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# **TRADE PROMOTION OF SLOVENE COMPANIES ON FOREIGN MARKETS**

UDK/UDC: 339.1

Pregledni rad/Review

Primljeno/Received: 16. studenog 1999./November 16, 1999

Prihvaćeno za tisak/Accepted for publishing: 2. veljače 2000./February 2, 2000\*

### **Summary**

*Although the analytical part of this paper mainly examined with the performance and judgement of the quality of group trade fair appearances, the collected data show that the area of the economic promotion is in the stage of the intensive development where the co-ordination and association between the individual institutions are not always the best. For these reason is very useful wise to support the idea of the establishment of common performance agency which will organise promotional activities for different institutions. Thus, the quality of services and the co-operation of, predominantly, government institutions will certainly be higher.*

**Key words:** *trade promotion, export promotion, trade fairs, promotional activities,*

## **1. INTRODUCTION:**

The majority of national governments place a considerable emphasis to the activities of the export promotion in the increasing global economy. They are also understood as public political measures, which actually and potentially increase the export activities at the level of a company, industry or a State (Seringhaus and Rosson, 1990). In the Slovenian business practice, the term 'trade promotion' has become associated with the activities of the public promotional environment, which semantically embraces, above all, direct promotional activities at the companies' level. In

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\* Author's translation and proof-reading into English.

the following contribution, we introduce the trade promotion as the synonym of all the efforts to increase the competitiveness of companies as shown in the Table 1. The question is, therefore, concerned with a co-ordinated model of strengthening the export competitiveness of the companies at the State, of industry or company level.

Table 1: Matrix presentation of the trade promotion areas

Impact area	Level of promotion levels		
	State	industry	company
<b>Direct measures</b> (demand-side)			
<b>Indirect measure</b> (supply-side)			

Source: Seringhaus and Rosson, 1990

According to Seringhaus and Rosson, it is possible to divide the economic-political measures, which have the impact on the export, to direct and indirect programmes. Direct programmes of the export promotion focus on the market and on the demand -side. This means that the objective of direct measures is a positive impact on the company's export competitiveness. The latter includes the area of programmes, which range from the creation of awareness, encouragement of interest, support to investigations, preparation of exports and entering the export markets to the development of the export market and activities oriented to the expansion. The measures on the demand-side (indirect programmes) endeavour to encourage more sale mainly by the means of promotional methods.

The infrastructure, financial and other factors play a decisive role in the promotional export activities. In this paper, we shall discuss those export promotional methods, which enable companies to overcome the export market barriers illustrated by the shaded area in the Table1.

Seringhaus and Rosson (1999) classified the export barriers into three main categories, i.e.:

1. **Motivational:** non-exporters view the export as timely more wasteful with more expenses, more risky and thus less profitable as doing business on domestic market. (trading)
2. **Informational:** all companies need the information to study the suitability of exports, while the needs might be much bigger for smaller companies. The weakness of those companies is generally the area of management and finance which has an impact on their ability of collecting and analysing of data about the foreign markets.
3. **Operational/dependent upon resources:** it is, in general, very difficult to enter the foreign markets, especially those which are some how distant and culturally diverse. This, of course means substantial (considerable-major) investments of time and capital in the development of know-how

and experience about the conditions of foreign markets. There is a big lack of these resources, especially in smaller companies. Moreover, the managers in these companies are more sceptic, as concerns the acquisition of export market skills, than those in big companies.

It is obvious to conclude that in the case it is impossible to reduce the above mentioned export barriers, we shall lose a major export. In order to solve these problems, a public promotional environment is created in the industrialised countries and usually co-ordinated and considerably financially supported by the government.

## **2. INVESTMENT IN TRADE PROMOTION**

It is probably unjust to reduce the circle of 'participants' in trade promotion. The top athletes and artists may have been the major promoters of Slovenia. Not to mention numerous service organisations as well as public institutions and government administration, which is getting into contact with important target groups.

If we limit ourselves to a narrower definition of trade promotion and the collection of standard tools, then the circle of the participating companies can be restricted. However, this still does not provide a complete transparency of the investments in the trade promotion in this country.

The following institutions are involved in the trade promotion in Slovenia (Serajnik,1994):

### **a) Slovene Government Office for Information**

The sector for the information of the international public and the promotion of the State of the Slovene Government Office for Information is in charge of communication with foreign public and of the promotion of Slovenia.

Its main purpose is to mediate general information about the activities of the government, ministries and of the State to various different foreign public to increase the recognition and to maintain the image of Slovenia. In addition, through its activities, the Office wishes to strengthen the effects of specialised economic and tourist activities abroad.

