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PRODUCT EXPORTING IN BUSINESS-TO-BUSINESS MARKETS: MEDIUM AND LARGE COMPANY PERSPECTIVE

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1 INTRODUCTION

1.1 Background

Exporting is one of the most commonly used modes of international business operations and significant option to all sizes of companies considering foreign market penetration. As many cross-national policy makers encourages countries to open their trade barriers for free product trade, the global environment has gradually shifted in favour of using exporting as a foreign business operation mode. In terms of political economy, exporting is many times perceived as positive in contrast to importing, and thus it is also many times encouraged and supported by national governments. (Welch et al. 2007.) Although the traditional trade models show, exporting and importing are well connected. A rise in country’s exports has a stimulating effect to its domestic economic activity by raising the domestic income, which again have a positive effect to its imports. (Arndt 2014.) For the above-mentioned reason, some countries have a bias attitude to exporting, as they create protective barriers to imports while support national exporting. These kinds of biased political decisions have ethically dubious renown.

The growing importance of efficient exportation in product business and the fact that Finland’s product exports structure has drastically tipped towards business-to-business markets, creates a motivation to further research and understand the phenomenon of product exportation in business-to-business markets. As the global competition is tightening and barriers between countries and continents are vacillating, it is critically important for managers to understand the key factors in efficient exportation process to maintain competitiveness in their business. This paper aims to build understanding of product exportation in business-to-business markets and the efficient methods to perform it by utilizing the currently known best practices.

Although the distinction between physical product exporting and service exporting sometimes is rather blurred and the two many times happen in parallel way as exporting many times consist of a package of products and services, this research focuses on product exportation and distinguishes it from service exports whereas
differences may occur. This research contains a pre-assumption that the process of product exportation in business-to-business markets can be managed with universally best practices and the process for efficient exporting management can be found and described.

1.2 Research gap

One may find plenty of academic research focusing on product exportation. For example Welch et al. (2007) describes the process of efficient exportation and how the exporting company should make systematically good decisions. Sherlock & Reuvid (2008) also describes the efficient exporting process giving emphasis on the risk management. Product exportation has been a very classic part of international business during the several last decades. In Finland; product exportation has also been a solid part of the total number of annual exports; consisting of both business-to-customer and business-to-business product exporting. After the mobile phone industry’s part of the total exports has reduced, the centre of gravity in product exportation in Finland is tipping toward business-to-business product exportation (Tilastokeskus 2016). This creates motivation to study and in deepen the understanding of the best practices in product exportation in business-to-business markets.

The phenomenon of an optimal process in product exportation in business-to-business markets and its meaning regarding well managed businesses is interesting topic in both practical and theoretical terms. Although there are many practically oriented writings related to exporting, this research doesn’t focus solely on how the product exportation works in practice; as it enhances the importance of efficient processes management in product exportation in business-to-business markets. This research also considers the current and best practices to manage the exportation process, and reviews the common risks and methods for risk management in product business in business-to-business markets.

Straight forward cause-effect reasoning and linear process descriptions have been left aside from this research. This research focuses on providing a closer look on the
efficient exportation in business-to-business markets and analyses the optimal and best ways of managing the process.

1.3 Research questions

This research aims to respond to the challenge of providing a holistic view of the process of product exportation in business-to-business markets. The research is based on providing answers to the following research questions:

*What are the common choices the exporter needs to do in product exporting in business-to-business markets; and how the exporter should solve these?*

*What risks are connected to the product exporting process; and how the risks can be managed?*

*How the exporter should manage the exporting process and relationships with the intermediates?*

The research aims to offer information and find answers to the research questions from relevant literature. This research aims to build such a foundation that can be utilized in the future in more holistic research.

1.4 Methodological choices and limitations

Mainly due to a lack of time and other resources, this research is made as a literature review. Thus the research is made solely based on already existing theoretical material. Also as the research by its nature is rather describing than analysing and thus the qualitative approach suits the research better (Denscombe 2007).

