular area or to a particular type of customer. They make their profit from the difference between the price at which they buy from you and their selling price to their customers, who are usually wholesalers.

Some distributors operate on consignment. They import a large consignment of goods but do not pay for them immediately. The exporter has to wait for payment until part or all of the consignment has been resold by the distributor.

The main advantage is the saving in cost, time and trouble that comes from dealing in large consignment. Another advantage is a better profit margin, because the distributor pays you a higher price for delaying payment until goods are resold. It can be useful, too, to have large stocks of your product easily available in the export market.

Distributors operating on a consignment basis may resell the goods as quickly as possible because it costs them money to keep the goods in the warehouse. However, some will not work too hard to sell products that they have yet to pay for.

- An import house (which may be an import/export house dealing in two-way trade) may buy your products as a direct customer. It may also act as an agent for a buyer in the same way that your agents act for you in selling. Sales to import houses are usually single, complete transactions. They do not normally enter into a contract for exclusive rights over a period as a distributor does. In small markets where no other company can profitably deal in the same products, an import house will have no competition.
• In some countries government departments buy products from other countries, often on a long-term basis. For example, they may want certain quantity of rice to be delivered at regular intervals over a period of five years. They could arrange contracts with furnishing material.

• Large Industrial companies often buy direct from producers. For example, a company in the shipbuilding industry may place a contract covering the purchase of timber or furnishing material.

• Wholesalers may be direct customers. However, they are more likely to be indirect customers who obtain their supplies through distributors. While wholesalers do not usually have exclusive selling rights for the products they buy, they may have a commanding position in a particular market and so have no competition.

• Large retail stores may also buy direct from producers. Sometimes they may want exclusive selling rights. They can be the most important of the buyers who visit supplying countries. Sometimes several independent stores voluntarily establish a joint buying group and employ a single buyer for the group.

• Multiple stores (multiplies). Department stores and supermarkets are often multiples with a central buying organization. Multiples are becoming increasingly important as direct customers. Such buyers may be particularly interested in the way products are packaged and presented as these should be attractive on store shelves. Some purchase in bulk and pack the products in their own consumer packs.

2. Marketing channels

“Marketing channels,” What are they? They are the channels through which sales are achieved and products are distributed.

A typical marketing channel would be the following: the exporter sells to a distributor who sells to a few wholesalers. The products are then resold to retailers and from them to consumers.

This is, however, only one of many possibilities. Study the following variations Figure 4.

• The distributor or other large buying organization may also be a retailer. For example, a large department store or chain of stores may have a central buying organization which buys products for retail.

• Industrial products usually have shorter marketing channels because the industrial end-user buys on a bigger scale. For example, a timber merchant may import direct from the producer and sell direct to the building industry or saw mills. A larger shipbuilder may import plywood direct from the manufacturer without going through any intermediary.

• All production and marketing functions may be carried out by the organization. For instance, a tea company may own plantations, process the tea and pack, ship and redistribute it to its own warehouses. It may even have its own retail outlets.
Whether they are carried out by one organization or by several, the functions performed by
the marketing channels shown in figure above are essential to an export marketing effort.

We must study marketing channels because we need to understand how our product flows
from us to the end-user. We should be aware of the many influences on that flow. We need
to appreciate the importance of the role if intermediaries in getting our product to the end-
user and ensuring that we are paid a reasonable price. Using the proper marketing channels
improves the efficiency of our selling.

The primary function of a channel is to reduce the following costs :
• Contacting costs, which you would have to bear if you had to contact end-users directly
• Assorting costs, which you would have to incur if you were to assort a package to meet
  the needs of end-users or retailing outlets
• Transaction costs, because of fewer transactions with fewer contacts.

These are your benefits, but you have to pay for them in terms of profit sharing. What
happens is that the risk of the goods not being sold is taken over by the distributor or the
wholesaler. For taking this risk, it cuts into the profit of the exporter. Clearly, the longer the
channel, i.e. the larger the number of elements in the channel, the less profit accrues to the
exporter. If exporters were to market their goods to end-users by means of their own
Salesforce, they would reap all the profit. However, this may be physically impossible or the
costs may rise so high as to reduce, or even eliminate, profit margins. Exporters therefore have to balance the costs and benefits of employing a marketing channel instead of selling on their own, and to keep that question constantly under review.

Sometimes a new exporting SMME may be tempted to leave everything in the hands of an established exclusive “distributor. By doing this, the SMME learns nothing about consumer reactions to its product. Furthermore, the entire initiative for increasing market share rests with the distributor. The SMME avoids risk, but may end up paying a heavy cost for doing so.

There are recognizable criteria for determining the length of a channel. Usually, if
- The price is high
- The life span of the product is long
- The service requirements are high
- The technical requirements are complex
- The turnover is low
then the length of the channel is short. The reverse is also true.

When profit distribution within a channel is not related to the amount of risk taken or functions performed conflict between the elements in the channel results. As for channel performance, the objective is to try for cooperation within the channel rather than for conflict.

Striving for the largest profit share does not by itself lead to conflict. Normally the channel leader claims a larger share of profits because of its innovative role in product development, promotion, provision of services and credit facilities, etc. In general, therefore, the exporter should take up the role of channel leader. In addition to obtaining a larger share of the profits, the exporter will then be stimulated to carry out more market research and to add value to its export products.

3. Export Agents

- When do you need an agent?
Imagine that you have had some success in personal selling to visiting buyers or during sales visits abroad, but now feel the next step is to have someone selling for you in a selected export market. Or you may feel that you need on-the-spot help in establishing your marketing channels, for example in finding and working with distributors or wholesalers.

You cannot spend a great deal of time on export selling yourself because of your responsibilities to your business at home. The idea of a full-time travelling salesperson may seem attractive at first. But it is probably not economic to make such an appointment as a first step in exporting. Furthermore, if you appointed one of your sales executives to handle this, it would take this executive time before he or she gets to know the export market well enough to sell successfully.

In such situations, it is usual to appoint an agent. An agent is a person or firm that handles negotiations on your behalf. An export agent is simply an agent who is active in your export market. Agents work on the basis of commissions and do not assume your risks. Contrast this with a distributor who, being a direct customer, pays you for the goods you supply and takes over the risk of further marketing. In this manual, we use the word “agent” and the word “distributor” to refer to quite separate activities; do not confuse one term for the other.
• **Finding your agent**

There are good agents and bad ones; and even some good ones may not be suitable for your products or for your prospective customers. When selecting agents, check that:

- They are respectable business representatives
- They are not representing a competing producer
- They have the organizational structure and the facilities necessary to do a good job they have serious long-term interest in your product and are not handling too many other products
- They are experienced in your type of product and market area and have established connections

Finding, appointing and using an agent needs careful thought and planning. You first need a list of possible agents for your particular product. Your own embassy abroad or local chambers of commerce can probably supply you with that. You can then write to these possible agents, explain your requirements and ask if they are available to handle your product.

From the replies you can prepare a short list of the most suitable agents. If possible, visit each of them personally. In any case, obtain references from others, particularly from other firms that the agent represents and, if possible, from some customers.

It is very important that your relationship with your agent is clear. Your formal agreement should cover the following points in a way that makes misunderstandings impossible:

- A clear indication of who is the agent and who is the exporter and the purpose of the agreement
- A clear description of the products covered by the agreement (bearing in mind that you may wish to appoint a different agent for different products later on).
- A clear definition of the territory to be covered (for example, “the whole of Kenya” or the eastern seaboard States of the United States”)
- The duties of the agent in terms of publicity and the publicity back-up you will provide.
- The duties of the agent. Will the agent merely process orders? Or will he/she also handle import licenses and exchange control requirements? Will the agent work on a del credere basis. E.g. guarantee that you get payment from your customers in return for a higher commission?
- Payment and payment methods. For example, what is the commission? Will the commission and any other payment be made on all orders received from the sales territory, whether they are placed through the agent or directly with you?
- The duties of the exporter (for example on prices and terms of delivery).
- The type of market information to be supplied to the agent
- Which of you will pay for operating expenses such as those for cables, telephone calls and fax messages.
- The duration of the agreement and the way of cancelling it
- The law governing the agreement and the method of arbitration between you in the event of any dispute.

• **Method of paying agents**

It is usual for an agent to be paid on a commission basis. The commission is normally a percentage of the value of the goods sold and for which you have received payments from the customer. Because of this, agents are sometimes called “commission agents”. It is difficult to generalize about rates of commission. They may vary from less than 1% to more than 15%...
according to the nature of the market and the sales problems. For contracts covering a large volume of commodities to be delivered over a fairly long period, the agent’s commission may be under 1%. At the other extreme, an agent might get a commission of 15% for small orders for handicrafts.

Sometimes you will have an agreement with your agents to pay them a commission on all orders received from customers in their territory regardless of whether orders are actually placed through them. Whatever type of agreement you have, agents should always be told about orders received direct from customers so that they can follow up and possibly obtain repeat orders. You and your agent should also let each other have copies of all correspondence with customers.

- **Appointing your agent**
  When you have found your agent, it is important to have a clear written agreement with him or her. This must cover all the points that are potential sources of difficulty or disagreement in the future.

- **Relationship with your agent**
  To get the best out of your agents you should regard them as part of your organization. Whichever export market they are in, you should make sure that they are made to feel they belong to your firm. They cannot otherwise be expected to sell your products enthusiastically. You should:
  - Make your agents proud to represent you
  - Treat them as well as your own staff
  - Listen to what they can tell you about their local markets
  - Remember that they will be working for other exporters and that you cannot expect full-time service from them.

It is also worth bearing in mind the following practical do’s and don’ts in developing your relationship with agents:

<table>
<thead>
<tr>
<th>Developing your relationship with agents: “do’s”</th>
<th>Developing relationship with agents: “don’ts”</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Remember even in times of stress that they are part of your company</td>
<td>• Do not send the circular letters; treat them as individuals</td>
</tr>
<tr>
<td>• Give them all the information available on your products, especially new products being developed, and ask for their views on the market potential of these products</td>
<td>• Do not ask far too much information unless you pay extra for it; an agent’s primary task is to sell</td>
</tr>
<tr>
<td>• Help them to sell, especially by providing information on successful new ways of selling developed by agents in other countries</td>
<td>• Do not expect instant success, but do not forget him/her</td>
</tr>
<tr>
<td>• Put them in touch with any likely customers you have heard about</td>
<td>• Do not allow someone in your organization to contact your agents without an introduction</td>
</tr>
<tr>
<td>• Invite them to visit your company, and treat them like guests</td>
<td></td>
</tr>
<tr>
<td>• Always invite their assistance in preparing market plans</td>
<td></td>
</tr>
<tr>
<td>• Give them copies of all your correspondence with customers in their markets</td>
<td></td>
</tr>
</tbody>
</table>
5.2.2 Market Communications
We have looked at ways of selecting a target market for your product. Now we have to consider how to hit that target surely and effectively – how to communicate with it so that the market knows about your product and is persuaded to buy it.

Marketing communications means all the ways of sending sale-oriented messages to the people in the market we wish to influence (the target audience).

Advertising means purchasing space or time in a medium in order to present a message.

A medium is a means of sending messages. The word “media” is simply the plural of “medium”. Examples of media range from television to matchboxes to direct mail.

For the sake of simplicity, we sometimes use the word publicity to refer to all forms of marketing communications other than personal selling. But in the world of marketing the word “publicity” often has more specific meaning: placing messages in the media by means other than paid advertising.

1. Reaching your target audience
Personal selling is the most direct and usually the most effective means of communication. But obviously we can reach only a limited number of people in this way. Personal selling is the method most likely to obtain sales orders from direct customers.

But usually you will want to influence people all along the marketing channel, all the way to the end-user. This could mean reaching tens, hundreds, or even millions of individuals. Personal selling obviously could not do this job; you would have to use advertising, publicity or other means of marketing communications that can reach people in large numbers and, if need be, over great distances.

But you must be careful. While such forms of marketing communications can be powerful aids, they can also be a waste of money if they are badly planned or wrongly aimed.

Figure 9: Bushfire Festival - a major national Annual event to showcase your products
2. **Identifying your target audience**

- The first step in planning effective marketing communications is to identify your target audiences – the people who really count in achieving your goals. You cannot simply aim publicity at a vaguely defined “public” and expect an order to result. Examples of target audiences are retailers who handle your type of product, whom you want to encourage to stock your line; industrial buyers who use your kind of product (not all industrial buyers); agents who are in related businesses and might be interested in handling your line; particular groups of consumers (not consumers in general), such as consumers in an area where you have just established retail distribution, or consumers of a particular sex and income group or with specific interests – if these are the type of consumer most likely to buy your product.

- Find the best media and techniques to reach it economically and in the most suitable way. Your objective should be to avoid waste by picking the most specialized media possible. Simultaneously, you should consider which media are most suitable in qualitative terms for your particular purpose. For example, it may be important to show your product in good colour reproduction, or to present along, detailed story, or to make a strong impression with your brand name.

Very often, the choice of methods will be a compromise between:

- Reaching the target audience most precisely
- Using the most effective means in physical terms
- Your budget

Moreover, you will usually have to compromise on your target audience. You cannot afford to reach all target audiences of possible use to you. It is far better to establish priorities and to concentrate on reaching a limited target audience effectively than to spread your communications effort so thinly that it has no impact to anyone.

3. **Communications techniques**

Now let us look at the most important communications techniques and media available.

**Direct advertising** is marketing communications that can be aimed at named customers. The most obvious examples are direct mail, sales literature, and samples and gifts.

**Sales literature** consists of printed materials containing information on your product and your company, including leaflets, catalogues and price lists.

The great advantage of sales literature is that people can read it when convenient. When you make personal visits to customers or when they visit your stand at a trade fair, you can leave something that will remind them of your product. Well-designed sales literature presented during a sales visit can also have a favourable effect on a prospective buyer who has been difficult to persuade. It is important, though, that you face the fact that leaflets must be well designed and that you must be prepared to spend money for this purpose. Very often, your customer will judge you and your products by the quality and appearance of your sales literature.

**Direct mail** advertising is the sending of material, including sales literature, through the mail/email to selected or prospective customers.

It enables you to reach in a low-cost way only your prospects, whereas press or broadcast advertisements are seen by everyone who reads that part of the paper or is tuned in to the broadcast. With direct mail there is much less “waste” in terms of delivering your message to the
wrong people. Direct mail is not only a good means to communicate with customers when you are not able to see them but is also effective as back-up or follow-up to personal selling or trade fairs and trade missions. You can use your own list of contacts, or you can buy lists of every conceivable type of trader or other customer. Direct mail is a compromise between personal selling and more general publicity. The cost per contact and the impact lie between the two extremes. The following are some ways in which direct mail can be made as effective as possible:

- First select your target market – the types of customer you wish to contact in this way.

- You will then need a list of names and addresses. In most countries such lists can be drawn up from directories of importers or obtained from agents. Post offices sometimes provide lists and so might your chamber of commerce. Direct mail agencies in developed countries also have carefully selected lists and will undertake your direct mail work for you, or provide you with addressed labels.

- Direct mail should always be sent to a named person in a company, when you make lists, make sure the person most likely to be interested is addressed by name. Most companies make their own lists as they get to know individuals and identify good customers among them. You should do this yourself as you increase your sales in other countries. Lists that you build up yourself from your own experience are nearly always better than those obtained from someone else.

- You must then decide what you will send to the person on your mailing list – what kind of leaflet and in which language, what do you wish to say about your product and how will you persuade them to buy it?

- Where direct mail is used by itself it is important to include a reply form asking for more information or inviting a personal contact, so that you can follow up.

**Samples and gifts** can be used to promote exports to other countries and, in many markets, are extremely important part of publicity.

Samples are useful because they give customers a chance to see or try the product. For example, if you are trying to export coffee, prospective customers can be sent free samples, on the basis of which they may decide to purchase your coffee, sampling is often done in stores, for instance with free cups of coffee.