### **b) Office for Trade Promotion and Foreign Investments**

The priority tasks of the Office for Trade Promotion, acting within the Ministry of Economic Relations and Development, are the export promotion of the Slovene economy, stimulation of direct foreign investments (DFI) and consulting in the execution of the already agreed transactions between domestic and foreign companies. In their activities, they are focused to the economic subjects, Slovene exporters entering the international markets, current and potential foreign investors, domestic and foreign trade associations and trade offices. During the first two years after

its foundation, the Office presented, together with the Ministry of Economic Relations and Development, the Chamber of Commerce and the Government Office for Information, the Slovene economy, especially in the countries of the Central and Eastern Europe as well as on the big markets (America, Japan). In 1997, the Office focused its activities into more specialised forms of promotion of the Slovene economy and of foreign investments.

The Office has already been co-financing various marketing projects of the Slovene exporters for a better appearance on foreign markets. It has been participating in the development of new markets, encouraging direct foreign investments and taking part in finding the strategic partners. Moreover, the Office has been engaged in the organisation of trade fairs at home and abroad and has helped in the realisation of visits of foreign economists, diplomatic and trade missions coming to Slovenia.

### c) Slovene Chamber of Commerce (SCC)

Trade promotion is a related activity of the Chamber of Commerce as it is included into the activity of all organisational units. Its goal is to provide an up-to-date and quality service to companies in all areas of trade promotion covered by the SCC, i.e.:

- business information services,
- active consulting support of the individual members,
- trade fairs, business conferences and written material.

Direct promotional activities both at home and abroad are as follows:

- **Specialised trade fairs.** In the organisation of trade fairs, the Slovene Chamber of Commerce strives for the trade fair implementation which is the least expensive for companies and takes into consideration the quality and identity elements of the presentation. Trade fair programme is co-ordinated with the Office for Trade / Promotion at the Ministry of Economic Relations and Development through the application to the public competition for group trade fair events. The trade fair programme is further completed by the trade fairs organised along the border, and in the countries of the former Yugoslavia and by domestic trade fairs.
- **Business conferences, specialised seminars.** More than 100 business conferences are held in Slovenia and abroad. The most important are specialised seminars. "How to do business with each individual country?".
- **Publications.** The organisational units of the Chamber of Commerce issue more than 200 recorded publications a year.
- **Business-information service and market research**



- *Internet* as an universal communication network to inform both domestic and foreign businessmen.
- *Services of the Infolink business-information centre.* A contact consulting service on the export procedures and documentary evidence.
- *"Help-desk"* - the information point for the information on the European Union (EU) and the procedures in the stages of the Slovenia's approximation to the EU.

#### d) Centre for the Promotion of Tourism in Slovenia

The Centre for the Tourism promotion of Slovenia (CTPS) is a national marketing organisation. Its mission is to give Slovenia a transparent and recognisable identity with a definite comparative advantage, and thus to help the Slovene economy in marketing of the Slovene tourist supply. The direct activities of the CTPS involve marketing communications and public relations at home and abroad (in Austria, Germany, Italy and Croatia) either at the level of tourism promotion, determination of initial and individual clusters or at the level of concrete sales action carried out by the CTPS together with a tourist and other branches of economy. To this end, the CTPS uses the umbrella brand name of the Slovene tourism in co-operation with its branch offices and information bureaux abroad.

Table 2: Investment in trade promotion some Slovenian institutions

Institution	1996	1997	1998	1999 plan
Slovene Government Office for Information	190.322.00	293.882.000	557.000.000	623.816.000
Ministry of Economic Relations with abroad	425.000.000	620.000.000	662.712.000	814.300.000
Office for Trade Promotion and foreign Investments	376.949.000	363.854.000	682.937.000	777.726.000
Business information centre (Trade point)	29.997.000	42.298.000	70.208.000	96.829.000
Centre for the Promotion of Tourism in Slovenia	292.871.000	578.000.000	689.160.000	768.000.000
Slovene Chamber of Commerce	264.256.000	370.125.000	356.358.000	386.498.000
Total (Sit)	1.579.595.	2.268.159	3.018.375	3.467.169.

Source: Compiled and calculated based on data from different statistical and other sources.

The CTPS performs its activities by appearing on the tourist fairs and stock-exchanges, advertises or prepares the authors' contributions for publication in foreign media. The relations of media are very fruitful (press conferences, study groups of foreign journalists to Slovenia, personal visits of journalists, clippings of media publications, reports for general public). It regularly co-operates with tour operators and tourist agencies. This includes joint trade fair appearances and presentations, the promotional and informative publications, the presentation on Internet and CD-ROMs, the co-operation with foreign journalists and advertising abroad. Investment in trade promotion for four years are shown in table 2.