This research contains pre-assumptions of product exportation and efficient methods to perform it in the business-to-business markets. The research aims to understand and interpret pre-existing information over the research subject. It has solely focused on analysing already existing information and since there is not an empiric data included to the research; it is clear that the results will contain a number of distortion
caused by systematic error. Systematic error in the research is also formed of making conclusions without showing the results empirically true. The conclusions are made by the author of this paper. Random error is mostly caused by the limited sample size in the literature review.

As the systematic and random errors that this research contains are accepted, the research can provide focused understanding of the efficient product exportation process in business-to-business markets.

1.5 Structure

This paper starts by an introduction in chapter one to present the research questions, background and to explain the limitations and methodological choices done in the research. In chapter two, the paper offers an introduction to common choices in the product exportation process in business-to-business markets. Chapter two focuses to the choice between indirect versus direct exporting and choice over agents and distributors. In the chapter three, the paper gives an overview of the risks involved to the process and methods to manage these risks. In this research, the exporting related risks are sorted as the risk of non-payment, physical loss and loss on exchange. The paper continues in the chapter four by presenting some of the best practices to manage the product exportation process and ways of efficient relationship management with the intermediates. Finally in the chapter five, the paper offers a conclusion over the subject divided in managerial and theoretical conclusions and contributions.
2 MODE SELECTION AND COMMON DECISIONS

This chapter provides structured knowledge of the export mode selection and common decisions in the product exporting process in business to business markets. The sub-chapters combine academic research and subjective linking contribution to offer a clear presentation of the mode selection process and the common decisions.

2.1 Export mode selection

Exporting is many times perceived as a low-cost and rather easy way of starting foreign business operations. This makes it no surprise it tends to be the most commonly used mode to start international involvement. Newlands & Hooper (2009) presents that according to stages model, exporting is a typical way of starting foraying the international activities and if the exporting venture is running well, it is easy way to expand foreign operations from exporting to having a foreign sales department. It is rare that the overseas operations would start by entering into a joint venture or to a contractual agreement with a local party. In some industries, licensing might come out as a viable option in the early phase of internationalization but exporting have certain role to all size of companies in the start of their internationalization. (Welch et al. 2007.)

Although exporting can be seen a rather simple way to start international operations, it distinctively differs of selling products domestically. From the perspective of logistics, exporter needs to carefully consider and choose the terms of sale; including transportation and payment, and take care for handling of the financial transactions to control risks and exploit the full potential of the foreign trade (Wood 2002). According to Welch et al. (2007) although exporting may be rather easy way to start international operations it is not a result of sequential and orderly pattern; exporting may also be a part of a broader set of internationalization modes or a company may end up using exporting after failing with using another market entry mode.

The initial choice for internationalization may be initiated by an internal or external stimulus. There are many companies who seek international expansion through events and programmes which can offer opportunities for internationalization, for
example fair events and match making sessions where the exporter may find new agents or distributors in foreign markets. (Johnson & Bade 2010.) Welch et al. (2007) implies that the strongest single predictor for international entry mode still seem to be the internationalization mode what the company have used in the past.

There are cases where an external stimulation for international entry is offered for a company by a distributor or an agent, who would like to represent the company’s product in some certain market and thus would offer a complete package to international entry for the exporter (Welch et al. 2007). Governments may also play role to initiate the change and incentives companies to internationalize through campaigns and commercial match making services. For Finnish companies, there have been set up a public institution; Team Finland to boost the internationalization of Finnish companies. Team Finland supports companies especially in the early stage of internationalization by searching potential business partners and local officials to speed up the internationalization. (Saarela 2015). Johnson & Bade (2010) presents that the U.S. Department of Commerce International Trade Administration offer a number of services and support in order to assist U.S. based companies to find potential foreign trade partners and customers. As already noted, exporting is still considered as a positive economic indicator by governments, and thus it is neither unusual nor surprising that governments have set up agencies with foreign infrastructure to support nationally important companies in their exporting ventures to provide them with local networking possibilities and grouping schemes.