If you exhibit at a trade fair you may give away samples to visitors to your stand, an excellent way of attracting people to a stand. If you are on a personal sales visit abroad, you can have samples sent over to you, and offer them to your prospects so that they can see the quality of your products.

In direct mail a sample of a product is sometimes included with the literature. Another way is to offer samples to visitors when they come to see you; an example is a small packet of coffee to take away.

Remember, though, that samples cost money, so allow for them in your publicity budget.

Gifts are not quite the same thing as samples, because a gift does not have to be the product you are exporting. Gifts are sometimes in the form of calendars, pens, diaries and key-rings. If possible your gift should have some connection with your product or company; for example your company name should be printed upon it. Gifts are usually given on special occasion.
If visitors come to your country, you may like to give them a gift to take away with them so that they will remember you when they return to their country. An example is a small piece of pottery.

Gifts are charges on the publicity budget and have to be paid for. They help good relations, but they seldom directly result in sales.

![Processed Food Products from Eswatini Kitchen ready for Export](image)

**Figure 10: Processed Food Products from Eswatini Kitchen ready for Export**

**Trade fairs and exhibitions.** The purpose of trade fairs and exhibitions is to attract the customer to you! Trade fairs can be a very valuable marketing communications tool for exporters. The presence of other people in your trade is one of the major advantages of specialized trade fairs as it gives you a chance to examine the products of your competitors.

Trade fairs are a means for increasing exports. They involve foreign exchange expenditure and the use of your skilled staff. They must result in a good volume of sales; failure to achieve that mans a wastage of resources.

You must consider trade fairs in relation to the total marketing mix and any decision to exhibit should therefore be based on careful analysis.

Once you have decided to take part in a trade fair, the planning process must start. This includes setting up a planning guide, a detailed timetable and a budget. Unless each of these steps is carried out properly, the participation can end in embarrassing confusion, and cost far more than anticipated. Experience has shown that the following basic rules help keep these projects on track:

- One person should be made responsible for the entire operation as coordinator or project manager.
- Each task and responsibility should be identified at the outset. The time necessary for each should be estimated and their sequence determined.
- Based on this analysis, a consolidated working plan should be drawn up as early as possible, with clear deadlines.
- The persons or outside contractors to be made possible for carrying out each task should be identified.
- Ample lead times should be allowed – the longer these the better.
- Regular revision should be scheduled to spot any problems and to compensate for delays before they disrupt preparations.

There are various ways of planning for an exhibition. Many organizations draw up network analysis diagrams, which help show the connections between the various activities and the critical deadlines.
But whatever method is used, the basic procedure is such critical dates as the deadline for applying for space and shipping dates. A suggestion for a timetable follows.

A detailed budget should be drawn up as soon as possible after the decision is made to enter a trade fair. Although it will probably be necessary to wait for quotations and other information before all the items can be filled in with any exactness, a fairly close figure for the total costs must be obtained on time.

The planning timetable should provide for a periodic review and revision of the budget so that timely adjustments can be made in case of costs overruns. It is a good idea to add 15% for contingencies to the estimates for the major items.

Pre-fair promotion is vital and has two basic objectives:

- To inform the target group that you will be exhibiting at the fair
- To motivate individuals in this group to come to your stand

The techniques for achieving these objectives include: audience identification, preparation of promotional literature, direct contact through the mail, personal contact by telephone or by visits, press releases and contacts with the press, advertising and receptions.

Offer something that will draw the visitor’s attention (e.g. play traditional music) and attract them to your stand.

During the trade fair, manning your stand is critical.

Eswatini Investment Promotion Authority often help SMMEs to prepare for trade fairs and exhibitions in neighbouring countries. Besides offering technical and financial assistance, they often organize such participation, thus further reducing the cost for each company. You should therefore contact them if you wish to participate in a fair and see if you can get help from them.

**Point of purchase.** Point-of-purchase (POP) activities embrace a variety of promotional tools used in the retail outlet, that is, at the point of purchase. They include display materials, special events, demonstrations and samples.

Point-of-purchase promotion can be a most effective marketing communications tool because it influences the consumer at the moment of choosing a product.

POP is usually combined with other marketing techniques. The latter include offering retailers incentives to persuade them to use your display materials or newspaper advertising that alerts consumers to an in-store promotion.

**Mass media.** These are media that reach most of the public. Because advertising rates are based in part on the number of individuals reached by a medium, advertising in mass is usually expensive. The cost may be justified if your target audience is the general public (or large segments of it). Even if your target audience is not the general public but a specialized group (such as industrialists), the most effective available means of reaching them may be the mass media. Examples of Mass media are newspapers, consumer magazines, Television, Radio, cinema, posters etc

Many of the media described above can be used only by buying space or time. But there is another way to get your message into some of the media, i.e. using the techniques of public relations to obtain editorial publicity.
Editorial publicity is news and information about your company or product appearing in media such as newspapers, magazines, television and radio as non-advertising matter. The trade press is the most promising medium for this publicity effort, because it publishes news related to its readers’ specialized business interests.

Editorial publicity is sometimes called “free” publicity to distinguish it from paid advertising in the media, but good editorial publicity that puts your company or your product in a favourable light is seldom “free”. It usually the result of a carefully planned press relations campaign organized by an outside specialist such as a public relations consultant, and therefore costs some money.

Editorial publicity supports all your other promotional efforts. It can be a highly effective and inexpensive way of reaching your target audience. One way of getting editorial publicity is through press releases – the feeding of information to the media. Another way is through personal contacts with editors, holding press receptions, and organizing visits to your facilities.

### 5.2.3 Social Media

**Definition**
The global growth and development of information communication technology has seen the explosion in social communication and networking. This has its origin in the development of the World Wide Web in the nineties and has gained significant momentum as a business tool in the past five years. Social media is used to describe different techniques of social interaction and communication on the internet. Its popularity and growth has been fuelled in part on the availability on cell phone technology allowing people to have constant links with their social partners and friends. Outlets such as Facebook, LinkedIn, Whatsapp, MySpace, Instagram and Twitter have widespread, worldwide use and popularity. According to Facebook’s Press Room statistics, there are over 300 million Facebook active users worldwide, and more than six billion minutes are spent each day, by users, online (Facebook, 2009). The allure of social networking is tremendous, making it possible for people to connect globally, with ease and free of charge.

**Social Media Tools**
Many small and medium sized businesses utilize social media as a marketing tool because it costs less or nothing and it reaches a large audience. These social networking sites links peoples through their business sites and personal connections as well as opening up social network of your links. This therefore provides opportunities for you to obtain business leads, including identifying potential buyers for your products. Here are examples of Social media tools:

- **“TheFacebook.com”** started in 2004 at Harvard University, as a personal network between students. It quickly extended to other universities and then in 2005, it became Facebook.com, garnering worldwide recognition. The company’s overview states, “Facebook’s mission is to give people the power to share and make the world more open and connected. Millions of people use Facebook every day to keep up with friends, upload an unlimited number of photos, share links and videos, and learn more about the people they meet.”

Fan pages are becoming increasingly popular on the Facebook site. This is a page made by a business, cause, or individual that users may connect to as a fan. The fan page is then displayed through an individual’s profile to his connections, and that individual may encourage his connections to also connect to the fan page. A fan page allows for an individual to post information about her business separately from her personal page.
• For users in search of a business networking platform, LinkedIn.com is a professional social media website. First launched in 2003, users may add business contacts, provide recommendations and create a strong business network. The LinkedIn mission states, “Relationships Matter” and that “Your professional network of trusted contacts gives you an advantage in your career, and is one of your most valuable assets” (LinkedIn, 2009). LinkedIn provides value to the small business because it allows for an individual to share professional information with people he does business with, and make contacts with an associate’s network through introductions or an InMail function.

• Twitter.com is a combination of previous networking sites. It is a mini blog that has the ability of active updating to Facebook, which also has SMS or instant-messaging capabilities. The original concept of Twitter was “initially inspired by the concept of an ‘away-message’ merged with the freedom and mobility of [Short Messaging Service] SMS. Twitter began as an experiment in 2006. When value as an instant communication network during shared events like earthquakes, conferences, and festivals emerged, Twitter began to grow” (Milstein, 2009). The goal of a tweet is to get a point across in 140 characters. Twitter allows individuals and businesses to broadcast an announcement or status in real time. It enables users to pick who’s information they want to follow, who they want to allow to follow them, and if they want to be a part of any groups that they might find interesting.

Facebook, LinkedIn and Twitter are just a sample of social media formats available to today’s Internet users. Through social media, individuals and businesses find a way to connect on a virtual platform. “People spend hours surfing pages, checking out other members, and exchanging messages and they reveal a great deal of information about themselves. Businesses harvest this information to create carefully targeted promotions that far surpass the typical text and display ads found on the web. They also use the sites to interact with potential customers.

Application
• Social media is a popular marketing medium for small businesses because it costs little to nothing. Small businesses have limited advertising budgets, and social media provides a free venue for marketing.
• Social media provides an interactive forum for the small business to “meet” its customers. In traditional advertising, the advertiser broadcasts to an audience, but does not get immediate feedback. Social media facilitates a conversation between the small business and its customers.
• Social media provides a forum where businesses may start a conversation with potential clients, creating a relationship that allows for both the business and customer to decide if and when they will do business together.
• Social media allows businesses to decide whom they want to advertise to, essentially picking out their niche market.
  o On Facebook through a profile they can provide information to friends & family, with the creation of a fan page they can push it a bit further as friends of friends view profiles.
  o Twitter allows a business to be selective on who gets messages, or a business can join groups to help get their name out there.
  o LinkedIn allows businesses to connect through their colleagues, so that they are only offering their services to those already a part of their network.
• Social media provides a means to communicate directly with friends and friends’ friends, rather than casting a wide net. As friends of friends also connected to the page, businesses can learn more about the potential clients by looking at their profile information or asking friends and family about the person.
• Search engine optimization (SEO) is a benefit of social media presence. As search engines continue to evolve, small businesses benefit from appearing in unsponsored search links (links
that were not paid for), because the more presence a small business has on the Internet, the more likely it will appear in a keyword search.

Observation

- The interactive relationships developed between customers and businesses through social media provide businesses with a competitive advantage. When used wisely, social media enables the small business to gather information about and respond to customer needs faster than through traditional marketing.
- Find a social media tool that is manageable and positively reflects the product or service you offer. When a business does not select the correct avenue, the advertising may lose value or tarnish a company’s image.
- Once a small business selects an appropriate social media platform, it should make initial connections with people already familiar with the company or product. If a small business asks current customers to add the fan page to their social media, not only will other customers see it, but their friends and other contacts will see it as well. This phenomenon of obtaining business through social networking is called “word-by-mouse” rather than word-of-mouth advertising.
- A business owner must make the decision on how much or how little online exposure he desires to obtain. On Facebook, business owners may elect to steer current and potential customers to a fan page. The fan page gains a following through word-of-mouse networking, and a dedicated business page will keep the focus on the business, rather than the business owner’s personal information.
- Social media users must also remember that once they publicize their pages, it is open to anyone that performs a web search. Business owners should perform frequent searches on Google and Yahoo search engines to observe what content are in the public forums. A business owner may also elect to receive email or mobile text alerts when their name or their business’ name makes a new appearance in a search engine.
- For a new business trying to create a presence on social media site, like Twitter, online resources can also help.
5.2.4 Activities

Question 1:

Read and comment on the following agreement?

The Agreement

This agreement is between the Garment Company (the manufacturer) and Mr Y. Evirgen of Ankara, Turkey (the agent).

1. The manufacturer hereby appoints the agent as his representative in Turkey (the territory) with effect from January 1st next.

2. The product covered all leather garments manufactured by the manufacturer any time during the currency of the agreement. Any other products that may subsequently be manufactured by the manufacturer are not covered by this agreement and would have to be the subject of a separate agreement.

3. The agreement is to run for a trial period of one year, and may be terminated on December 31st next year at the option of either party provided notice is delivered to the other party by October 31st or before. Thereafter the agreement may be terminated by either party by written notice delivered to the other at least one year before the proposed date of termination.

4. The agent agrees to devote his best efforts to promoting the sales of the manufacturer’s products, and not to accept any agency or otherwise to promote the product of a competitive or potentially competitive product unless specifically permitted to do so by the manufacturer.

5. The manufacturer agrees to pay the agent a commission at the rate of 5% of the ex-works value of all orders, for leather garments received and accepted during the period of his appointment for delivery into the territory, whether or not the order were sent direct by the agent. Such commission will be paid only when goods have been paid for by customers, and payments are to be made in arrears quarterly. The manufacturer further agrees to inform the agent of all inquiries received and other dealings it may have with the territory.

6. The manufacturer will supply the agent free of charge with reasonable supplies of publicity material and samples. Any samples or publicity material not disposed of with the agreement of the manufacturer are to remain the property of the manufacturer and are to be returned to the manufacturer at his own expense at the termination of the appointment.

7. The agent will pay for all travelling, office, stationery, postage and administrative expenditure within the territory. Any advertising will be paid for by the manufacturer will be paid for by the manufacturer at his discretion when it has been authorized by him.

8. The manufacturer shall reimburse the agent for any expenses involved in visiting the manufacturer’s country if the agent is requested by the manufacturer to make such a visit. During any such visit, the agent will devote himself wholly to the business of the manufacturer unless specifically permitted to do otherwise.

Signed on behalf of garment Company:

Peter Smith, Managing Director

Witnessed:

Date:

Signed: Y. Evirgen, Agent

Witnessed:

Date:
### Question 2: Questionnaire on deciding whether to exhibit

#### Trade Fairs and Exhibitions – Questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>
| 1. Have you identified your priority products? No?  
- Identify them (then go to question 2) Yes? Go to question 2 |           |    |
| 2. Have you identified priority markets for each priority product?  
- No? Identify them (then go to question 3) Yes? Go to question 3 |           |    |
| 3. Does this market have high priority?  
- No? Do not exhibit there unless you have already covered the priority markets. Yes? Go to question 4 |           |    |
| 4. Has the potential for your products in this market been appraised?  
- No? Conduct market research (then go to question 5) Yes? Got to question 5 |           |    |
| 5. Do your products meet market standards?  
- No? Do not exhibit unless they can be adapted in time for the fair. Yes? Go to question 6 |           |    |
| 6. Will the product be available in sufficient quantity?  
- No? Do not exhibit Yes? Go to question 7 |           |    |
| 7. Has a marketing strategy been decided and a budget established?  
- No? Decide on the best marketing mix (then go to question 8) Yes? Go to question 9 |           |    |
| 8. Does your marketing communications mix include exhibiting?  
- No? Do not exhibit. Yes? Go to question 10 |           |    |
| 9. Is the trade fair suitable?  
- No? do not enter it. Seek an alternative fair. Yes? Go to question 10 |           |    |
| 10. Do the exhibiting costs fit the budget?  
- No? Use media that you can afford Yes? Go to question 11 |           |    |
| 11. Is suitable stand space available?  
- No? Do not exhibit unless you can overcome the disadvantage by pre-fair promotion. Yes? proceed to planning stage |           |    |

#### Here are some notes on the above questions.

Question 2. It makes no sense to undertake costly promotional activities like participating in trade fairs until you have decided what products you should promote and in which markets.

Question 3. If a market is not a priority market, money would probably be spent more effectively in another market.

Question 4. Even if a foreign country imports large quantities of the product you wish to export, it does not follow automatically that you will be able to sell your product there. Your price may be too high; transport costs may be prohibitive; you may not enjoy preferential tariff treatment; competition may be too tough; Situations of this kind may not be evident until you have gone beyond the bare import statistics and undertaken some market research.