### 3. PROGRAMME DEVELOPMENT ACTIVITY OF THE TRADE PROMOTION

The measures of exports promotion or trade promotion can be expediently examined within decisions undertaken by companies in exports marketing. All companies do not have the same needs in the area of exports promotion and, as a rule, they differ from each other according to the phase of exports marketing the company is in and according to the decisions to be taken.

The investigations of export promotion programmes in the twelve developed countries (Serinhous and Rosson, 1990) confirm the efforts for a specific support to different stages of the companies' exports process.

Table 3: Tools for export promotion and phase of export process

Phase of export process	Main services
Before export	Program of export motivation
	Export program for small companies
	Information services
Market entry	Program for market research
	Trade delegation
	Support for export
Export business	Export insurance
	Program for costumers in abroad
	Fair appearance

Source: Adapted from Seringhaus and Rosson, 1990.

There is a wide range of activities to promote economic relations with abroad. Some of them form only a framework of any efforts made for exports and should be carried out under any circumstances. According

to the International Trade Centre (1995), market research and development, business information service, trade offices abroad and direct promotion activities both at home and abroad are classified among the fundamental groups. The real volume and insensitivity of the individual activities depend, among other things, on the available human and financial resources, the exporters' requirements, characteristics of products suitable for exporting characteristics of the exports markets and the experience of a related promotional institution. The second important question presents the quality of the carried out activities, the measurement of the effect and the quality of their performance. After the period of heavy economic shocks at the beginning of the previous decade, the regional structure of the economic co-operation with abroad was consolidated; the same is true for the exporting companies. The services of the trade promotion may today have two but, however, absolutely different target groups or needs. On one hand, large and medium-sized companies were well established on foreign markets and forced to build the internationalisation of business operations on the components of quality marketing and the brand name. A very significant share of the Slovene exporters is in the phase of the formation of the distribution insider position with which they attempt to replace the loss of the costs - competitive advantage and to transfer them to the area of marketing or to the entrepreneurially specific advantage. On the other hand, there are numerous small and medium-sized companies which understand entering the foreign markets as the necessity of life (Zupancic, 1996). There is no need for special efforts for exports motivation under current conditions of a small economic area. As today it is not difficult to organise business conferences, a trade fair or a seminar in any country in an appropriate time it can, nevertheless be observed that needs of domestic trade associations to those which are more individually projected. On one hand, there still exist the needs for the acquisition of basic marketing information and the contacts with the market through the marketing information (this can be very efficiently supported by the Slovene Chamber of Commerce) while on the other hand, there is an increase of complexity and the requirements of bigger number of exporters who are under the "question mark" of exports expansion. We are also concluding the testing and co-ordination of identical elements of the trade promotion: in April, 1999 a handbook of the entire picture of the national trade promotion was published. The efforts will be oriented to strengthen the existing and new initiatives for the promotional projects of the company clusters which can justify competitive advantage. By combining of promotional tools and the development of new ones we may, already during the promotional programme for the next year, reach the programme (product) concentration and the projects selection which will represent the framework of long-term promotional efforts of the domestic promotional environment.

#### **4. QUALITY OF PROMOTIONAL SERVICES AND THE NEEDS OF COMPANIES**

With the ISO 9000 standards, the Slovene Chamber of Commerce committed itself to monitor the efficiency of the performed tasks, and to the regular process as concerns the taking of correct decisions. However, these surveys were repeated during a certain period of time. It was thus possible to follow the changes of the companies' needs together with the development of the trade promotion over the past few years. There are the data from the most recent questionnaire filled out by the participants of the joint trade fair appearances in 1998.

##### **a) The purpose and the goals of the research**

The questionnaire presents a part of following the quality of the services performed, which are required by ISO 9000 standard; the latter was awarded to the Chamber of Commerce at the end of 1998. At the same time, we want the activities, concerning the programme and the implementation of the trade promotion, to be adjusted to the companies' needs and expectations as much as possible.

The goals of questionnaire were as follows:

- the assessment of the quality performance of the trade fair appearance;
- the forms of the companies' promotional support already applied, and the forms the companies are mostly interested in;
- what are the companies' efforts according to the geographic orientation of the exports.

##### **b) Method and questionnaire sample**

A survey is a regular component part of the so called follow up, operations after each group trade fair event. The first set of questions is adjusted to the promotional tools, i.e. to the group participation in the specialised trade fair while the second set of questions is the same for all promotional activities where the questionnaires are used.

The research work comprised surveying of the exhibitions of the seven trade fairs on which SCC organised a group market stand in 1998. 92 companies were surveyed out of which 48 or 52.2% responded to the questionnaire. The sample of the responses is insufficient for the statistic reliability and its results can be interpreted comparatively and indicatively in relation to the investigations already carried out in the past. At the same time, the questionnaire contains the collection of standard questions which enable a joint analysis of the received surveys from the aspect of the companies' target markets and of the type of services of the exports promotion for which the companies show their interest. A part of collection of questions is also related to the identification of the development phase of the company's international marketing on the market.