In exporting, companies will face a number of situations to choose over two or more options to determine their exporting strategy. Common questions are for example; what term and method of transport or payment the exporter should use, whether the company wants to act as direct exporter or utilize an intermediate trading company, if the indirect exporting will be arranged as domestic or foreign indirect exporting, and if the company wants to cooperate with agents or distributors. Even the size of an intermediate can be an important and noteworthy decision to be made. As an example; large and well-established distributors many times have more settled sales channels and ways of doing business but on the other hand, they usually have higher power in negotiation all contractual terms regarding trade with the exporter (Welch et al. 2007, Sherlock & Reuvid 2008). Many times, there is not an absolute right
answer to the questions presented above. To make a decision, professional product managers analyze and evaluate the business context in order to make good and justifiable choices of the options at their hands.

2.2 Direct exports vs. indirect exports

Exporting can be divided to direct and indirect exporting by their respective nature. Indirect exporting can further be divided to domestic and foreign indirect exports. All of these sub-modes may also happen in parallel way or as part of a broader package of internationalization. (Welch et al. 2007, Sherlock & Reuvid 2008.) This sub-chapter treats the essentials of these forms and the applicability of the forms in varying contexts.

As noted before, exporting can be divided into direct exporting (e.g. selling directly into customers) and indirect exporting which means that the exporting company is utilizing an intermediating distributor or commission agent to arrange the foreign sales (Sherlock & Reuvid 2008). Indirect exporting may be further divided to domestic indirect exporting and foreign indirect exporting. Domestic indirect exporting most times offers the simplest and easiest way to start exporting. It might even be hard to distinguish the difference of domestic indirect exporting to other domestic transactions as the actual exporting work is handled by the domestic intermediating trading company. Domestic indirect exporting can be described as low-commitment and low-risk way to test the foreign market and evaluate the potential for the product in foreign markets. Foreign indirect exporting differs of the domestic indirect exporting namely in that the intermediating trading company is based in a foreign country. Usually here the demands for support of the trading company are higher than in domestic indirect exporting, although on the other hand the local market knowledge is many times more sophisticated and better. (Welch et al. 2007.)

There are many upsides that both the foreign and domestic indirect exporting can offer to an exporter comparing to direct exporting; indirect exporting is seemingly lower cost and associated with substantially lower risks if using a distributor (Johnson & Bade 2010). Foreign trading company benefits the exporter also in the
local market knowledge and is able to resolve problems related to local staff. Sometimes the trading intermediaries have operations in several countries, which may create possibilities to grow to new international markets with the foreign intermediary with minimal efforts (Welch et al. 2007).

Foreign direct exporting differs of the indirect exporting that it is direct trade with the foreign end-customer. According to Johnson & Bade (2010) the exporter may attain higher reward through direct exporting but the direct exporting is connected with a higher risk and responsibility than indirect exporting: if the exporter is using a distributor in the exporting process, the potential profits will decrease but what also decreases are the local responsibilities, risks and the overall time investment on the foreign sales process. Direct exporting is also connected with a higher amount of control over the exporting process, which can be seen in many places for example negotiations, contacting, technical advising, marketing and pricing. On the flip side, in direct exporting it is almost a necessity to ask for assistance from local service suppliers such as in marketing assistance and perhaps interpreter services. (Solberg 2006, Welch et al. 2007, Cook 2001.)

It is clear that deciding between the indirect and direct exporting options always depends of the business context and it may also be a political decision of how a company should move on. The exporter’s individual risk profile may have a deep effect on the decision. Sometimes the company don’t want to invest money or time on the exporting process which usually makes the direct exporting very unlike as an option. Company’s own capacity and will to work in a new market and skills to deal with cross-cultural challenges may as well affect to the decision between direct and indirect exporting.

2.3 Agents vs. distributors

If the exporter decides to use intermediary company to provide the foreign trade service, an important decision needs to be made between of choosing to act with trading agents or distributors. White (2009) describes distribution as management of inventory with a goal to reach a customer satisfaction and what should be every company’s goal in any market despite whether the exporter is using a distributor or
an agent to deal with the foreign end customer. In product exporting in business-to-business markets, both options can be seen as viable and justifiable options in different situations. There may also be other variations of intermediary agreements but the main two forms can be identified clearly. According to Cook (2001) many times companies do hasty decisions regarding the usage of a trading intermediary, which can be because exporter perceive time as limited resource and thus performs an inadequate research. Sometimes a reason for hasty decision might be that the exporting company don’t get foreign sales opportunities very often and a particular trading company have got in contact to the exporter. However, it is a very important decision which can yield opportunities or problems whether the decision is though over profoundly or not. It is far more time and assets consuming to start the exporting process all over again than to avoid problems by investing decent amount of time to the evaluate and decide between the possibilities in hand to end-up making good business with reliable parties (Johnson & Bade 2010).