Question 5. Your product may be suitable and competitive I its essential aspects but may not meet certain standards in such areas as sizing, labelling, colour, taste, packaging or quality control. Showing products that are not up to standard could cause potential buyers to lose interest and possibly become prejudiced against you as a supplier. Rather than risk such a negative reaction, it would be wiser to wait until the product is made right before introducing it to the market.

Question 6. It may be that you cannot produce enough to meet the delivery requirements of large buyers. Your market research should have indicated whether or not this is likely to be the case; if the situation is likely, there would be no point in exhibiting.

Question 7 and 8. Even if you have established that a market has great potential for your product, exhibiting at a trade fair is not necessarily the most cost-effective way to penetrate that market. Exhibiting may shift money
away from the promotional activities that can produce better results. For example, making a series of individual sales class on large buyers may be more fruitful.

Obviously, before you can make a sensible decision on going into an exhibition, you must first have studied the market and how it works., defined your marketing problems, selected the best ways of solving them with your financial means, and allocated budget provisions to the various elements of your marketing strategy. Having done all this, it would be foolish to decide to go into a trade fair if this was not in accord with your marketing strategy and if it would disrupt your budget.

Question 9. Your marketing strategy may call for exhibiting at a trade fair. But is this fair the best one? Does it attract your target audience – the people from the business sectors you wish to reach, from the right level of distribution, from the right companies. Are they really buyers? Is there a better fair?

Answering these questions requires some research (such as talking to some wholesalers). If you find that the fair you are considering is not suitable and that there is no alternative fair, you would probably be better off using another marketing communications technique than going into the fair.

Question 10. The cost of going

**Question 3:**

a. Discuss the various Social medium platforms that you are currently using.
b. How useful is it to your business?
c. Open a face-book account if you have not got one already?
6. Export Procedures and Documentation

6.1 Learning Outcomes

- List the different Trade Agreements signed by Eswatini
- List key export documents and key stakeholders
- Explain the export process and the flow of Goods and money in the export value chain
- Identify commonly used incoterms
- Explain the tariff codes
- Describe services provided by freight Forwarder
- Guidelines for registration of Exporters for preferential markets

6.2 Module Content: Export Procedures and Documentation

The objective of this section is to inform the exporter/potential exporter of the procedures and the various types of documentation required to successfully facilitate the export of goods from Eswatini. Proper paperwork and documentation are essential for the efficient execution of an export order. Forms should be completed meticulously and procedures followed correctly to avoid misunderstanding and delays that are costly. The procedures seem daunting and not clear if you are exporting for the first time. However, in addition to the information provided here you will find the office of the Eswatini Revenue Authority extremely helpful and will clear any uncertainties especially on compliance. There are there to help you to succeed in your export business. Clearing Agents and your bank should also be good sources of information as well as consulting your Chamber of commerce (SFE, FESBEC, SWIFT etc.) or other exporters.

6.2.1 Eswatini Revenue Authority

You must be registered as a business entity with the Eswatini Revenue Authority. You may be an individual, cooperative, partnership, SMME or corporate body your registration will help identify you as a legal business entity and will be issued with a TIN number (Tax Identification Number). Once the registration is done you can then periodical complete and secure the necessary export documents you require for each export cargo you make.

The Eswatini Revenue Authority is also responsible for the collection of taxes, customs and excise duty on all goods which come into the country. As far as exports are concerned, the interest stems largely from the need to keep records for economic planning purposes and ensuring that products that are exported into markets with which Eswatini has trading relations with, the required documentation to enable preferential access into the target is correctly processed. Relatively few goods are subject to export controls. While imports are also of statistical interest, they are invariably subject to a number of import controls which are put in place to control the entry of say, health—or environmentally-sensitive products, to protect certain industries and/or to generate revenue for the country.

The enforcement of export and import controls is the responsibility of customs authorities. Whenever goods enter or leave a country, they have to be ‘cleared’ by customs. This involves customs officials;

- Checking that imports and exports comply with import/export regulations of the country
- Checking that the correct documentation has been submitted in support of imports/exports
- (where relevant) examining, and collecting duties or taxes on, goods
- For goods requiring ‘origin’ certification that the exporter/manufacturer meet the requirements under the relevant trade agreement and that the appropriate documents (primarily the Certificate of Origin) are processed at the time of exporting the goods.
Other responsibilities include:

- **Being on the look-out for possible fraudulent activities** (e.g. smuggling or under-valuing goods to attract lower duties) and **reporting such offences** to the authorities.
- Ensuring that appropriate financial reporting requirements are met with respect to export transactions by administrating the requirement for F178 controls to facilitate collection of information pertaining to the payments of foreign currency received from the country’s exports.
- **Keeping records** and making such information available to customs administrations and/or other government departments to assist in the compilation of a country’s trade statistics, etc.

Your customs registration number/code must then appear on every customs declaration form.

**6.2.2 Eswatini Multi-lateral Trade Agreements**

You are encouraged to make full use of preferential trade agreements to which Eswatini is a signatory. The purpose of a Trade Agreement is to stimulate and encourage trade between Eswatini and the countries who sign the agreement, by giving one another preferential treatment in the reduction or elimination of customs duties. The non-payment and/or reduction of duty has the effect of lowering prices and allowing products to become competitive in the importing markets.

Eswatini Revenue Authority are also the custodians of the Trade Agreements which the Eswatini has signed with other countries. These agreements offer preferential tariffs to Eswatini exporters. ERA will validate your products and will issue you with the Certificates of Origin which will enable you to market to the country covered by the agreement. (See Guidelines for Registrations of Exporter for Preferential Market Access at end of this Module)
Table 5: Eswatini Multilateral Trade Agreements

<table>
<thead>
<tr>
<th>Trade Agreement</th>
<th>Countries/Members</th>
<th>Size, Liberalization &amp; Market Access</th>
</tr>
</thead>
</table>
| 1. Southern African Customs Union (SACU)             | The Kingdom of Eswatini, South Africa, Botswana, Namibia, Lesotho                   | · 55 million population, with South Africa as major trading partner  
· Allows for Free movement of goods within the customs union |
| 2. Southern African Development Community (SADC)     | The Kingdom of Eswatini, **Angola**, Botswana, Lesotho, Madagascar, Mauritius, Namibia, Tanzania, Mozambique, South Africa, Malawi Zimbabwe, Zambia, **Seychelles**, **DR Congo** | · 238 million population  
· Free trade area with preferential market access for goods and further integrating to customs union |
· Free trade area with preferential market access further integrating to a customs union,  
· Eswatini only SACU member state currently in COMESA |
| 4. Generalized System of Preferences (GSP)           | Reviewed periodically and some countries change: Australia, Japan, New Zealand, USA, EU, Russia, Switzerland | · Over 600 million population  
· The Kingdom of Eswatini as beneficiary country enjoys preferential market access  
· Scheme enables developing countries to access markets of industrialized countries |
| 5. African Growth Opportunity Act (AGOA)*            | USA                                                                               | · 300 million population  
· Duty free and quota free market access for over **1600** tariff lines |
| 6. Economic Partnership Agreement (SADC-EU EPAs)     | EU 27/28                                                                          | · 500 million population  
· Duty free entry for Swazi products to EU 27 |
| 7. SACU-European Free Trade Association (EFTA)       | Switzerland, Iceland, Norway, Lichtenstein                                         | · 12.8 million population  
· Preferential market access for Eswatini products |
| 8. SACU-Mercosur Preferential Trade Agreement        | Argentina, Brazil, Paraguay, Uruguay, Venezuela                                    | · 285 million population  
· Preferential (and sometimes duty-free) market access for Eswatini products |
| 9. The Economic Cooperation Agreement between Taiwan and Eswatini | Taiwan                                                                            | To ensure sustainable development that seeks to protect and preserve the environment and to explore new areas of economic, trade and investment through various methods, such as engaging in cooperation and personnel exchanges and other types of cooperation as provided in this Agreement or agreed by the Parties.  
The Republic of Taiwan will eliminate tariffs on listed products except for Sugar from Eswatini. (See List below) |
6.2.3 Rules of Origin

Every agreement has Rules of Origin (RoO) which indicate how export products can be eligible for preferential treatment in the country of destination. The Rules are a set of criteria that is used to confer qualification status to products that are produced within the territories of the signatory Member States. The basis of these Rules is that the products in question must have a specific local content input from the country which is exporting them.

A product can qualify in one or two ways:

- If wholly produced in Eswatini. These are natural products and goods made from natural products which entirely obtained in Eswatini (examples are minerals, vegetables, animals and products entirely from Eswatini)
- If manufactured, a product must have undergone an acceptable amount of processing/transformation and has a specified percentage of local content. Three criteria are most commonly used: (See Figure 5 Below).
  a. Value Percentage - value of the non-originating materials limited to a certain percentage of the ex-works price of the finished product:
     - This means that the value of ALL the non-originating materials used may not exceed a certain maximum ex-works price of the final product, e.g. 40%, of the ex-works price of the final product
     - The comparison is made between the ex-works price of the product and the value of all non-originating materials.
  b. Change of Tariff Classification: non-originating materials used must be from a different HS tariff heading or subheading than the final product:
     - This means that all non-originating materials used must come from a heading or subheading other than that of the finished product
  c. Specific Process Criterion: certain operations or stages in a manufacturing process have to be carried out on any non-originating materials used. – a particular process must be performed on non-originating materials; – the product must be produced from a specific raw material; or – It can be manufactured from non-originating material from any heading
     Sometimes a combination of two or more of these three criteria is used.
- Some processes might be adding value to a product through simple processes or slight alterations, e.g.
  o Cutting and re-packing vegetables,
  o Breaking up and assembling of packages
  o Quick-freezing meat portions, or
  o Simply painting and polishing operations

These are not regarded as sufficient processing to confer origin, as they:
  o Do not alter the character of the product sufficiently or
  o Could be aimed at circumventing origin requirements and therefore customs duties.
6.2.4 Certificate of Origin
The Certificate of Origin is a security document that authenticates that the products being traded satisfy the Rules of Origin and hence qualify for preferential treatment. Exporters are required to apply for the appropriate Certificate of Origin for each export consignment and is forwarded to the importer/clearing agent so that preferences are accorded by the customs authorities of the importing country.

A Certificate of Origin is required when demanded by the country of destination or when the export is being conducted under a scheme of preferential tariffs. The following are the Certificate of Origin that are required:

- EUR1 Movement Certificate - for goods being exported to the European Union countries;
- EUR1 Movement Certificate - for goods traded under SACU-EFTA
- GSP (Generalised System of Preferences) Certificate Form A - for export to countries that offer tariff preferences;
- COMESA Certificate of origin for export to countries which have ratified the COMESA Free Trade Area Agreement;
- SADC Certificate of origin for export to countries which have ratified the SADC Protocol on Trade;
- AGOA – for products of textile and apparel industry if exported into USA
- Taiwan Certificate of Origin

As an exporter you apply for the certificate of origin from the Eswatini Revenue Authority. If your application is successful (i.e. the products qualify as originating from Eswatini), you are allocated a reference number which must be quoted on every Certificate of Origin (CoO) when exporting the products to those specified countries.

The Certificate of Origin, bearing the Eswatini Revenue authority stamp, should be forwarded to the customer/importer to enable clearance of the goods at preferential rates.
6.2.5 Flow of Goods and Money in the Export Value Chain

There are a number of different entities that play a part in the fulfilment of an export order. These could include:

- The importer who is purchasing products from a supplier in Eswatini
- The (You) exporter who is supplying the importer with the required products and may, or may not, also be the producer/manufacturer of the goods
- The import licensing authority in the importer’s country, a government body whose role is to implement import controls by issuing import licenses where these may be required for specific categories of products
- The sales agent who promotes and secures sales of the exporter’s product in the foreign market for which he is paid a commission.
- The credit insurer who insures the exporter against the risk of non-payment in respect of all consignments destined for the importer’s country
- The marine/cargo insurer who insures the consignment concerned against the risk of loss or damage during transit
- The export controlling authority which can be any of a number of government departments (The Eswatini Revenue Authority); The Ministry of Agriculture (Malkerns Research Institute, Veterinary Services, Ministry of Health etc) depending on the product concerned, whose task is to control the export of strategic and life or environment-threatening products from Eswatini through the issue of export permits or certificates.
- Foreign consulates in Eswatini or a neighbouring country which verify/certify the prices and origin of products which are to be exported into their respective countries
- Eswatini Revenue Authority which issue certain certificates of origin and offer other forms of export assistance
- The clearing and forwarding agent who arranges transport and customs clearance of the goods for export (and may also provide other services such as warehousing and marine/cargo insurance)
- The customs authority, a division of the Eswatini Revenue Authority which clears goods for export and monitors adherence to export, certain foreign import (e.g. quotas) and foreign exchange control
- The Central Bank which controls Eswatini’s foreign exchange inflows and outflows, and requires exporters to declare their anticipated foreign currency proceeds from export sales prior to goods leaving the country using the F178 form which must also be attached to the export declaration form.
- The importer’s bank which raises the letter of credit, subject to certain conditions, at the request of the importer and pays the exporter on receipt of specified, L/C compliant documents
- The Eswatini corresponding bank, which on behalf of the importer’s bank, advises the exporter of the arrival of the letter of credit, and may also accept and check the documents for compliance with the letter of credit, forward them to the importer’s bank for payment and arrange for the exporter’s account to be credited accordingly.
- The foreign customs authority which clears the goods for import into the foreign country, ensuring they do not contravene any health, safety, quality or environmental regulations and collects relevant duties and taxes

Although 16 different parties have been identified above, the list is by no means exhaustive. Carriers, such as Eswatini Railways and the vessel owner, have not been mentioned; nor has Transnet National Ports Authority in South Africa to which cargo dues and terminal handling charges must be paid at the ports of Richards Bay and Durban, nor the inland container terminal operator.
which has arranged delivery and collection of the container(s) and its/their onward dispatch to the port. The reason for the non-inclusion of these entities lies in the exporter’s decision to use the services of a freight forwarder who interfaces with them on behalf of his principal (the exporter).

Non-governmental inspection bodies may also play a role where goods are consigned to developing countries – the governments of these countries generally require verification of the quality of the goods to be imported and assurance the price to be paid is appropriate.

6.2.6 Documentation

The flow of goods and the flow of funds are activated by documents which must be presented at various points along the export supply chain.

Upon receipt and acceptance of a bona fide export order it is the duty of the seller (exporter) to organise his business so that the goods are ready for dispatch to the customer. At the same time the seller should start arranging the necessary documentation to ensure smooth passage of the goods across the borders.

These include:

- **The enquiry** that invites the exporter to quote in respect of the supply of a particular quantity of specified products
- **The quotation** is the exporter’s response to the enquiry once he has examined the feasibility of supplying the goods concerned and often takes the form of a pro-forma invoice.
- **The proforma invoice** (which replicates the commercial invoice) contains all the terms and conditions of sale for inclusion in an irrevocable letter of credit. It is also often a prerequisite for the issue of an import permit in the importer’s country.
- The importer draws up a **purchase order** in which he formally states his intention to purchase specified products subject to certain terms and conditions
- **The import licence** authorizes the importation of the goods concerned and is required by foreign customs at the port of entry for the purposes of import clearance
- **The order confirmation** by the exporter brings the contract of sale into being
- **The contract of sale,** when embodied in a stand-alone document, has usually been drawn up by a lawyer to cover large, recurring and/or complex transactions. The document is intended to protect each party in the event of non-performance by the other and consequently spells out every agreed detail pertaining to the sale of the goods including how any dispute should be handled and which country’s law should govern the contract.
- **An application for export facilities (Form CE 185)** must be completed and submitted to the relevant government authority (Eswatini Revenue Authority)
- **The freight transit order** issued by Eswatini Railway as a receipt for goods consigned by her to a port or other destination
- **A credit insurance certificate** evidence cover of a specific transaction under a credit insurance policy
- **A marine/cargo insurance policy/certificate** evidences that a particular consignment is covered against loss or damage attributed to specified risks during transit
- **Special certificates (e.g. sanitary, inspection)** refer to those certificates required for the export of specific products subject to export control, e.g. fresh meat, poultry, cut flowers, and vegetables. They are issued by the relevant government department.
- **A certificate of origin/value and origin** verifies the origin of a product in accordance with specific rules relating to origin and in the case of a certificate of value and origin, also specifies that the product pricing fairly reflects its value.
• **A consular invoice** is a commercial invoice which is verified (legalized) by a consulate of the importing country situated in or near the exporting country.