### c) Questionnaire results

Companies use the trade fair appearances in the phase of the exports market expansion or when they enter the foreign markets. It is, therefore, not surprising that the finding of new customers and deepening of the already existing business contacts are by far the most frequent answers to the question: *What was the companies interest at the arrival to the trade fair?*

Table 4: Interest company arrival to the trade fair (more answers are possible)

Interest company arrival to the trade fair	Rate in %
Finding of new customers	92%
Deepening of the already existing business contacts	81%
To study the market	50%
Finding of new suppliers	17%
Finding of new partners for co operations and joint venture	17%

Source: Pelicon, 1999

In our circumstances, the analytical data also confirm the fact that it is not expedient to use trade fairs for the data collection or for any other pre-entry activity of companies. Group or individual participation in specialised trade fairs abroad are simply too expensive investments for marketing information.

17% Various forms of data collecting about the market through the government bodies or the chamber of commerce have gathered, by far, less responses in comparison with the components which are characteristic for the entry to the market and/or for the expansion of business operations on the market. The companies, as a rule, combine the trade fair appearances with the business trips abroad while only a half of the surveyed companies dispose with a well ordered network of representatives /distributors.

Herein we must use the data about the markets which were surveyed. Five out of seven group appearances were organised in the countries of the former Yugoslavia and CEFTA. These markets are less transparent and without a developed market economy, and the trade fairs very often undertake additional functions of the commercial market research. This can be explained by a great interest of Slovene companies for the SEC to organise an above average number of group trade fair appearances in the countries of the former Yugoslavia, CEFTA and Russia. Germany, Bosnia and Herzegovina and Poland take the first place as concerns the exports. The answers clearly show a characteristic duality of the Slovene companies' exports efforts which is, in trade fair activities, reflected by the "compulsory" appearance on the leading trade fairs in

Germany, and in finding of the competitive advantage on the markets of the Central Europe (also in Russia and in the former Yugoslavia) where our companies may achieve a development advantage.

The main purpose of the questionnaire was to collect data about the quality of the trade fair appearance from the consumer's viewpoint. The consumer satisfaction (Winllehner, 1995) can be measured in a number of different ways, i.e. by questionnaires, by received orders, by messages and by the evaluation of the sales volume. The measurement of the economic promotion impact either at the level of the economy or at the level of the individual companies is carried out much less frequently except in the case of specific programmes or projects. The reason for this lies most probably in the difficulty of how to define the most suitable methodology by which we could measure the impact of the economic promotion activities on the export business operation and, especially in the cases where these effects should be separated from the effects of the companies' efforts development in the international and domestic environment.

The SCC measured the consumer satisfaction with a few sets of questions. The companies responded to the questions of the individual organisational sets (business reception, general organisation appearance, trade stand appearance, common services) with the mark on the scale from 1 to 5. The quality was evaluated by the companies with the marks from 3.5 to 3.8 by the companies. The next set of questions was focused to the companies' business performance. The companies generally evaluated their own performance with the mark 3.3.

The surveyed companies evaluated their satisfaction with the frequency and the content of business talks with the mark 3.3. We believe that this part of the trade fair appearance may be decisive for the judgement of business performance.

## 5. CONCLUSION

Successful domestic promotional environment is most certainly an important factor to increase the exports potential of Slovene companies. It will provide domestic companies with promotional instruments comparable to those of the developed and competitive market economies. By a strong integration of institutions in the area of the economic promotion it will be possible to develop new, missing and more promotional instruments. There is a considerable need for the efficient support to marketing activities of Slovene companies on foreign markets.

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## PROMOCIJA SLOVENSКИH PODUZEĆA NA INOZEMNIM TRŽIŠTIMA

### Sažetak

*Predma se analitički dio ovog rada uglavnom bavi prikazom i procjenom kvalitete i zajedničkom nastupu, prikupljeni podaci ukazuju na činjenicu da je područje ekonomske promocije na razini intenzivnog razvoja, gdje koordinacija i udruživanja među pojedinim institucijama nije uvijek zadovoljavajuće. Stoga bi bilo vrlo korisno i mudro poduprijeti ideju osnivanja zajedničkih promidžbenih agencija koje bi organizirale promocijske aktivnosti za potrebe različitih institucija. Prema tome, kvaliteta usluga i suradnja pretežito vladnih institucija bi trebale doseći višu razinu.*

*Ključne riječi: promocija, unapređenje izvoza, trgovački sajmovi, promidžbena djelatnost.*