Agents and distributors can both be seen as intermediaries but from exporter’s perspective, there are several key differences related to these two forms of indirect exporting. Simply put, the agent works on behalf of the exporter and performs a number of functions to grow the exporter’s sales in the foreign market as the distributor buys and resells the product taking more liability in the process but also getting more control over the process. (Welch et al. 2007.) According to Cook (2002) it is common that agents work in commission basis and not purchase or take any title to the product, and many times the shipment of the product is arranged solely between the exporter and the final customer. As the other option, distributor buys and re-sales exporters product. Thus the distributor is not only representing the product but acting with the final customer as liable product provider. According to Johnson & Bade (2010) above the grown liquidity risk, distributor needs to do more marketing efforts and has also higher legal risks in term of local warranties and other terms of sales. Johnson & Bade (2010) also states that on the flip side, distributor has also more control over the process as it is operating directly with the end customers.

In situations where the market volumes are likely to be limited, agents tend to be favoured to distributors. Usually in these markets the exporter is seeking to limit the market development costs. Also if the product is very expensive and the rotation
speed is relatively slow, agents are better option to arrange the exporting. For products which require maintenance or spare parts, distributor is more favoured path. In cases where there is a need for local technical representation, this may restrict the use for both agents and distributors to provide the trade service. (Johnson & Bade 2010, Welch et al. 2007.)

The choice between agents and distributors, is always made considering company specific matters and experiences the company have had in international business including agreements and approaches it have used in the past. Broadly speaking, both of the options can offer on-the-ground representation in foreign market without the exporter having to commit to establishment of its own facilities and more widespread process in the foreign market. In general terms from the exporter’s point of view, distributors also lower the business risk comparing to agents who don’t usually have any up-front commitments and who don’t purchase any pre-agreed volume of products. The process that distributors buys and re-sales the product, tends also to push the distributors to have more effort on the sales and also to get better results. (Johnson & Bade 2010.) Also the greater part of liability that the distributor is taking under the local laws is many times viewed as reducing the liability of the exporter and makes utilizing distributors as a viable option. (Welch et al. 2007.)
3 CONSIDERING AND MINIMISING RISKS

This chapter introduces the risks in product exporting in business to business markets from the business perspective. The second sub-chapter focuses on the management of the risks. The risks in this chapter are present as non-payment risk, physical loss risk and loss of exchange risk.

3.1 Risks in product exporting

Exporting contains a number of risks and it is essential to an exporting company to be able to manage these risks effectively. In simple terms, the risks in product exporting can be divided into physical loss or damage risks, non-payment risks and exchange loss risks (Sherlock & Reuvid 2008). The fundamental characteristics of risks are well connected to the nature of exporting as the exporter seeks to accelerate payment, take as little liability in the process as possible and assure that the payment is received as fast as possible, while the importer wants to ensure a safe and timely accurate delivery of the product, as long payment time as possible and desires the exporter to take as much liabilities as possible in the trade process (Malaket 2014). This set-up creates a need for risk assessment and risk management in exporting. This section of this paper focuses on introduce the essential risks in product exporting in business to business markets and some of the common methods to control the risks in product exporting.