• **The commercial invoice** provides the contract details of the exporter and importer, a precise description of the products sold, the prices and currency of the transaction, the terms of delivery and payment, and other conditions of sale.

• **The packing list details** the various items and their quantities conveyed in each pack so that the contents of missing or damaged packs can be easily identified and customs officials know where to locate specific items which they may wish to inspect.

• **The bill of exchange or draft** is a negotiable financial instrument which on signature legally binds an importer to effecting payment on due date.

• **The export permit permits** the export of goods which are subject to export control.

• **The customs declaration form (SAD 500)** is a multi-purpose customs declaration on which the types, volumes and values of goods leaving and entering the country are specified. This enables customs officials to compile trade statistics and monitor adherence to export and import controls.

• **The internal works order** instructs warehouse or production personnel to produce certain quantities of goods according to specification by a particular date.

• **The forwarding instruction** provides the freight forwarder with all the consignment information he is likely to need to effect delivery of the goods to a particular place by a specified time.

• **The letter of credit indicates** the terms and conditions of payment by the issuing bank, compliance with which must be confirmed by the information provided in certain documents, e.g. the bill of lading, cargo insurance policy, commercial invoice, inspection certificate, certificate of origin and packing list.

• **The container terminal order (CTO)** instructs a terminal (in this case inland) to deliver an empty container to appoint within a prescribed area for stuffing, and to collect the packed and sealed container and return it to the terminal for onward conveyance by unit train to a port or other inland terminal. (In South Africa today, the CTO mostly takes the form of a pre-announcement EDI message despatched to a terminal via an on-line web facility.)

• **The Transnet National Ports Authority** export cargo dues order evidences the payment of cargo dues levied for the use of poet equipment.

• **The bill of lading** is an ocean transport document which evidences receipt of the goods by the vessel captain/shipping line, the contract of carriage and title to the goods.

• **The Balance of Payments Form (Outward Payment Flows)** is an application to purchase foreign currency from the bank.

• **The Balance of Payments form (Inward Payment Flows)** is an offer to sell foreign currency to a bank. This form cancels the obligation of the exporter to repatriate export proceeds.

The above documents are categorised in Table 6.
<table>
<thead>
<tr>
<th>1. <strong>Payment related documents</strong> (not those that are required to effect payment)</th>
<th>2. <strong>Docs to Effect Movement of Goods</strong> to the destination stipulated by the importer</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Quotation</td>
<td>• Freight transit order</td>
</tr>
<tr>
<td>• Proforma Invoice</td>
<td>• Forwarding instruction</td>
</tr>
<tr>
<td>• Order</td>
<td>• Container terminal order</td>
</tr>
<tr>
<td>• Order confirmation</td>
<td>• Transnet National Ports Authority export cargo dues order</td>
</tr>
<tr>
<td>• Contract of sale</td>
<td>• Bill of lading</td>
</tr>
<tr>
<td>• Credit insurance certificate</td>
<td></td>
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<tr>
<td>• Bill of exchange</td>
<td></td>
</tr>
<tr>
<td>• Letter of credit</td>
<td></td>
</tr>
<tr>
<td>• Balance of Payments Form (inward Payment Flows)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Those which are of <strong>specific legal implications</strong> are:</th>
</tr>
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<tbody>
<tr>
<td>• Contract of sale</td>
</tr>
<tr>
<td>• Commercial invoice</td>
</tr>
<tr>
<td>• Import license</td>
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<tr>
<td>• Order confirmation</td>
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<tr>
<td>• Export permit</td>
</tr>
<tr>
<td>• Freight transit order</td>
</tr>
<tr>
<td>• Credit insurance certificate</td>
</tr>
<tr>
<td>• Bill of exchange</td>
</tr>
<tr>
<td>• Balance of Payments Form (Outward Payment Flows)</td>
</tr>
<tr>
<td>• Balance of Payments Form (Inward Payment Flows)</td>
</tr>
<tr>
<td>• Customs declaration form (SAD 500)</td>
</tr>
<tr>
<td>• Container terminal order</td>
</tr>
<tr>
<td>• Bill of lading</td>
</tr>
<tr>
<td>• Transnet National Ports Authority export cargo dues order</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>4. <strong>Documents which relate to the foreign market buyer requirements</strong> are:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Quotation (buyer)</td>
</tr>
<tr>
<td>• Proforma invoice (buyer)</td>
</tr>
<tr>
<td>• Import licence (buyer)</td>
</tr>
<tr>
<td>• Order confirmation (buyer)</td>
</tr>
<tr>
<td>• Contract of sale (buyer)</td>
</tr>
<tr>
<td>• Marine/cargo insurance certificate (buyer)</td>
</tr>
<tr>
<td>• Inspection certificate (buyer, country)</td>
</tr>
<tr>
<td>• Sanitary (buyer, country)</td>
</tr>
<tr>
<td>• Certificate of origin (buyer, country)</td>
</tr>
<tr>
<td>• Consular invoice (buyer, country)</td>
</tr>
<tr>
<td>• Commercial invoice (buyer, country)</td>
</tr>
<tr>
<td>• Packing list (buyer, country)</td>
</tr>
<tr>
<td>• Bill of lading (buyer, country)</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>5. <strong>Those which ensure Eswatini statutory requirement are met are:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Form CE 185 (application for export facilities)</td>
</tr>
<tr>
<td>• Export permit</td>
</tr>
<tr>
<td>• Special phyto-sanitary/inspection certificate</td>
</tr>
<tr>
<td>• SAD 500</td>
</tr>
<tr>
<td>• Balance of Payments Form (Outward Payment Flows)</td>
</tr>
<tr>
<td>• Balance of Payments Form (Inward Payment Flows)</td>
</tr>
</tbody>
</table>

Certain documents fall into several different categories indicating that they are multi-purpose. For example, the bill of lading fulfils several different roles: it is a document needed to move goods, it has legal implications and it is required by the importer to gain release of the cargo from the shipping list and by the importer’s country to effect clearance of the goods for the purposes of importation. In addition, although it is not a payment-related document, it is in the case of sea transport—one of the documents required to effect payment under a letter of credit. Similarly, the commercial invoice is a payment related document, is required by the foreign country for customs clearance purposes and is legally binding on the supplier of the goods concerned.

### 6.2.7 Sequence of Steps Involved in a Typical Export Transaction

Having identified the respective roles of the players and the purpose of the documents in the flow chart, the next step is to identify the administrative activities involved in exporting and the sequence in which they should take place.

1. The process presupposes that a certain amount of marketing activity, orchestrated and financed by the exporter, has taken place in the foreign market. As a result, the exporter’s overseas sales agent elicits an enquiry from a prospective importer and relays this back to the exporter in South Africa.
2. The exporter acknowledges receipt of the enquiry

3. He then immediately undertakes a feasibility study to determine whether or not he can supply the goods required, meet the required delivery dates and handle the risks involved. He usually approaches his credit insurer or his bank for assistance in determining the extent of any political commercial risk associated with either the country or the importer.

4. Assuming that the results of the feasibility study are positive, the exporter accurately costs the transaction and prepares a detailed quotation/proforma invoice on which he specifies his preferred terms of sale, e.g. trade term, payment method, etc.

5. If the quotation is acceptable, the importer then sends an order to the exporter.

6. The exporter checks the order to ensure it complies with the quotation in every respect, and confirms the order subject to the issue of an import license (should this be a foreign market requirement). The order constituted an offer to buy by the importer. The exporter’s acceptance of the offer thus brings into effect the contract of sale.

7. The importer now applies to his bank for an irrevocable letter of credit (assuming this is the agreed method of payment)

8. The importer’s bank forwards the letter of credit (L/C) to its correspondence bank in Eswatini which notifies the exporter of its arrival.

9. On receipt of the letter of credit, the exporter should check it carefully to ensure that all the required conditions can be met.

10. Assuming no problems are identified, the exporter confirms his acceptance of the L/C.

11. The exporter then applies for an export permit should this be necessary

12. He then submits an internal works order to the factory for production of the goods concerned or alternatively to stores for the quantity required.

13. The exporter books space with carrier or alternatively issues forwarding instructions to his freight forwarder.

14. The goods are manufactured according to specification or alternatively sourced.

15. The exporter then arranges for the inspection of the goods prior to packing (should this be a requirement of the foreign country/buyer)

16. Once the goods have been produced and inspected, the exporter ensures that they are packed so as to provide adequate protection for the duration of the journey and that the packed items are clearly marked to ensure their safe arrival at the place of destination.
17. The exporter then sees to it that all the necessary documentation (other than that handled by the clearing and forwarding agent) is either acquired from external sources or accurately completed by his own personnel.

18. Assuming that the letter of credit does not have the confirmation of an Eswatini bank, the exporter may approach a credit insurer to insure his company against the risk of non-payment. Depending on the terms of the sales contract, he may also approach a marine/cargo insurance underwriter to insure the cargo against loss or damage during transit.

19. Thereafter he forwards certain documents, e.g. a copy of the commercial invoice, export permit, letter of credit, etc, to his clearing and forwarding agent.

20. The clearing and forwarding agent clears the goods through customs in Eswatini/South Africa, pays the export cargo dues on behalf of the exporter and effects the dispatch of the consignment to the specified place of delivery.

21. The agent send the transport document (bill of lading) and copies of other documents he has prepared (SAD 500, Transnet National Ports Authority export cargo dues order, CTO) in respect of the consignment to the exporter

22. The exporter submits all the documents required in terms of the L/C to the Eswatini bank which originally notified him of the arrival of the L/C

23. The Eswatini bank checks that the documents comply with the stipulations in the L/C and provided there are no discrepancies, sends the documents to the importer’s bank

24. Depending on the payment terms, e.g. sight, 30 days, 60 days, etc, the importer’s bank will pay the exporter and debit the account of the importer accordingly

25. Once the importer has the documents, he can take possession of the goods and arrange customs clearance in his own country.

26. The exporter then purchases foreign exchange from his bank in order to pay commission to his foreign sales agent.

27. In terms of existing exchange control regulations, the exporter is obliged to advise the bank whether his foreign currency proceeds are to be converted at the spot rate or the forward rate (should a forward exchange contract be in place) within 30 days of receipt of the funds. If these instructions are not received, the bank is entitled to place the funds in a Customer foreign Currency (CFC) account for 180 days.

6.2.8 INCOTERMS® 2010
In any international trade transaction, the obligations of both buyer and seller in respect of the delivery of goods need to be clearly defined. A standard set of delivery terms, known as Incoterms, was devised by the International Chamber of Commerce for this purpose and is used internationally.

Incoterms are concerned with three aspects of an export transaction:
- which party bears the costs of delivery
- which party bears the risk (loss of, damage to, the goods) of delivery
- which party carries the responsibility for ensuring that the goods are delivered

Incoterms are not concerned with methods or terms of payment, or the point at which ownership of the goods passes from seller to buyer.

The latest Incoterms (i.e. Incoterms 2010) cover **11 different stages of delivery**, ranging from a point of delivery that carries the minimum cost, risk and responsibility for the exporter to a point of delivery that carries a maximum obligation for the exporter, i.e. from ‘Ex Works’ to ‘Delivered Duty Paid’ respectively.

Incoterms fall into **4 categories**: E, F and C terms (departure terms) and D terms (arrival terms).

**Departure terms** are those which specify the passing of risk, and thus the point of sale, at a point within the exporting country. Where a contract of sale is governed by a departure term, it is called a **shipment contract**. **Arrival terms** are those terms which specify the passing of risk, at some point in the importing country. Sales contracts governed by arrival terms are known as **arrival contracts**.

Four Incoterms can be used only for **ocean transport**: These are FAS, FOB, CFR and CIF. The remaining seven Incoterms can be used for **all transport modes**.

**Factors affecting choice of INCOTERM®**
- The importer’s requirements
- The mode of transport being used
- The type of cargo, e.g. bulk, break bulk or containerised
- The competitiveness of the market
- The regularity of shipments/quantity of goods shipped
- The risk of political disturbances, strikes, etc
- Government influence

The Incoterms that an exporter is most likely to use – at least initially – are:

- **Free on Board(named port of shipment) – FOB**
  Under FOB, the seller is responsible for all the costs and risks involved in having the goods customs cleared for export and delivered over the ship’s rail (on board the ship) at a nominated port in South Africa. The importer, on the other hand, meets the costs of the main freight leg, marine insurance, customs clearance for import and inland transport to the buyer’s warehouse, and assumes the risk from terms, e.g. FOB Durban, FOB Maputo, etc. FOB can only be used for goods conveyed by ship. For example, if goods destined for Zimbabwe are sold ‘FOB Railway Station, Mbabane’, the exporter’s risk, in effect, would never end because at no point are the goods placed on board a vessel.

- **Free Carrier (named place) – FCA**
  This term can be used for any transport mode, including air, rail and road, or a combination of different modes. The seller is responsible for all transport and customs clearance (export) costs until the goods are delivered into the custody of the first carrier at which point the risk is transferred to the buyer.

  The term is also suitable for ocean transport where the cargo is not delivered to the ship’s authority ‘on board the vessel’, e.g. where containerised cargo is delivered to a terminal before the ship
arrives, resulting in the exporter having no control over the goods thereafter. The word ‘carrier’ refers not only to the entity actually performing the carriage but also to the entity which has undertaken to perform or to procure performance of the carriage, i.e. a combined transport operator, as long as the entity concerned assumes liability as the carrier for the carriage.

Since the critical point for the transfer of costs and risk is the point at which the goods are placed in the custody of the first carrier, FCA should be used for all containerised traffic. For example, in the case of a full container load (FCL), the point may be at the exporter’s premises when SR (if acting as an agent for a carrier) collects the container, or at the premises of the carrier to whom the goods are delivered.

Similarly, in the case of less than a container load (LCL), the point may be at the Matsapha inland clearance depot (or the premises of any other party handling LCLs, provided the party concerned is acting on behalf of the carrier.

Below are some examples of circumstances in which an exporter would quote FCA:

- **FCA Big Bend**
  Goods are delivered to Eswatini Railways at the Big Bend Railway Station

- **FCA Johannesburg (or Durban) International Airport**
  Goods are delivered to the relevant airline (SAA, BA, etc) at OR Tambo (or other specified) international airport

- **FCA Manzini factory**
  Goods are delivered to the first carrier when the exporter has loaded them onto the means of conveyance provided by the carrier at his premises (FCL)

- **FCA Durban**
  Goods are delivered to (i) the first carrier at the exporter’s premises in respect of FCLs originating from the Durban area; or (ii) the premises of the carrier in respect of FCLs and LCLs originating inland, e.g. Matsapha.

In essence, FOB and FCA are equivalent terms. The essential difference when using FCA is that whereas the cut-off point for transfer of the costs of, and risks involved in, inland transport can vary between the exporter’s premises and the location of the first carrier, with FOB the critical cut-off point is always the point at which the goods have been placed safely on board the vessel.

- **Cost and Freight (named port of shipment) – CFR**
The only difference between FOB and CFR is that under CFR, the exporter must pay for the freight as well as for all the FOB costs. In addition, he would arrange the transport and choose the vessel. Note that the risk, however, still passes to the buyer when the goods are on board the vessel. As the buyer will be responsible for insuring the goods (should he wish to cover his risk), it is important that the exporter provides him with all the shipping details as soon as he has them confirmed.