Exporter has a number of options to choose the method of payment after assessing a risk analysis of the buyer. In simple terms, the exporter can control the risk related to the payment by choosing between; open account payments, documentary collections, documentary credits and cash with order payments. To use a proper payment method, the exporter needs to evaluate the risk connected to the buyer, and thus the exporter needs to assess an analysis of the customer’s country and company risk. (Sherlock & Reuvid 2008.) Many terms can and are used in product exporting since there are no universally accepted protocols on the sales terms and form of financial transactions. Although the most widely used financial instrument to control the payment risk especially in business with the developing countries is the irrevocable letter of credit. Letter of credit is precisely specified agreement between exporter’s
bank and buyer’s bank to guarantee the payment concerning the letter of credit contract. (Wood 2002.) When the letter of credit is decided to take in use, the exporter and the buyer should first agree of all terms related to the sale. After this, the buyer will request to open the letter of credit in a local issuing bank, who will contact a corresponding advising bank in exporter’s country. Next the advising bank will specify and require all documents from the exporter in certain time scope in order to receive the payment. Because the intermediating banks doesn’t ever see or inspect the issued goods, they are meticulously precise of the required documents in order to issue the transaction. (Johnson & Bade 2010, Sherlock & Reuvid 2008.)

Product exporting typically includes substantially higher physical risk that the delivered products would be damaged due to inaccurate packing or bad transit handling. Thus it is essential in product exporting to agree the terms of sale and to adequately use cargo insurances according to the terms of sale. (Sherlock & Reuvid 2008.) The terms of sale indentifies where and when the physical transfer between the exporter and the buyer takes place, which is paying the transportation of the goods and which is carrying the legislative responsibility to insure the goods (Wood 2002). Physical risk is also needed to be considered when a company is using an intermediate as trading companies. If local inventories in a foreign country are used, the risk of loss is usually carried by the owner of the products. Thus agents don’t take risk on the loss whereas distributors are carrying full risk. Credit risk and product liability is carried by the true seller to the end client, which again means that distributor takes substantially more risk in the process when in case of agents; the exporter remains as the true seller of the product and takes more liability in the process. (Johnson & Bade 2010.)

Exchange loss should be considered as the third main risk in product exporting. Exchange loss risk of course stands only in the trade that takes place in cross-monetary borders. Basically the risk either stands with the exporter or buyer depending on whose home currency is used in the exchange, and thus might be affected by the currency fluctuations in the relative values between the two currencies. (Sherlock & Reuvid 2008.)
3.2 Managing risks

As already mentioned, risks in product exporting may be divided into risk of non-payment, physical loss and loss of exchange. This section presents a closer look to these risk categories respectfully and the methods to control these types of risk in product exporting.

3.2.1 Non-payment risk

As already mentioned, a company have several tools to manage the non-payment risk in product exporting. Malaket (2014) presented that the exporter aims to receive the payment as fast and as safely as possible which creates an incentive to use financial risk management tools to guarantee this goal. Time of payment is usually a matter of agreement between the exporter and the buyer but the payment method can be more complex decision which may require further risk assessment of the buyer. In short, depending of the risk level of the buyer, the exporter may offer to use open account payments, documentary collections, documentary credits or cash credits to control the risk of non payment. (Sherlock & Reuvid 2008.)

To make the decision of the appropriate method and term of payment, company should carry a risk assessment to analyze the buyer’s country and company. If the risk in some market or with some respective company is considerably high, the exporter should aim to use cash in advance solutions or documentary credits. (Johnson & Bade 2010.) Exporter should first look into the buyer’s country’s political risks, common policies in international transactions within the country and the risk rating related to the country to get a notion of a “thumb rule” to start with (Cook 2001, Sherlock & Reuvid 2008). As an example, it is not at all uncommon in West Africa to request cash in advance as on the other side in many European countries it is normal to use open account contracts. In some cases, the exporter can override the country related common payment method after performing a risk assessment of an individual company. If the exporter don’t have any trade history with the buyer, the risk assessment should include trade references from other buyers, bank reports to guarantee the buyer actually exist and is working, credit
reports and in some cases credit risk insurers if extra safety is desired on the side of the exporter. (Sherlock & Reuvid 2008.)

3.2.2 Physical loss risk

Physical loss risk can be managed mainly with the sales terms applied to the buyer and by a strategic decision to use distributor as a trading intermediary. Distributor can be lower in costs and the financial risk on physical loss is also seemingly lower than in acting directly with the customer. Exporter’s liabilities are usually limited to only consider the trade price with the distributor and thus exporter is not liable to the end customer for example in cases where the product is part of a bigger whole. (Welch et al 2007, Johnson & Bade 2010.)

The sales terms can be described as the other manner to control the physical loss risk. Exporter should always include its quotation a proper sales terms and an international delivery term to determine where and when the product related liabilities will exchange between the exporter and the buyer (Wood 2002, Cook 2001). Sherlock & Reuvid (2008) presents that the delivery terms can be divided into four groups; group E, group F, group C and group D which all consist of internationally acknowledged delivery terms which take a respective stance on the cost of transportation, risk on the physical loss and insurance liability. The international delivery terms makes the process of sharing liabilities more efficient as the terms are universal and globally acknowledged. Knowing and being familiar with these terms is a pre-requisite to the exporter in product business as sales prices are always in contact to some delivery term.

3.2.3 Loss on exchange

If the exporter makes a decision to invoice the foreign buyer in their own local currency, the exporter should consider the relative fluctuations in currencies and aim to control it in order to manage the exchange risk (Wood 2002). The exporter may have several ways to control the risk related to the loss on exchange. Exporter may use foreign currency accounts and thus it doesn’t need to exchange the foreign currency at all. Currency accounts can be especially useful in cases where the
exporter both sells and buys in foreign currency. As second option can be named forward exchange contracts which are settlements with an intermediating bank to seize the currency rate of fluctuating in a certain time period. Bank is calculating the rates for different time periods including their margin and the exporter can mirror these fixed rates to the volatility of the exchange rate. If the money currency exchange transaction sums are not large and the trade margin is not very low, it can also be justifiable option not to do anything at all. This basically means that the transaction will happen with a daily spot rate which can favour either of trade parties depending if their home currency is weakening or strengthen. (Sherlock & Reuvid 2008.) In case where margins are relatively high or the transactions sums are not substantially large, the forward exchange contract or other hedging solutions may cause more costs than they can save money in a situation where risk would realize. This is why many companies don’t put any time or effort to study the loss on exchange hedging services.
4 MANAGING THE PRODUCT EXPORTING PROCESS

Here are described essential elements of well managed product exporting process in business to business markets. People still tend to have decisive role of building the process and making decisions. This gives emphasis on selecting right people to manage the process and to actively manage the intermediates connected to the exporting process. This chapter first describes general process management essentials in product exporting in business to business markets and the offers a focused overview of the intermediate management.

4.1 Process management in product exporting

At simplest, the exporting process can be broken down to two most fundamental functions; sales to get orders and shipping to fill the orders. Above these, the overall management of the process can be seen as a separate function to support both sides of the process. (Sherlock & Reuvid 2008). Having managers with earlier international experience in leading the internationalization process, contains a correlative relationship of not using as much intermediates in the process and also that the process form of foreign market entry is many times based on the manager’s previous experiences (Welch et al. 2007). Thus it can be pointed that relevant people can bring substantial cost-effectiveness and process management skills in exporting which emphasizes the importance of selecting suitable export, sales and shipping managers to lead and execute the exportation process. According to Cook (2002) the personnel leading and managing the exporting process have also a positive influence to the coordination and integration of international transaction and distribution channels. Thus choosing right people with right background to manage the exporting is essential factor in the road of success.

Good will and desire to build business together with a trading intermediary are key concepts in lucrative product exporting since in reality, there is usually leverage by one of the trading parties that can create challenges and risks in the process. (Malaket 2014.) This emphasizes the meaning of efficient relationship management in product exporting. Welch et al. (2007) stresses the importance of building trustful relationship with trading intermediary in order to reach adequate margins and
payment terms. Welch et al. (2007) also points that formal contracts seem to have only limited effect to ensure the performance of foreign intermediary, and thus the exporter should regularly visit and frequently communicate with the intermediary, offer any kind of support in appropriate form and assist the intermediary in promotion, training and technical questions. Solberg (2006) stresses also that the relationship management is positively connected to trust which again yields positive effect on commitment and flexibility in the relationship.