- **Carriage Paid To (name place of destination) – CPT**
The costs for exporter, under CPT, are similar to those under CFR – i.e. the exporter would pay all the FCA costs as well as the freight cost.

As with FCA, the risk of loss, or damage to, the goods is transferred to the buyer once the goods are in the hands of the first carrier. Where a freight forwarder/combined transport operator is
contracting with the exporter to transport the goods via a combination of different modes of transport, the forwarder/combined transport operator would be regarded as “the carrier”.

- **Cost, Insurance and Freight (named port of destination) – CIF**

  CIF requires the seller to assume responsibility for all arrangements and costs, including freight and marine insurance, associated with the delivery of the goods to nominated foreign sea port (port of discharge or destination port).

  Although CIF quotes require freight to be paid only to the destination port, i.e. unloading costs are excluded from the freight rate, most shipping lines quote FLT (full liner term) rates, i.e. on/off-loading costs are included in the freight rate. To avoid confusion and a possible dispute with the buyer, the exporter should establish at the outset whether or not the rate he has been quoted is FLT.

  CIF compares with CFR and FOB in that the critical point for the transfer of risk remains the deck of the vessel. However, under CIF, the seller’s costs are increased beyond the costs of CFR to include the cost of marine/cargo insurance. Thus, the exporter pays for marine/cargo insurance which covers the importer’s risk. Typical CIF quote might be, for example, “CIF Hamburg’ or CIF Southampton’.

- **Carriage and Insurance Paid To (named place of destination) – CIP**

  The exporter is required to clear the goods for export, pay all freight costs to the named place of destination, and pay for cargo insurance. This term is similar to CIF in the same way that FCA is similar to FOB, and can be used for any transport modes. Typical quotes might be: ‘CIP Duisberg’ (inland port of Germany) or CIP London’.

**Important points to remember about the INCOTERMS®**

- THE Incoterms recognise only two parties to the contract of sale; the seller and the buyer
- The use of any Incoterm must be qualified by the words Incoterms® 2010, e.g. FOB Durban (Incoterms®2010).
- An Incoterm® should always be followed by the name of the place where delivery is effected, e.g. FOB Durban or FCA Matsapha
- An Incoterm without a clear indication of place is an invitation to problems

**6.2.9 Tariff Codes/ Structure of the Harmonised System of Nomenclature**

The Harmonised System is a 6-digit, multipurpose nomenclature comprising 5 019 categories of products, it is intended for uniform application and is accompanied by comprehensive rules and definitions.

1 241 Headings are grouped in 97 Chapters which in turn are arranged into 21 Sections in order to facilitate tariff classification.

Each Heading is identified by 4-digit code, the first two digits of which refer to the Chapter in which the Heading is listed. The remaining two digits indicate the position of the Heading in the Chapter.

All but 311 of the Headings provided are sub-divided into two or more 2-dash Subheadings and which are identified by a 6-digit code.

As far as possible, the Subheadings termed ‘Other’ have been identified with the figure 9 (or the figure 8 where the last Subheading is ‘Parts’) to enable additional Subheadings to be inserted at a future date without the code numbers of existing Subheadings having to be altered.
Interpretative Rules, and Section and Chapter Notes accompany both the Headings and the Subheadings of the Harmonised System.

Thus, the Harmonised System consists of General Rules for the interpretation of the system, Section and Chapter Notes including Subheading Notes and a list of Headings arranged in systematic order and, where appropriate, subdivided into Subheadings.

- **General rules for the interpretation of the Harmonised System**

There are six General Interpretative Rules:

**Rule 1**, which supersedes all other Rules, states that classification, is determined by the terms of the Headings and the terms of the Section or Chapter Notes. Where the Headings and/or the Notes do not, in themselves, determine the appropriate Heading, the other Interpretative Rules should be applied.

The initial part of **Rule 2 (a)** extends the scope of each Heading which refers to a particular article to cover both the finished and unfinished article provided the latter has the essential character of the finished article.

The second part of **Rule 2 (a)** specifies that finished articles which are unassembled or disassembled for the purposes of packing, handling or transport, are to be classified under the same Heading as the assembled article.

**Rule 2 (b)** extends the scope of any Heading referring to a material or substance or articles made therefrom. According to this rule, goods consisting of more than one material or substance must, unless another Heading refers to them in their mixed or composite state, be classified under the same Heading as the assembled article.

**Rule 3** provides classification principles for goods which legitimately fall under more than one heading.

**Rule 3 (a)** specifies that goods should be classified under the Heading which gives the most specific description. There is a provision, however, that if two or more Headings each refer to only one of the materials or substances contained in mixed or composite goods (or to only some of the articles included in a set up for retail sale), those Headings are to be regarded as equally specific in relation to those goods – even if one of them gives a more complete description than the other.

**Rule 3 (b)** deals with mixed or composite goods, goods consisting of an assembly of different articles and goods put up in sets. By application of this Rule, goods are classified in the Heading applicable to the material or component which gives them their essential character.

**Rule 3 (c)** applies only where goods cannot be classified by application of Rule 3 (a) or Rule 3 (b); it provides that goods should be classified in the Heading which occurs last in numerical order amongst those which equally merit consideration in determining their classification.

**Rule 4** provides that goods which (for example, because they have newly appeared on the world market) are not specifically covered by any Heading of the Harmonised System shall be classified in the Heading appropriate to the goods to which they are most akin.

**Rule 5 (a)** governs the classification of cases, boxes and similar containers presented with the articles for which they are intended, while Rule 5(b) applies more generally to packing containers presented with the goods they hold. (it should be noted that the classification of packing materials and

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containers not covered by Rule 5 (a) or 5 (b) is left to the discretion of countries, which may take whichever mea\u00f1urers they consider appropriate in this area).

Rule 6 provides that classification in the Subheading of a Heading must be determined, mutatis mutandis, with reference to the principles applicable to classification in the 4-digit Headings; in any event, the terms of the Subheading or Subheading Notes must be given precedence.

This Rule also specifies that, for classification purposes, only Subheadings of the same level are comparable; this means that, within a single Heading, the choice of a 1-dash Subheading may be made only on the basis of the texts of the competing 1-dash Subheadings; similarly, selection of the appropriate 2-dash Subheading, where necessary, may be made only on the basis of the texts of the subdivisions within the applicable 1-dash Subheading.

The Interpretative Rules thus establish classification principles which, unless the texts of Headings, Subheadings or Section or Chapter Notes otherwise require, are applicable throughout the Harmonised System nomenclature.

Moreover, the Interpretative rules clearly provide a step-by-step basis for the classification of goods within the Harmonised System, so that in every case a product must first be classified to its appropriate 4-digit Heading, then to its appropriate 1-dash subdivision within that Heading and only thereafter to its appropriate 2-dash Subheading with the predetermined 1-dash subdivision, at each step no account being taken of the terms of any lower level subdivisions. This principle applies without exception throughout the Harmonised System.

6.2.10 Services Provided by Freight Forwarders
Most exports and nearly all importers use freight forwarders which have traditionally functioned as intermediaries between shippers with goods to despatch and carriers with space to be filled.

More recently, however, forwarders have become more specialised and offer a forwarder range of services. The most valuable of these from the perspective of the company shipping department are:

- **Advice.** Good freight forwarders have in-depth knowledge of transport and customs procedures and are consequently in a position to provide specialised advice in these areas which can save the shipper a great deal of time and money. Some also specialise in specific market areas or in particular types of goods, e.g. hazardous, perishable, etc.

- **Transport arrangements.** Forwarders are usually extremely knowledgeable about optimal routes, and transport conditions on various routes. They can also provide accurate quotes for different transit option. Many shippers find it convenient to leave the multitude of transport arrangements which have to be made to the freight forwarder.

- **Documentation completion.** Forwarders spend a great deal of their time preparing customs and transport documentation and are often knowledgeable about the documentation pertaining to other areas as well. Many shippers produce only those documents which they are obliged to produce such as the commercial invoice and the packing list, leaving everything else to the forwarder; others rely on the forwarder to handle only the most complex documents, such as the air waybill and those relating to customs clearance.

- **Customs clearance.** Most customs declarations for both import and export consignments tend to be completed on behalf of shippers by freight forwarders.
• **Groupage services.** Many forwarders also act as groupage operators consolidating small consignments into full container loads.

• **Other services.** Forwarders can also assist with the conveyance and clearance of exhibition goods, provide courier and express freight services, provide storage facilities for cargo, assists with sorting, checking, packing and marking, and provide advice on the documentary requirements of particular countries.

6.2.11 **Guidelines for Registration of Exporters for Preferential Markets Access**

1. **Purpose**
   The purpose of this Guideline is to provide guidance on the requirements for registration as an exporter under preference in terms of Trade Agreements to which the Kingdom of Eswatini is a party.

2. **Applicable Law**
   - Section 45 of the Customs and Excise Act, 1971
   - Section 51 of the Customs and Excise Act 1971

3. **Why Register as an Exporter**
   - Trade Agreements require that all producers of goods wishing to export under preference should be registered with the relevant Designated Authority in the Member State.
   - Only registered exporters are issued with Certificates of Origin and their goods enjoy preferential treatment (payment of duties at a reduced or nil rate) at the country of importation.
   - Registration also ensure that only qualifying goods originated in the Kingdom of Eswatini and exported by producers or manufacturers operating within the country benefit from preferential tariff treatment. This will eliminate the possibility of third – country products from benefiting from the country is party to.

4. **Who Qualifies For Registration As An Exporter**
   A registered taxpayer:
   - A producer/manufacturer;
   - A non-producer on the strength of a Producer Declaration – (A producer declaration is required from an exporter and is obtained from the producer or manufacturer of the goods).

5. **Which goods qualify?**
   Goods that are eligible and meet all the requirements on the Rules of Origin of a particular Trade Agreement.
6. The Registration Process

- Application Forms
  The applicant will be required to complete and submit the registration forms CE185 and CE49A.02 (Forms are available in the SRA website: www.sra.org.sz)

- Verification Inspection
  Upon receipt of the completed application forms a verification visit date is arranged with the applicant wherein the SRA officials verify whether the production/manufacturing process taking place in the company complies with the relevant Rules of Origin or not.
  During the visit, the applicant must ensure that manufacturing of the product that they intend to export is taking place.

- Registration/Rejection
  An analysis of the submitted documents and information gathered during the verification is conducted and the applicant is informed of the outcome of the application in writing.
  A successful applicant will be registered as an exporter for the relevant preferential market and issued with a unique registration number.
  The registration process must be completed before the goods may be allowed to be exported under preference.
  The registration of exporters is reviewed periodically and exporters are notified when the review is to be conducted.

  An applicant that is found not to be compliant with the Rules of Origin of the applied Trade Agreement is notified in writing and is advised of the reason(s) for rejection.

7. Issuance of Certificates of Origin
  A registered exporter will be issued with the relevant Certificates of Origin which are obtainable from the Eswatini Revenue Authority Headquarters or from the selected Customs Offices

8. Validation of Certificates of Origin
  The registered exporter is expected to submit a completed Certificate of Origin to the customs Offices for validation at the time of making a declaration for exporting the goods that are intended to receive preferential treatment in the importing country.
  An exporter who has been registered by the Designated Authority should ensure that:
  - The Certificate of Origin has been correctly completed
  - The product(s) on the Certificate of Origin have been approved, as per the letter of registration
    All required attachments are submitted (invoice, packing list, F178 and a producer declaration where necessary.
6.2.12 Activity

Question 1:
Review the AGOA Export requirements outlined below. To what extent is your organization ready to fulfill the AGOA Requirements?

AGOA Requirements

a. Certifications
Exporters of products such as food ought to have food safety standards such as Hazard and Critical Control Points (HACCP), Food Safety System Certification FSSC2200, and ISO22000 in place. If a product is said to be organic, it must be certified organic.

b. Smart Use of AGOA
While over 6,400 products lines are AGOA-eligible (i.e. AGOA – 1,800 and GSP 4,600), it is important to be smart about it. For example, there are certain apparel products that enjoy duty exemption of over 30%. This makes it more competitive than focusing on items with very low duty exemption as competition from the East is fierce.

Considerations For Non-Textiles Goods

- Commercial Invoice, by the producer, describes goods and value, declaration certifying the value
- Certificate of Origin, by the exporter/broker, certifies origin of goods, (country where at least 30% value has been added to the goods)
- Broker Declaration, on behalf of the exporter based on the two documents listed above (broker may physically inspect the goods)
- Customs of Exporting Country examines and certifies goods, presentation includes the Declaration and Certificate of Origin
- Customs gives clearance for shipment, Certificate of Origin endorsed by Customs
- Exporter transmits the originals of the Commercial Invoice and Certificate of Origin
- Official customs declaration at the US side by importer/agent

Commercial Invoice

- Textile Certificate of Origin
- Broker Declaration (based on 2 documents above)
- Exporting Country Customs examines and certifies goods
- Goods cleared for shipment by stamping Commercial Invoice and issuing a 9 digit VISA by Customs
- Exporter transmits the originals of the Commercial Invoice and the Certificate of Origin
- Official Customs Declaration at US side, by importer/agent

Resources

- Southern Africa Trade & Investment Hub, [www.satihub.com](http://www.satihub.com)
- Eswatini Revenue Authority (SRA), [www.sra.org.sz](http://www.sra.org.sz)
- AGOA, [www.agoa.info](http://www.agoa.info)
Question 2:

- Review the list of products listed for the Republic of Taiwan.