### 4.2 Managing the intermediates

Despite the advantages and possibilities the intermediates inevitably can offer, according to studies, they are also one of the major causes for problems of exporters. This is also why some exporters stress that effective relationship management is the only long-term strategy to maintain positive outcome of the relationship with the trading intermediate. (Welch et al. 2007). Solberg (2006) demonstrated that active relationship governance can add flexibility to the exporter-importer relationship and also reduce opportunism in the relationship. Although it is easy to agree that the relationship management is essential particularly when using an intermediate, it may also be much cost demanding especially when exporting takes place in peripherally distant locations (Johnson & Bade 2010).

Sometimes a surprising problem might occur if the intermediating trading company is even too good in selling the product to have extensive piece of the overall sales of the exporter. If the intermediate have built personal relationship with the end customers, there lies a risk that the exporter can’t work on its own capacities to distribute its product to foreign markets without the intermediate. Thus the exporting process should not be solely left on the hands of the intermediate and the exporter should actively meet the end-customers if there will ever be a need for an internationalization mode change. (Welch et al. 2007.) Due to the concern of control and the will of not being locked to one intermediate, some exporters seek nonexclusive arrangements in indirect exporting to leave open the change to flexibly change the intermediating partner or internationalization mode. Other ways to gain more flexibility with using indirect exporting can be to appoint several exclusive
intermediaries with restricted regional exclusivities or entering only to short-term exclusivity agreements with the intermediates. (Solberg 2006.)

Trading companies are not the only intermediates in the exporting process. In the broad picture there can be several tens of different kinds of service providers but alongside the trading intermediates the most essential service providers that the exporter usually needs to use are financial institutions that provide services in international payments, insurances and international credit ratings, and logistics providers who namely can serve the exporter with logistical services in product exporting. Cook (2001) states that for some product, the transportation cost might be the biggest “landed cost” to the importer of the product. This impresses the meaning of efficient transportation and logistics management and makes it a fundamental element in the product exporting process. Both in direct and indirect exporting, there are mainly two ways to control the transaction channel; by choosing the terms of sale and form of handling the payment. It is essential in the process to identify when and/or where the transfer between buyer and exporter takes place regarding the physical product, payment of the product, legal title and responsibility regarding of insuring the goods, paying for the transportation provider and taking goods in control. (Wood 2002) Deciding the method and term is a matter of agreement between the exporter and the buyer but logistics and financial institutions plays decisive role in the process to implement these methods and terms in the actual trade. Financial knowledge and institutions are sometimes also needed at the side of the exporter for financing the production of goods to be sold, also called pre-shipment financing, or on the side of the buyer there might be a need for post-shipment financing if the buyer faces a situation where it would need to pay for the goods before selling them to the end client (Malaket 2014). Cook (2001) encapsulates that trade finance institutions are critical intermediaries in order to efficiently and meaningfully offer the exporter and importer a proper set of options for payment and insurance, and thus assure lucrative international trade.
5 CONCLUSION

This research’s goal was to provide well structured information and answers to the research questions of this study. The research provided the answers in chronologic order, starting in chapter two to answer the first questions; *what are the common choices the exporter needs to do in product exporting in business-to-business markets; and how the exporter should solve these?* The third chapter dealt the second research question; *what risks are connected to the product exporting process; and how the risks can be managed?* And the chapter four covered the last research question; *How the exporter should manage the exporting process and relationships with the intermediates?* This conclusion chapter provides a conclusion from both; theoretical and managerial perspective.

5.1 Theoretical conclusion

This research has created understanding on product exporting in business-to-business markets as it also compressed the currents academic discussion of the researched subject. As shown in this research, it is clear that the exporting process is highly connected to the exporting company and its culture. Although it is very rare that in product exporting there would appear any absolute right answers, one can discover main guidelines by using the currently known best practices to avoid undesirable outcomes. This research utilized academic writings to unveil some of these guidelines and encapsulated the fundamental concepts in product exporting in business-to-business markets. This research showed what decisions exporter should face in product exporting and how the exporter should act in these situations, what risks the exporter need to consider and how these risks may be managed, and what other key concepts are related to the process management in product exporting. The presented academic research and theories supports the idea that the exporting process can be managed with well structured and sophisticated way to avoid unnecessary risks and exploit full profitability of the process.