**Table 7: List of Products for the Republic of China (Taiwan) Export Market**

<table>
<thead>
<tr>
<th>HS Code Product</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>02011010</td>
<td>Special quality carcasses and half-carcasses of bovine animals, fresh or chilled</td>
</tr>
<tr>
<td>02011090</td>
<td>Other carcasses and half-carcasses of bovine animals, fresh or chilled</td>
</tr>
<tr>
<td>02012010</td>
<td>Special quality beef quarter-carcasses and cuts of steaks (rib, loins, sirloins, rump), of bovine animals, with bone in, fresh or chill</td>
</tr>
<tr>
<td>02012020</td>
<td>Prime or choice grade shin/shank, short plate, brisket, ribs, rib finger, of bovine animals, with bone in, fresh or chill</td>
</tr>
<tr>
<td>02012090</td>
<td>Other cuts of bovine animals, with bone in, fresh or chilled</td>
</tr>
<tr>
<td>02030900</td>
<td>Other meat of bovine animals, boneless, frozen</td>
</tr>
<tr>
<td>02031200</td>
<td>Hams, shoulders and cuts thereof, of swine, with bone in, fresh or chill</td>
</tr>
<tr>
<td>02031919</td>
<td>Other meat of swine, boneless, fresh or chilled</td>
</tr>
<tr>
<td>02032100</td>
<td>Carcasses and half-carcasses of swine, frozen</td>
</tr>
<tr>
<td>02032200</td>
<td>Hams, shoulders and cuts thereof, of swine, with bone in, frozen</td>
</tr>
<tr>
<td>02062100</td>
<td>Tongues of bovine animals, frozen</td>
</tr>
<tr>
<td>02062200</td>
<td>Livers of bovine animals, frozen</td>
</tr>
<tr>
<td>03011000</td>
<td>Ornamental fish, freshwater</td>
</tr>
<tr>
<td>03019400</td>
<td>Atlantic and Pacific bluefin tunas, live</td>
</tr>
<tr>
<td>03019500</td>
<td>Southern bluefin tunas (Thunnus maccoyii), live</td>
</tr>
<tr>
<td>03019929</td>
<td>Other live fish</td>
</tr>
<tr>
<td>03023900</td>
<td>Other tunas (of genus Thunnus), fresh or chilled</td>
</tr>
<tr>
<td>03024400</td>
<td>Mackerel, fresh or chilled</td>
</tr>
<tr>
<td>03024600</td>
<td>Cobia, fresh or chilled</td>
</tr>
<tr>
<td>03061290</td>
<td>Other crabs, not smoked, frozen</td>
</tr>
<tr>
<td>03061600</td>
<td>Cold-water shrimps and prawns, frozen, smoked included</td>
</tr>
<tr>
<td>03074210</td>
<td>Cuttle fish, live, fresh or chilled</td>
</tr>
<tr>
<td>03077110</td>
<td>Clams, cockles and ark shells, fresh or chilled</td>
</tr>
<tr>
<td>03081110</td>
<td>Sea cucumbers, fresh or chilled</td>
</tr>
<tr>
<td>04000000</td>
<td>Natural honey</td>
</tr>
<tr>
<td>07039000</td>
<td>Leeks and other alliaceous vegetables, fresh or chilled</td>
</tr>
<tr>
<td>07061000</td>
<td>Carrots and turnips, fresh or chilled 07081000 Peas (Pisum sativum), fresh or chilled</td>
</tr>
<tr>
<td>07082000</td>
<td>Beans (Vigna spp., Phaseolus spp.), fresh or chilled</td>
</tr>
<tr>
<td>07098000</td>
<td>Other leguminous vegetables, fresh or dried</td>
</tr>
<tr>
<td>07099300</td>
<td>Pumpkins, squash and gourds, fresh or chilled</td>
</tr>
<tr>
<td>07102200</td>
<td>Beans (Vigna spp., Phaseolus spp.), frozen</td>
</tr>
<tr>
<td>07142010</td>
<td>Sweet potatoes, fresh, chilled or dried</td>
</tr>
<tr>
<td>07142020</td>
<td>Sweet potatoes, frozen</td>
</tr>
<tr>
<td>08026100</td>
<td>Macadamia nuts, in shell, fresh or dried</td>
</tr>
<tr>
<td>08026200</td>
<td>Macadamia nuts, shelled, fresh or dried</td>
</tr>
<tr>
<td>08027000</td>
<td>Kola nuts, whether or not shelled or peeled, fresh or dried</td>
</tr>
<tr>
<td>08029090</td>
<td>Other edible nuts, whether or not shelled or peeled, fresh or dried</td>
</tr>
<tr>
<td>08040000</td>
<td>Avocados, fresh or dried</td>
</tr>
<tr>
<td>08051020</td>
<td>Fresh oranges (Imported from 1st March to 30th September each year)</td>
</tr>
<tr>
<td>08051030</td>
<td>Dried oranges (Imported from 1st March to 30th September each year)</td>
</tr>
<tr>
<td>08054091</td>
<td>Other grapefruits, fresh or dried (Imported from 1st January to 30th September each year)</td>
</tr>
<tr>
<td>13022000</td>
<td>Pectic substances, pectinates and pectates</td>
</tr>
<tr>
<td>17011200</td>
<td>Beet sugar, not containing added flavouring or colouring matter</td>
</tr>
<tr>
<td>17011300</td>
<td>Cane sugar specified in Subheading Note 2 to this Chapter</td>
</tr>
<tr>
<td>17011400</td>
<td>Other cane sugar, not containing added flavouring or colouring matter</td>
</tr>
<tr>
<td>17019910</td>
<td>Sugar, cube and loaf 17019920 Rock sugar</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>17019990</td>
<td>Other sugar, refined</td>
</tr>
<tr>
<td>17029011</td>
<td>Maltose</td>
</tr>
<tr>
<td>17029012</td>
<td>Chemically pure maltose</td>
</tr>
<tr>
<td>17029020</td>
<td>Caramel</td>
</tr>
<tr>
<td>17029030</td>
<td>Artificial honey</td>
</tr>
<tr>
<td>17029040</td>
<td>Chemically pure glucose (polarisation not less than 99.5%)</td>
</tr>
<tr>
<td>17029090</td>
<td>Other, including invert sugar and other sugar and sugar syrup blends containing in the dry state 50 percent by weight of fructose</td>
</tr>
<tr>
<td>17041000</td>
<td>Chewing gum, whether or not sugar-coated</td>
</tr>
<tr>
<td>17049000</td>
<td>Other sugar confectionery (including white chocolate), not containing cocoa</td>
</tr>
<tr>
<td>19011000</td>
<td>Preparations for infants or young children use, put up for retail sale</td>
</tr>
<tr>
<td>19012000</td>
<td>Mixes and doughs for the preparation of bakers' wares of heading</td>
</tr>
<tr>
<td>20011000</td>
<td>Cucumbers and gherkins, prepared or preserved by vinegar or acetic acid</td>
</tr>
<tr>
<td>20019012</td>
<td>Onions, prepared or preserved by vinegar or acetic acid</td>
</tr>
<tr>
<td>20019019</td>
<td>Other vegetables, prepared or preserved by vinegar or acetic acid</td>
</tr>
<tr>
<td>20079910</td>
<td>Morinda citrifolia jam</td>
</tr>
<tr>
<td>20079990</td>
<td>Other articles of heading No. 20.07</td>
</tr>
<tr>
<td>20082000</td>
<td>Pineapples, otherwise prepared or preserved</td>
</tr>
<tr>
<td>20083000</td>
<td>Citrus fruit, otherwise prepared or preserved</td>
</tr>
<tr>
<td>21039090</td>
<td>Other articles of heading No. 21.031</td>
</tr>
<tr>
<td>21069051</td>
<td>Non-alcoholic compound preparations for making foodstuff</td>
</tr>
<tr>
<td>22071010</td>
<td>Industrial ethyl alcohol, undenatured, of an alcoholic strength by volume of 80% or higher, used for manufacture of chemical products through chemical synthetic reaction</td>
</tr>
<tr>
<td>22071090</td>
<td>Other undenatured ethyl alcohol, of an alcoholic strength by volume of 80% or higher</td>
</tr>
<tr>
<td>22084000</td>
<td>Rum and other spirits obtained by distilling fermented sugar-cane products</td>
</tr>
<tr>
<td>23099010</td>
<td>Fish soluble</td>
</tr>
<tr>
<td>23099090</td>
<td>Other preparation for animal feeding</td>
</tr>
<tr>
<td>27011900</td>
<td>Other coal</td>
</tr>
<tr>
<td>27012000</td>
<td>Briquettes, ovoids and similar solid fuels manufactured from coal</td>
</tr>
<tr>
<td>28363000</td>
<td>Sodium hydrogen carbonate (sodium bicarbonate)</td>
</tr>
<tr>
<td>29163100</td>
<td>Benzoic acid, its salts and esters</td>
</tr>
<tr>
<td>29181400</td>
<td>Citric acid</td>
</tr>
<tr>
<td>29211900</td>
<td>Other acyclic monoamines and their derivatives; salts thereof</td>
</tr>
<tr>
<td>33021010</td>
<td>Compound alcoholic preparations based on odoriferous substance, of a kind used for the manufacture of beverages, with an alcoholic strength by volume exceeding 0.5% vol</td>
</tr>
<tr>
<td>33021090</td>
<td>Other mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used in the food or drink industries</td>
</tr>
<tr>
<td>33029000</td>
<td>Other mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry</td>
</tr>
<tr>
<td>34011100</td>
<td>Soap and organic surface-active products and preparations, in the form of bars, cakes, moulded pieces or shapes, and paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent, for toilet use (including medicated products)</td>
</tr>
<tr>
<td>34011900</td>
<td>Soap and organic surface-active products and preparations, in the form of bars, moulded pieces or shapes, and paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent, not for toilet use 34012090 Soap in other forms</td>
</tr>
<tr>
<td>34013000</td>
<td>Organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap 34060000 Candles, tapers and the like</td>
</tr>
<tr>
<td>38249999</td>
<td>Other chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included</td>
</tr>
<tr>
<td>39231010</td>
<td>Boxes, cases, crates and similar articles, of plastic, specially shaped or fitted for the conveyance or packing of semiconductors wafers, masks, or reticles</td>
</tr>
<tr>
<td>39231090</td>
<td>Other boxes, cases, creates and similar articles, of plastics</td>
</tr>
<tr>
<td>39232100</td>
<td>Sacks and bags (including cones), of polyethylene</td>
</tr>
<tr>
<td>44011100</td>
<td>Fuel wood, coniferous, in logs, in billets, in twigs, in faggots or in similar forms</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>44011200</td>
<td>Fuel wood, non-coniferous, in logs, in billets, in twigs, in faggots or in similar forms</td>
</tr>
<tr>
<td>44031100</td>
<td>Coniferous wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, treated with paint, stains, creosote or other preservatives</td>
</tr>
<tr>
<td>44031200</td>
<td>Non-coniferous wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, treated with paint, stains, creosote or other preservatives</td>
</tr>
<tr>
<td>44041000</td>
<td>Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handles or the like; chipwood and the like, coniferous</td>
</tr>
<tr>
<td>44042000</td>
<td>Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handles or the like; chipwood and the like, non-coniferous</td>
</tr>
<tr>
<td>44071100</td>
<td>Pine wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm</td>
</tr>
<tr>
<td>44071200</td>
<td>Fir and spruce wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm</td>
</tr>
<tr>
<td>44072900</td>
<td>Other tropical wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm</td>
</tr>
<tr>
<td>44091000</td>
<td>Coniferous wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed</td>
</tr>
<tr>
<td>44101100</td>
<td>Particle board of wood, whether or not agglomerated with resins or other organic binding substances</td>
</tr>
<tr>
<td>44140000</td>
<td>Wooden frames for paintings, photographs, mirrors or similar objects</td>
</tr>
<tr>
<td>44152000</td>
<td>Pallets, box pallets and other load boards, of wood; pallet collars, of wood 44211000 Clothes hangers, of wood</td>
</tr>
<tr>
<td>46021100</td>
<td>Basketwork and other articles, made directly to shape from bamboo plaiting materials or made up from articles of heading 46.01 of bamboo</td>
</tr>
<tr>
<td>46021200</td>
<td>Basketwork and other articles, made directly to shape from rattan plaiting materials or made up from articles of heading 46.01 of rattan 46021910 Bags, of straw and grass</td>
</tr>
<tr>
<td>46021990</td>
<td>Basketwork, wickerwork and other articles, made directly to shape from other vegetable plaiting materials or made up from articles of heading 46.01 of other vegetable materials; articles of loofah</td>
</tr>
<tr>
<td>46029000</td>
<td>Basketwork and other articles, made directly to shape from other plaiting materials or made up from articles of heading 46.01 of other materials</td>
</tr>
<tr>
<td>49019910</td>
<td>Reproductions, printed of work of art</td>
</tr>
<tr>
<td>49019990</td>
<td>Other printed books, brochures, leaflets and similar printed matter, not in single sheets</td>
</tr>
<tr>
<td>52030000</td>
<td>Cotton, carded or combed</td>
</tr>
<tr>
<td>57021000</td>
<td>Kelem, &quot;Schumacks&quot;&quot;,&quot;Karamanies&quot; and similar handwoven rugs</td>
</tr>
<tr>
<td>57022000</td>
<td>Floor coverings of coconut fibres (coir)</td>
</tr>
<tr>
<td>57023100</td>
<td>Other carpets and other floor coverings, woven, of pile construction, not made up, of wool or fine animal hair</td>
</tr>
<tr>
<td>57023200</td>
<td>Other carpets and other floor coverings, woven, of manmade textile materials, of pile construction, not made up</td>
</tr>
<tr>
<td>57023990</td>
<td>Other carpets and other floor coverings, woven, of pile construction, not made up, of other textile materials</td>
</tr>
<tr>
<td>60062200</td>
<td>Other knitted or crocheted fabrics of cotton, dyed</td>
</tr>
<tr>
<td>61046220</td>
<td>Women's or girls' bib and brace overalls, knitted or crocheted, of cotton</td>
</tr>
<tr>
<td>61091000</td>
<td>T-shirts, singlets and other vests, knitted or crocheted, of cotton</td>
</tr>
<tr>
<td>61099010</td>
<td>T-shirts, singlets and other vests, knitted or crocheted, of wool or fine animal hair</td>
</tr>
<tr>
<td>61099020</td>
<td>T-shirts, singlets and other vests, knitted or crocheted, of man-made fibres</td>
</tr>
<tr>
<td>61099030</td>
<td>T-shirts, singlets and other vests, knitted or crocheted, of silk or silk waste</td>
</tr>
<tr>
<td>61099090</td>
<td>T-shirts, singlets and other vests, knitted or crocheted, of other textile materials</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>62034210</td>
<td>Men's or boys' trouser, breeches and shorts, of cotton</td>
</tr>
<tr>
<td>62034310</td>
<td>Men's or boys' trousers, breeches and shorts, of synthetic fibres</td>
</tr>
<tr>
<td>62044910</td>
<td>Women's or girls' dresses, of silk or silk waste</td>
</tr>
<tr>
<td>62044990</td>
<td>Women's or girls' dresses, of other textile materials</td>
</tr>
<tr>
<td>62046210</td>
<td>Women's or boys' trousers, breeches and shorts, of cotton</td>
</tr>
<tr>
<td>62046911</td>
<td>Women's or girls' trousers, breeches and shorts, of silk or silk waste</td>
</tr>
<tr>
<td>62069000</td>
<td>Women's or girls' blouses, shirts and shirt-blouses, of other textile materials</td>
</tr>
<tr>
<td>62113200</td>
<td>Other garments, men's or boys', of cotton</td>
</tr>
<tr>
<td>63053300</td>
<td>Other, sacks and bags, of a kind used for the packing of good, of polyethylene or polypropylene strip or the like</td>
</tr>
<tr>
<td>69111000</td>
<td>Tableware and kitchenware, of porcelain or china</td>
</tr>
<tr>
<td>69119000</td>
<td>Other household articles and toilet articles, porcelain or china</td>
</tr>
<tr>
<td>69120010</td>
<td>Ceramic tableware and kitchenware, other than of porcelain or china</td>
</tr>
<tr>
<td>69120090</td>
<td>Other ceramic household articles and toilet articles, other than of porcelain or china</td>
</tr>
<tr>
<td>70042000</td>
<td>Drawn glass and blown glass, in sheets, coloured throughout the mass (body tinted), opacified, flashed or having an absorbent, reflecting or non-reflecting layer</td>
</tr>
<tr>
<td>71131100</td>
<td>Article of jewellery and parts thereof of silver, whether or not plated or clad with other precious metal</td>
</tr>
<tr>
<td>71131900</td>
<td>Article of jewellery and parts thereof of other precious metal, whether or not plated or clad with precious metal</td>
</tr>
<tr>
<td>71132000</td>
<td>Jewellery and parts thereof, of base metal clad with precious metal</td>
</tr>
<tr>
<td>71171100</td>
<td>Cuff-links and studs, of base metal, whether or not plated with precious metal</td>
</tr>
<tr>
<td>71171900</td>
<td>Other imitation jewellery, of base metal, whether or not plated with precious metal</td>
</tr>
<tr>
<td>71179000</td>
<td>Imitation jewellery of other materials</td>
</tr>
<tr>
<td>84183090</td>
<td>Other freezers of the chest type, not exceeding 800 L capacity</td>
</tr>
<tr>
<td>84185010</td>
<td>Other freezers of exceeding low temperature (≤-70 degree C and under)</td>
</tr>
<tr>
<td>84185090</td>
<td>Other furniture (chests, cabinets, display counters, showcases and the like) for storage and display, incorporating refrigerating or freezing equipment</td>
</tr>
<tr>
<td>84813000</td>
<td>Check (nonreturn) valves</td>
</tr>
<tr>
<td>94036010</td>
<td>Other wooden furniture, without any painted or coated</td>
</tr>
<tr>
<td>94036090</td>
<td>Other wooden furniture</td>
</tr>
<tr>
<td>96071100</td>
<td>Slide fasteners fitted with chain scoops of base metal</td>
</tr>
<tr>
<td>96071990</td>
<td>Slide fasteners, of other materials</td>
</tr>
</tbody>
</table>
7. EXPORT FINANCING & CREDIT INSURANCE

7.1 Learning Outcomes

- Identify Sources of Finance for export
- Discuss Insurance

7.2 Module Content: Export Finance and Credit Insurance

One of the most important requirements of successful exporting is the availability of necessary funds. These funds are mostly needed by the exporter as working capital to allow the procurement of production inputs before receipt of export proceeds. This section introduces the basic aspects of export financing and credit insurance available in Eswatini but being a complex subject, a lot of detail has been deliberately omitted. The relevant financial institutions should be contacted where more details required.