Product exporting in business-to-business markets has been treated widely and profoundly in this research; utilizing relevant academic literature and evolving theoretical inference. Compared to earlier studies, this research crystallizes the
perspective on exporting in product business in the business-to-business markets. Although exporting in some context may be similar in both service and product business and in business-to-customer and business-to-business markets, this research focused to study and explain the phenomena from the perspective of product exporting in business-to-business markets. Thus the research have accomplished the theoretical goals what it was set to accomplish.

5.2 Practical and managerial conclusion

As noted in this research, exporting is a good and relatively easy way to start internationalization. It also makes an establishment of foreign sales facility much easier in the future if the company have already functioning distribute channels and some amount of local market knowledge. This research offered vast evidence on the importance of exporting as an internationalization mode and that it can be utilized by all sizes of companies in their foreign business expansion. Thus exporting can serve companies in product business in business-to-business markets despite their size and market segment. It can also be a mode option that the exporting company can retain in all stages of its internationalization, either on its own or part of some other mode. Product exporting can be described as simple and easy way to start the internationalization but it is important that the managers leading the process are able to control and manage the process related risks and optimize the process in a proper manner. Also the exporting mode can offer many viable variations in product business in business-to-business markets such as from simple domestic intermediary agreements to direct exporting. The managers should also be aware of these variations and their meaning to the process.

Doing the right decisions and managing the export process in an optimal way is not an easy task. This research demonstrated a way of looking the exportation process as a series of choices and acts that should be considered in the process in order to control and manage the process profitably. Although the exporting process is not always moving as the managers would like it to move, in the long term, actively and properly managed exporting process will attain results what the managers are looking for.
5.3 Research evaluation

This research is made according to the instructions of the University of Oulu, Oulu Business School and the main motivation to perform this research was to understand and learn the principles of academic research and reporting. The time to perform this research was limited and this caused the research to be left as a relatively narrow overview of the researched subject. Although, considering the meaning of the research, the overall scope of the research was sufficient to present the subject and demonstrate that the research is done in a proper and appropriate manner. The research results have been displayed in a short and effective form. The research subject has interested many researchers and it would have been possible to find plenty of more material over the subject. As an example, this research does not cover the manager profiles, what could be suitable for different situations in product exporting process. Nevertheless, due to a limited resources and time, the subject needed to be limited and it can be stated that there will be room for a further research over the same topic, for example in a form of master’s thesis.

In the name to improve the research validity, during the research process a substantial number of articles and academic papers have been studied over. Many of these studies have needed to be left aside since they are not exactly matching the research scope. The chosen articles and other source material have been selected carefully. This has been especially important in the research since there is no empiric data-set included to the research.

Since there was no empiric data-set included in the research, it is clear the reliability of the research suffers. In the end, this is something that needs to be accepted understanding the limitations and objectives of the research. Reliability in the research is improved by careful and close consideration of chosen source material and clear presentation of the key concepts.

5.4 Further research suggestions

This research supposes to act as a base study for a coming master’s thesis, which should take place in spring 2018. The further research intents to take the research
further and also include an empiric data to the research. The results of this research offer a theoretic basis on the master’s thesis. The further research over the same topic may be challenging since the exporting process in product business in business-to-business markets may be seen as a relatively broad topic. Thus it is well possible that the master’s thesis will focus solely on some of the sections presented in this research. The focus of the further research will clarify also according by the empiric interviews and by the needs of the possible case-company included to the empiric study. If a company is connected to the master’s thesis work, it is well possible that the motivation of the research will either be on the whole process or only a part of it, for example risk management in product exporting in business to business markets.

The further research method should still be qualitative since there are so much subjective and culturally important data included to the optimal process what is hard or even impossible to present in quantitative form. The qualitative method suits the further research well also because the subject is dynamic and complex by its nature. Also the reliability may appear better since the research doesn’t aim to solely present some expected outcomes. In the coming research, above the excel source literature; a substantial focus should also be laid over the interview method and relevant interview questions. The coming research should also focus on providing informative findings from the perspective of the possible case company.
LIST OF REFERENCES