7.2.1 Finance

Exporters can finance themselves from their own resources, but this is not always possible especially for relatively new and small exporters. Alternatively, the funds may come from the importer if he/she pays for the goods at the time of placing the order, or before shipment. However, the amount of business done on this basis is negligible, most transactions are done through letters of credit or open account. Payments may be made on sight of the export documents, or after an agreed period following the sighting of the documents. It may, therefore, become necessary for the exporter to obtain credit from a bank or some other financial institution.

Export financing needed by exporters may be classified as pre-shipment credit and post-shipment credit.

**Pre-shipment Credit**

The exporter needs these funds as working capital to:

- procure raw material for the export goods;
- process or manufacture the export goods;
- pack the goods for export;
- transport the export goods to seaport or airport or railway siding of departure or destination (depending on the terms of delivery);
- pay for other export-related services like insurance, documentation, port handling, warehousing, etc.

**Post-shipment Credit:**

These are the funds required as bridging finance for the exporters between the shipment of the goods and receipt of payment from the importer. The funds enable the exporter to continue in business during this period.

**Sources of Export Finance**

Exporters in need of such finance are advised to contact their bank managers to access the following funds:

- **Export Credit Guarantee Scheme:** The Export Credit Guarantee Scheme promote the country’s export trade. The policy objective of the scheme is to facilitate Eswatini exporters to obtain loans from Commercial banks at concessionary rates of interest and without undue limitation to the collateral that exporters can afford when applying for the loans.
• Small Scale Enterprises Loan Guarantee Scheme. This is a fund designed to increase lending by commercial banks to small scale enterprises while reducing risks to the commercial banks. It is designed to stimulate small scale industry, agriculture, commerce, tourism, construction and services by providing adequate capital to local businesses. The guarantee scheme is designed to cover shortage or lack of other collateral for credit to small scale enterprises.

Both these scheme are managed by the commercial banks. Contact Your bank.

• Overdraft Facilities granted by commercial banks. Drawing under the facility takes the form of overdrawning the current account up to the amount that has been agreed upon with the bank. Interest is charged on the outstanding balance of the overdraft. The borrower has the flexibility of repaying or reducing the loan amount as and when he/she is in a position to do so.

In general the banks will take the following factors into consideration for their financing support:
• capability of the exporter to execute the orders within the stipulated delivery schedules;
• type of goods to be exported;
• method of payment agreed upon with the importer;
• period for which finance is required;
• financial viability of the export contract;
• whether the amount asked for commensurate with the company’s export turnover;
• whether appropriate arrangements have been made to import the necessary raw materials or components;
• the spread of risk;
• the economic and political status of the importer’s country;
• availability of security, also guaranteed by the Central Bank if business proposal is viable;
• whether appropriate export credit insurance cover is available;
• other lending criteria as stipulated by individual banks.

7.2.2 Cargo Insurance

One of the major differences between selling locally and selling abroad is the considerable distance that separates Eswatini from major world markets. Distance implies remoteness and associated with remoteness are countries at various levels of development, some with excellent infrastructure and others with dysfunctional ports, roads in very poor condition, etc.

In the face of all these negatives, the exporter has to deliver his goods on time and in good condition in order to retain his customer. The journey that cargo must undertake is obviously more hazardous in the case of some markets, and in respect of certain modes of transport, than it would be in the case of others. For example, conveying goods by air to London would be much less hazardous than sending the same goods to Burundi by road!

Whatever the case, however, some risk attaches to cargo in transit irrespective of where or how it goes, and the exporter or the importer will usually choose to take out insurance to cover the risk. In the early days, when all cargoes were transported by sea – there were no vehicles, railways engines or aeroplanes – the insurance of cargo was termed “marine insurance’. The term has stuck even though the insurance in question today applies to cargo being conveyed by any mode, or combination of modes, of transport.
In brief, the purpose of marine or cargo insurance is to transfer the financial burden of the risks of loss of, or damage to, cargo in transit from the exporter (or the importer, as the case may be) to specialist marine insurance underwriters.

Insurance underwriters are skilled at assessing risks. Once they have determined the extent of risk involved in a particular venture or journey, they will work out a suitable charge for covering the risk, i.e. the premium payable. All the premiums paid go into a reserve fund from which those who suffer losses are compensated.

Marine/cargo insurance underwriters may work for insurance companies or alternatively they may be underwriting members of Lloyd’s. Lloyd’s of London is the present day association of marine insurance underwriters which has evolved out of the origins of marine insurance in seventeenth century England. Between 1670 and 1680, Edward Lloyd owned a coffee shop in London where merchants and shippers used to come together to discuss insurance and other trade-related matters. From these meetings, the concept of marine insurance developed. Lloyd’s of London’s insurance companies together constitute the world’s most important marine/cargo insurance market.

The London market, however, is by no means the only market – marine/cargo insurance is provided by many companies throughout the world, including South Africa.

It is advisable for exporters and would-be exporters to have a valid export credit insurance policy all the time. This is necessary to avoid costly delays which might arise if application is made when one is already negotiating exporting business. In order to obtain a policy the exporter should contact their insurance broker.

### 7.2.3 Activity

**Question 1.** Discuss the Export Credit Guarantee scheme and share you experience in accessing it?
8. Training and Advising for Export

8.1 Learning Outcomes
- Explain the need for continuous human resources development for export
- Name the most common mistakes of potential exports
- Identify training service providers in Eswatini

8.2 Module Content: Training and Advising on Export

8.2.1 Training and Human Resources Development
- **Why export training is needed**
  
  Exporting demands new knowledge and new skills. Exporting is selling to other countries that may be thousands of miles away. To get your products to those markets requires complex documentation procedures. To make things more complicated, the buyers may have a different language, a different culture, very different needs and preferences, a different currency and so on. Exporting is difficult and demands special skills from your company. These skills must be developed.

- **What training is needed**
  
  Before you or your staff take part in a training programme, you have to ascertain what kind of training you need. To find that out is not an easy task. You may confuse symptoms with the problems to be tackled. You should therefore carry out an analysis of training needs in cooperation with a registered institution that will provide the training. The following training institutions will be able to assist:

  - Centre for Consulting Management, University of Eswatini
  - Institute of Development Management and
  - Mananga Centre for regional Integration and Management Development

  The Ministry of Education and Training maintains a list of registered training institutions which might be able to assist.

  In addition The Eswatini Investment Promotion Authority and SEDCO will from time to time offer sponsored programmes as part of the export promotion. Similar bodies like SWIFT, FESBIC and FSE may also offer tailor made programmes for their members. Participation in programmes that are government sponsored means little or no cost to you.

  When you first venture into the export trade, the current standard course may suit your needs. But the more you get into the business, the more specialized your training needs will be.

  The training institutions can assist in carrying out a training needs assessment for your enterprise. The training needs will reveal the gap between what your company must have to export successfully and its current capacities. Training may help to reduce this gap but will not solve all your problems. Other non-training activities may be more useful.

  After the identification of your company’s training needs, a training programme must be developed. It should be concrete, practical and contribute to the solution of specific company problems. In-company applications are particularly useful. As a criterion for evaluating a training programme, you should find out whether the performance of your company rather than that of individuals improves after the programme.

  Also professional diploma courses in Shipping and forwarding for example are available from some of the training institutions and which can assist in building professional capacity in exporting.

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In addition to training, your company may need advisory services from SMME agencies (SEDCO), chambers of commerce and similar bodies. As you internationalizes, you will face increasingly face complex challenges and you will need advice.

We should like to draw your attention now to the most common constraints faced by SMMEs in conducting export business. You need to be aware of them, although only some may apply to your company. Advisers from SEDCO or chambers of commerce will help you identify ways of overcoming these constraints.

- Limited financial resources
- Limited qualified manpower
- Limited production facilities and know-how
- Limited knowledge of basic export marketing
- Limited knowledge of export markets
- Limited management capabilities
- Tendency to use opportunistic approaches to export marketing
- Lack of knowledge of, and access to, assistance sources

Ten common mistakes of potential exporters. Make sure you avoid them when entering the export trade.

- Failure to obtain export counselling
- Insufficient commitment at the top management level
- Insufficient care in selecting distributors broad
- Indiscriminately chasing orders from around the world
- Neglecting export markets when the domestic market booms
- Failure to give special consideration to the needs and requirements of distributors abroad
- Unwillingness to modify products
- Failure to print mandatory messages on packages in the language of the export markets

Figure 12: Training Session
- Competing solely on the basis on price
- Failure to think form long-term perspective

8.2.2 Activity
- Complete the Eswatini Export Readiness Check List and discuss?
Case Studies

1.1 Gone Rural

www.goneruralswazi.com

Gone Rural was founded in 1992 by Jenny Thorne whose vision to empowering Swazi women cannot be matched by anyone in Eswatini. Today Gone Rural produces over 100 products made by over 780 female artisans working as 13 producer groups throughout Eswatini. Embracing a unique and inspiring philosophy, Gone Rural, through home-based work, produces unique home accessories combined with traditional skills and high end design, hand-woven from sustainable natural fibres.

- Products: Hand-woven home accessories (baskets, tableware and decorative pieces)
- Raw materials: Natural grasses and fibres from Eswatini, sustainably harvested by rural women
- Production: The grass is bought from the women, processed and dyed into different colours and shades before being given back to the women for weaving. The women produce the home accessories according to specification and high standard of weaving. Gone Rural then purchases the finished products for marketing and sales. Gone Rural has in-house design teams to create new and different products as well as empowering artisans with training to create their own designs
- Gone Rural also works with other artisans and craft businesses who produce related products which can be integrated to enhance the quality of the woven products (eg. Swazi Ceramics and Luphondvo)
- The products are sold at the Gone Rural shops at Malandela’s Centre and Ngwenya Cultural Village, as well as at other outlets in Eswatini. Group tours of tourists as well as local customers come and buy products from the shops.
- Gone Rural has identified external markets in the SADC region and beyond. They make use of their website to attract buyers as well as participating in trade shows to showcase their products. They also work with trade agents and distributors who market their products in international regions.
- Referrals are also an important form of identifying markets. Unfortunately there is no trading house in Eswatini to show case their products. However Gone Rural also takes advantage of national events like the Reed dance, Eswatini International Trade Fair and the Bush Fire Festival to promote and push their products.
- Export products are packed and labelled according to the requirements of the international market. Gone Rural must also comply with the Rules of Origin if they are exporting to countries in which Eswatini has trade agreements.
- Finance for export is a big challenge as Gone Rural has to meet the packaging and shipping requirements for most customers before payment is received. It takes sometimes up to six months for payment to be made depending how the product was shipped and the terms of trade for the particular customer.

In response to the needs of the rural women artisans Gone Rural established their sister NGO BoMake Rural Project in 2016, as a community development organization serving the 52 communities in which the women artisans live. The organisation focuses on empowering these communities and is currently impacting over 18 000 community members. BoMake Rural Project focuses on education, health, water and sanitation, as well as micro enterprise development.

Questions?
1. What is attractive about the products of Gone Rural?
2. Discuss why working with women and the environmental focus is important to Gone Rural?
The GR Collection weaves together tradition and contemporary design and environmental sensitivity. The mainline collection of baskets and tableware is crafted entirely from locally-sourced, natural fibres and recycled materials.
1.2 Passion for Essential Oils

The Farm

Ever since he graduated from with a diploma in Agriculture, Mark had hoped one day that he will own a farm for commercial purpose. His first job after graduating was to be a farm assistant for a commercial dairy farm which had recently been established in the country. They made him help out with establishment of the pastures and milking. But his desire was not in livestock. He preferred crops. His breakthrough came in when his father-in-law offered him to take over the lease of the farm he was renting. It was an irrigation farm with two centre pivots irrigating about 50 ha, each. An additional 50ha is irrigated using flood. There was a small earth dam across a local stream and a 45 m deep borehole to supplement the dam. There was a total of 150 ha irrigable arable land. His father in-law was growing potatoes, green mealies and vegetables mainly for the local market. He had been operating the farm for over 30 years.

The farm is situated in the middle veld of the Shiselweni region along a rural road and only 20 km from a small urban settlement. The farm lies on average at 750 m above sea level. The Middle veld climate and weather is suitable for variety of crops including the essential oil plants he was keen to grow. Farm labour is readily available in the neighbouring community especially for peak activities like weeding and harvesting. Mark is currently working contract farming to grow maize and sugar beans. This has helped him finance his operations as the contract has been able to pre-finance the key inputs for production.

The Product

An essential oil is a concentrated chemical compound plants used for a variety of purposes including medicine, fragrances flavours etc. A good example is Eucalyptus oils which contains menthol used in the treatments of coughs and colds. Each oil contains a variety of components which can be used for variety of purposes. They are used in perfumes, cosmetics, soaps and other products, for flavouring food and drink, and for adding scents to incense and household cleaning products. Essential oils are often used for aromatherapy, a form of alternative medicine in which healing effects are ascribed to aromatic compounds. Aromatherapy may be useful to induce relaxation.

“The rosemary Verbenon has recently been internationally registered as natural preservative” exclaimed Mark as he showed us his trial plots.

Production

The proposal for essential oils envisages the planting of a total of 150 ha harvested three times in year. However the farmer is surrounded by other title deeds land holders who may eventually participant in the project. In addition there is a large community on Swazi Nation land who may participate. “I would like to work with the community to produce essential oils! ” remarked Mark; “But that means involving more stakeholders and that too has its challenges.”

His first year’s trials had shown very successful yields but was uncertain how the next year was to be like. Nor was he certain how long the replanting will take place. The Table below compares his traditional crop revenue with that from Essential oils. The production costs were more les the same for the different crops.
<table>
<thead>
<tr>
<th>Crop/Product</th>
<th>Net Returns per Ha</th>
<th>Number of Harvests in a year</th>
<th>Total Revenue per ha.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar Beans</td>
<td>E30 000.00</td>
<td>2</td>
<td>E60 000.00</td>
</tr>
<tr>
<td>Green Maize</td>
<td>E30 000.00</td>
<td>2</td>
<td>E30 000.00</td>
</tr>
<tr>
<td>Essential Oil (Tea Tree Oil)</td>
<td>E60 000.00</td>
<td>3</td>
<td>E180 000.00</td>
</tr>
</tbody>
</table>

Essential oils are generally extracted by distillation, often by using steam. Other processes include expression, solvent extraction, absolute oil extraction, resin tapping, wax embedding, and cold pressing. The process of distillation involves the installation of a boiler and a distiller. Estimates for the installation of distillation plant is approximately E450 000.00. The capacity of the plant will process in excess of the harvest proposed on the farm.

The Market
Mark has been browsing through the internet to find potential markets for his products. Chinese manufactures and especially in Taiwan had emerged as the strongest markets for Essential oils. One reason was the extensive use of herbal medicines and practices in aroma therapy among the Chinese. The attraction of the Taiwanese market was further strengthened by the bilateral trade agreement signed between Eswatini and Taiwan. SIPA the Government body promoting trade in the country was also encouraging links between Taiwan and Eswatini entrepreneurs. There was even possibility that a visit to Taiwan was possible as part of the Trade delegation.

Mark has however successfully secured a letter of intent to enable him plan with realistic figures. He also had an idea of the wholesale prices for some of the products.

Finance
Mark has worked out his business plan carefully using a variety of sources for information on production, processing, marketing and transport and so on. He envisages a situation where current production operations will be supported by the contract farming to generate working capital and the trial plots on essential oils. His biggest challenge is the financing of the extraction unit. He is currently negotiating with potential funders but is prepared to go it alone and is making progress towards that. Part of his personal contribution has gone towards laying the foundation and the construction of the Extraction unit. Financing for export is covered by the letter of intent from one of the potential buyers.

Questions:

a. Mark has asked you to assist with the preparation of his export plan. Discuss the issues he should take into consideration?

b. What are the challenges of involving other stakeholders in this project?

c. What are the challenges for Mark to meet the Taiwanese Market?
### Whole sale Prices for Essential Oils

<table>
<thead>
<tr>
<th>Description</th>
<th>Lavender</th>
<th>Mint (Aromatherapy)</th>
<th>Tree Tea (Anti Acne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price per piece (US$)</td>
<td>$80-150/kg</td>
<td>$1.00-$1.50</td>
<td>$23.00/kg</td>
</tr>
<tr>
<td>Minimum Order</td>
<td>1kg</td>
<td>5000 pieces</td>
<td>1kg</td>
</tr>
<tr>
<td>Skin Type</td>
<td>Dry skin</td>
<td>wrinkle</td>
<td>Oil skin</td>
</tr>
<tr>
<td>Application</td>
<td>General</td>
<td>Face Body and hair</td>
<td>Skin and hair</td>
</tr>
<tr>
<td>Feature</td>
<td>Anti aging, Anti wrinkle</td>
<td>Anti Aging, anti wrinkle</td>
<td>Breast enhancer, anti-puffiness, Acne Treatment</td>
</tr>
<tr>
<td>Grade Separation</td>
<td>Pure Grade</td>
<td>Perfume Grade</td>
<td>Pure Grade</td>
</tr>
<tr>
<td>Type</td>
<td>Pure Grade</td>
<td>Compound Essential Oil</td>
<td>Pure essential oil</td>
</tr>
<tr>
<td>Ingredient</td>
<td>Lavender</td>
<td>Mint</td>
<td>Terpineol-4-Ol</td>
</tr>
</tbody>
</table>

*Figure 13: Essential Oils Tea Tree Plant*
Dear Mark

LETTER OF INTENT

TO WHOM IT MAY CONCERN

We at Taiwanese Oils are bulk buyers of 100% pure and natural essential oils. We strive to help developing farmers with the purchase of their oils as well as quality analysis on oils with a response to advise the farmer for the best quality oil.

We have market requirements for Organic Essential oils which we intend to purchase from Eswatini farmers.

We see a strong market in the purchase of the following Organic Essential Oils: Rosemary Verbenone; Lavandin Grosso; Lavandin Abrialis; Pepermint and Blue Yarrow Oil.

We would be interested in the purchase of the following Conventional Essential Oils: Cape Chamomile; tea Tree; Thyme and Lemonbalm (Melissa), at the agreed upon quality;

- Organic Rosemary Verbenone Oil 1000kg @ R1000 000.00 per annum (R1000.00/kg)
- Organic Lavandin Abrialis Oil 1000kg @ R450 000.00 per annum (R450/kg)
- Organic Sweet Marjoram Oil 1000kg @ R800 000.00 per annum (R800/kg)
- Organic Perppermint Oil 1000kg @ R450 000.00 per annum (R450/kg)
- Conventional Tea Tree Oil SMT @ R1 925 000.00 per annum (385/kg)
- Conventional Thyme Oil 1000kg @ R1 100 000.00 per annum (R1 100.00/kg)

We look forwad to working with you.

Yours Sincerely
Shuang Wong
Marketing Manage
The Business Strategist

Listening to Claudia tell you the story of Black Mamba Chillies is a very exciting experience. Her facial expression, body language and voice demonstrated passion, commitment and a sense of direction for this emerging global exporter. “I simply saw so many opportunities in the country when I came here 12 years ago.” It was not planned. She was a volunteers wanting to give at list a year of public service and discover the world at the same time. She worked for Techno Serve an NGO helping youthful and budding entrepreneurs establish their businesses. A Colombian by birth, she was a young graduate holding and MBA from a Spanish university. She trained and supported the development of business plans and engaged in policy related activities and such events as the Entrepreneur of the Year award. In no time her year’s volunteer contract came to an end and she had made up her mind that she will be the entrepreneur herself rather than be the facilitator of entrepreneurship. Her success would certainly be the best example of what it is to be an entrepreneur.

The Product

The development of the Black Mamba chillies Sources product was actually a family affair. Joe, her husband loved braaiing, a Swazi pass time bringing family and friends together around a fire and make feast from a variety of meats. Joe always had his own homemade chillies source which was quite popular with friends and family. Joe would meticulously go about searching for the right chillies and other ingredients for the sources. It made the home braai meals different with that sharp tangy tastes like “Black Mamba” bite. That’s how the brand name Black Mamba Chillies was born, and developed form the finest of jalapeno chillies. The source was very popular during the first “biggest braai”, an event organized by the then Minster of Commerce to get Eswatini in the Guinness book of records. Many people had a go at chilies source including the braai judges and the public at large.

It was then that a decision was made to launch the Black Mamba chillies. The event of the launch was going to be the Bushfire Festival of 2010, another musical extravaganza which has also put Eswatini on the map. That Year about 25 000 festival goers where expected to attend the three day musical festival. Claudia and Joe prepared 400 chillies source bottles to sell at the festival and see if the public would be interested in their product. No doubt the source proved very popular and the 400 bottles were so sold out within the first day of the festival. Today there are five varieties of the Mamba Chillies sources with a global market.

Social Entrepreneurship and sustainability

The decisions to upscale the production of Black mamba chillies sources had its own problems. First the company had to be formally constituted and registered. Second cooking for the launch had been practically done from home. Now a new venue was needed. There was need for public health certification as the company was producing consumption products. But perhaps more challenging was the supply of chillies and other raw materials for the products. Both Joe and Claudia had strong social entrepreneurship values and believed that the supply of materials could be achieved by working with communities especially women farmers.

From the beginning, while stirring a pot of chilli sauce from the back of our house, they believed that it was possible to make a high quality, distinctively delicious product with a 100% sustainable value chain that would benefit those involved and the environment.

Black Mamba works in partnership with a local NGO called Guba, whose mission is to improve the livelihood of communities in Eswatini through the use of permaculture practices. Black Mamba and Guba have a symbiotic relationship where Guba develops the farmers and their farming skills, and
Black Mamba provides the marketplace for the Guba-trained farmers to sell their organically grown products.

To date, Black Mamba provides a sustainable income to 28 farmers, mostly women that are part of this initiative. 476 individuals are directly impacted as each farmer has in average 6 dependents and shares their knowledge with 11 members of their community. We have established ourselves as a cult brand locally, and envision growing this worldwide, connecting chilli heads and ethical foodies across the world to generation of growers, providing proof that planet and people matter.

The Export Challenge
Your typical customer for the Black mamba products as demonstrated during the launch of the product is a chillies hot food lover, in search of a distinctive African flavour and taste totally addicted to chillies. These were found to be mainly tourists or travellers. From the onset this was the target of customers and their possible outlets in Tourist places in Eswatini and South Africa. The first international sale was also linked to an importer of African craft who included exotic foods in his consignment. Today black Mamba products are not only found in Southern Africa but as far as Europe and the US. The consumers have been found to be mainly men looking for distinctive African flavours and the ultimate chilli experience – but loyal (to cult level) to brands they really like. They are after fair trade/ ethical/ environmentally friendly products but look for high quality/ gourmet food Health champions – mostly women - always looking for organic, natural, “good for you” products.

Locally the supermarket chains sell Black Mamba products In South Africa franchised food outlets are ordering their products.

Black Mamba has also taken advantages of the bilateral trade agreements between Eswatini and various countries such as the EU, AGOA and Taiwan. Each export destination has its own export requirements. For example exporting to the US requires one to be registered with the US Food and Drug Authority. These require to see your production flow chart for example. In addition you must be certified as manufacturer of food products. Food safety certification (eg FSSC 2200) must be done by accredited companies, in addition to public health certification done locally for example. Annual inspections and audits are carried out to ensure that standard are maintained. Another requirement is the proper labelling of products for example it terms of instruction for use, ingredients and nutritional value. The labelling must also contain the address of the exporter.

Beginning initially by asking peers and companies in the export industry, Black Mamba also got advice from SIPA and The Eswatini Revenue Authority. The latter is the starting point for registration as an exporter. They need to establish also that you are capable of producing for export including your ability to satisfy the rules of origin for the destination market you are exporting to. Different Countries like Australia, Canada, Norway, UK EU USA etc, have different preferential agreements with Eswatini. SRA also helps in clarification of documents needed, tariff codes and customs clearance procedures for export. The latter include Invoice, Form F178 (for foreign exchange transaction), packing list, Export transit documents for example.

Freight and Logistics
Black Mamba has been lucky in that it most of its client have their own freight and logistics companies with their own warehousing and storage in Durban or Johannesburg. Goods are either airfreighted or by ship. A good freight forwarder simplifies your life. Otherwise one would have to rely on Shipping and freighting agents.
Financing
Black Mamba has mostly financed itself from its operations except for the limited capital items which was financed by the bank loans. Peer and family support has been very strong to get the business going. Orders are normally paid for within a 30 day window. However proper documentation, packaging and labelling are important issues to be observed to avoid rejection or return of the products. Make sure invoicing covers all your costs including insurance. T&C applies 50% on placement of the order and balance 30 days after the arrival of goods.

Video Link on Black Mamba

- https://www.youtube.com/watch?v=f6XoXh6vAsA

Questions
1. Read the articles about the Black Mamba Chillies and review the You Tube video.
2. Break into groups and discuss the key features for you to be in the export business
   i. Export Strategy
   ii. Product Development
   iii. Social Entrepreneurship and Sustainability
   iv. Exporting
   v. Freight and Logistics and
   vi. Financing
3. Carry out and Export SWOT analysis for your company?
1.4 Ngwenya Glass

**Background**

Started in 1979 by Swedish Aid. They built the factory, imported all the machinery and equipment and employed and trained Swazi’s in the age old art of glassblowing. Two of the most talented were sent over to Sweden to be trained by some of the leading glassblowers in the world. From 1981 to its closure in 1985, the factory was run entirely by Swazi’s.

In June 1987, the factory was re-opened by Richard, Alix and Chas Prettejohn. Richard a farmer, Alix an ex-librarian and Chas a marine engineer. Further removed from glassblowing one could hardly imagine! You may ask “What prompted them to pack up everything in East London and to move to Eswatini to make glass animals?”!

Well, the Prettejohn’s used to collect glass elephants from Swazi Glass Craft (Ngwenya Glass) until suddenly – NO MORE! After a couple of years they decided to pop up to Eswatini whilst in Northern Natal and to “investigate”! The outcome – Proud owners of the only glassblowing factory in Africa. But now what?! They know nothing about this business!! Through sheer determination, hard work and common sense — and of course, invaluable assistance from Consol Glass, Talana – Ngwenya Glass now employs 70 workers, including 2 of the original blowers and 4 of the original other staff.

Mr Sibusiso Mhlanga, who underwent advanced training in Sweden during the 70’s, has tutored new apprentices in the age-old art of glassblowing and has visited Sweden a couple of times in the past few years to once again work with some of the leading glassblowers in the world. Sibusiso also assisted world renowned master glassblower, Jan-Eric Ritzman at Pilchuck Glass School in Seattle, USA in July 1998.

**Business Ethics and Sustainability**

Business Ethics is the study of appropriate business behaviour and policies in line with ethical business practices. While the emphasis is on moral issues of what is good or bad, good business ethics is a powerful tool to enhance your business. The world in general expects good value and expects to do business with firms with good moral standards. The Figure below illustrates key issues embraced by good business ethics.

Sustainable development has been defined as development which meet the needs of today without compromising the needs of future generation. The economy defines the means of production including businesses which exploit the economy for the benefit of society. It therefore means that ethical businesses must run in such a way that the environment is protected and society and large also benefits. Environmental awareness, management of waste, bio diversity, climate change pollution, as well as equity and participation of society becomes the core of the social corporate responsibility of the organization- or the foundation of its business principles.
The Case for Ngwenya Glass:
Ngwenya Glass is more than an inspiring success story. It is an environmentalist’s dream integrating the principles of business ethics and sustainability. The products, which include a range of tableware, drinking glasses, vases, jugs and ornamental African animals, are all handmade from 100 percent recycled glass. Most of this is from soft drink bottles, gathered from all over Eswatini. Not only are the people of Eswatini encouraged to collect the bottles, but Ngwenya Glass works with the local schools to instil in the children a sense of environmental awareness. In exchange for building materials and the sponsorship of the soccer team, the students must participate in clean-up campaigns. Ngwenya is the cleanest area in the country because any bottle that catches the children’s attention finds its way into the factory!

Ngwenya Glass believes that by educating our children about environmental issues, we are going to have a chance of saving our planet.

And finally, as if willing the survival of the wildlife species that inspire their craftsmen to produce works of art, Ngwenya Glass launched the Kingdom’s most successful wildlife conservation fund to date. Known as the Ngwenya Glass Rhino and Elephant Fund, its proceeds go directly to saving these rare and endangered animals which have been saved from the brink of extinction for a second time in the recent history of Eswatini. A percentage of Ngwenya Glass’ sales worldwide are donated to this Fund.

The Market Opportunities and Challenges
Ngwenya Glass products are found in many homes worldwide, whilst custom-made light fittings and tableware are commissioned by the most prestigious hotels worldwide. Their market space includes:
- Proximity to South Africa and the south African market
- Countries to which Eswatini has bilateral agreements such as SADC, SACU, COMESA, GPS
- Tourist destinations in search exotic African souvenirs, game parks et
• Environmentalists

One of the challenges in the export business is documentation process and need to meet the export demands imposed by the various destination countries. The process if clearing can be long and tedious in some of these markets. They however work with very reliable agents in these countries. Table below summarises the packing list for destination countries.

Table 8: Export Packing Requirements for Different Destinations

<table>
<thead>
<tr>
<th>Requirements for <strong>Europe</strong> including <strong>Ireland</strong> and the <strong>UK</strong></th>
<th>Requirements for <strong>Australia, America</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Invoice</td>
<td>• Invoice</td>
</tr>
<tr>
<td>• Packing List</td>
<td>• Packing List</td>
</tr>
<tr>
<td>• F178 (stamped by your bank)</td>
<td>• F178 (stamped by your bank)</td>
</tr>
<tr>
<td>• <strong>Euro 1 certificate</strong></td>
<td>• <strong>Form A certificate</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Requirements for <strong>Kenya and East Africa</strong></th>
<th>Requirements for <strong>Zimbabwe</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Invoice</td>
<td>• Invoice</td>
</tr>
<tr>
<td>• Packing List</td>
<td>• Packing List</td>
</tr>
<tr>
<td>• F178 (stamped by your bank)</td>
<td>• F178 (stamped by your bank)</td>
</tr>
<tr>
<td>• <strong>COMESA certificate</strong></td>
<td>• <strong>SADC certificate</strong></td>
</tr>
<tr>
<td>• Inspection of goods at premises @ a fee in US$</td>
<td>• BV Inspection of goods at premises @ a fee in US$</td>
</tr>
</tbody>
</table>

**Ngwenya Glass** is proof that business success and commitment to protecting the environment can, indeed, be a winning combination.

**Questions:**

1. Why would you be interested in Ngwenya Glass products?
2. Which Markets is Ngwenya Classes exporting?
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