

## Implementation of Export Marketing in Transition Economies: Case Studies from Kosovo

Visar Rrustemi<sup>1</sup>

**Abstract:** This paper investigates the state, barriers, challenges and perspective of implementing the export marketing in Kosovo through a number of case studies by using the methodology of target sample survey, which to some extent can make generalizations. Like many developing countries, Kosovo faces a huge trade deficit. While researchers in generally tend to focus on macroeconomic policies to find the causes of deficit in foreign trade and the government undertakes reforms to improve the balance by boosting export, the largest part of the game often has to be played by the companies themselves under whatever macroeconomic actual policies at home and abroad. This is what the findings from this paper suggest when exploring the level and forms of export marketing in the surveyed companies. Although the companies engage in different export marketing activities, none of them reported any prepared marketing strategy in this respect. Instead, they still consider export marketing, which they use as synonymous with international marketing, to be part of their overall marketing strategy and export within department for export. What appears that they need more, is a merger or specialization of these two (export and marketing) into one separate department or the export marketing.

**Keywords:** Kosovo; trade deficit; export marketing

**JEL Classification:** F14; M31; P33

### 1. Methodology

The findings from this paper rely on the case studies of nine companies in Kosovo conducted through a survey questionnaire on site in 2015. The questionnaire contained questions regarding business performance in general, and focused on export and marketing related to it. A quantitative and qualitative research methods were used. Qualitative research has been introduced to easier identify the conditions, perspective and challenges in the development of export marketing. Sample survey made use of the target method, which is based on the personal judgment of the author and three important components: i) appropriate sample, ii)

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<sup>1</sup> Associate Professor, PhD, Faculty of Economics, University of Pristina, Republic of Kosovo, Address: Str Mother Teresa 10000 Prishtinë, Kosovo, Tel.: +38138244183/244186, Fax: +38138244187, Corresponding author: visar.rrustemi@uni-pr.edu.

the sample is knowledgeable good problem, and iii) the quota sample. The meets these three criteria. First, appropriate or selected companies, particularly those which are most popular for export. Second, the problem of the development of export marketing has been recognized by the author. Third, the quota or number of selected companies provides representation in terms of basic population.

## 2. Introduction

Kosovo's economy is one of the poorest in Europe with a very large trade deficit. As of 2015, the coverage of imports by exports stood at only 12.3%. This trend is present since 2001, reaching a maximum of 13.7% at one time (in 2010) and is likely to continue without any significant improvement in the decade to come. By the end of 2015, Kosovo imports mainly came from: Serbia (12.7%), Turkey (12.0%), Germany (11.9%), China (9.4%), Italy (9.2%), FYR Macedonia (5.0%), and Albanian (3.7%). The largest share of Kosovo's export for the same period was to: Albania (13.3%), Serbia (10.7%), FYR Macedonia (9.1%), Germany (4.4%), Turkey (4.3%) and Switzerland (4.3%). With all these and the rest of the countries Kosovo has a negative trade balance. Imports are dominated by machinery, household appliances, beverages, foodstuffs and tobacco, while exports by metal scraps and base metal (accounting for 45.5% of the total), mineral products, foodstuffs, and beverages. (Kosovo Agency of Statistics, 2016)

As a small and an emerging transition economy, Kosovo's development rests on trade openness and liberalization. The country is landlocked and due to its specific political and international circumstances (the so-called supervised independence) it has first to get integrated in region of Southeastern Europe. A study by Mulaj focusing on trade regimes and export prospects, found that Kosovo was making a kind of reintegration with successor states of former Yugoslavia, but still with worse negative trade balance than it used to have prior to the dissolution of the Yugoslav common market. (Mulaj, 2009, pp. 221-244)

The chances of making a substantial improvement in trade balance by increasing the volume as well the structure of export can be identified in three main directions. Like in many emerging economies facing huge trade deficit, an ideal approach is by attracting foreign direct investment (FDI). This has proven useful when companies from developed countries invest in poorer economies, then export the goods back to their home country at cheaper prices which may occur as a result of having access to cheaper labor force and raw materials in poorer countries. The second opportunity is the Government economic policies and reforms aiming to boost export. In this respect, most countries have moved to eliminate traditional Government erected barriers on foreign trade such as customs duties, or trade

liberalization. However, the freedom of movement for people and goods cannot ensure an increase of export versus import. It may simply worsen the situation of trade deficit as foreign companies are eased to export to the country which aims at increasing its own. While the first two opportunities apply to national economies that are a result of Government policies, the third at micro level is perhaps the most important one as it depends on the companies themselves through export marketing strategy, which is the focus of this paper.

Regardless what macroeconomic policies are in place at home as well abroad, individual or group export marketing by the companies may be the decisive factor of success or failure. Favorable economic, in particular trade policies may not produce intended results if the companies do not elaborate their own strategies. Though the Government provides many inroads and plans to lower the trade deficit, it is the companies that have to act on their entrepreneurial way for their own interest, and that is to make more profit. In pursuing this objective, the companies by making use of export marketing strategies may often leave a national economy and its consumers in the mercy of higher prices imposed by exporters, thus a company which cannot compete at home with imported goods, may find the way to export with cheaper prices. This relationship is complex and subject to a number of factors such as market imperfections, market failures, dumping prices, contracts, and so on.

### 3. Literature Review

There are various definitions of international marketing, all of which gravitating to having a common goal as “opening doors to the world markets”. In simple terms, international marketing implies a firm that undertakes one or more marketing mix decisions beyond national boundaries. In the US since the early 70s of XX century for the first time have started the different definitions for international marketing. Hess and Cateora defined international marketing as a business activity in which goods and services are oriented towards consumers of different countries of the world. The only difference in the definition is that international marketing activities occur in more than one country, but differs more as it takes into account the complexity and diversification which is found in the activities of international markets. (Cateora & Pervez, 1999, p. 6) Having reviewed several definitions of other authors, Bradley argues that international marketing means to identify the needs and desires of consumers in countries with different cultures, to offer products, services, technologies and ideas to give the firm a competitive advantage. (Bradley, 2002, p. 3) In principle, we understand what international marketing is. Only the name *international* has been added to marketing. However, this means that marketing activities undertaken in some countries must be coordinated between the countries. This definition is not without drawbacks. Putting individual

objectives on the one hand the definition and objectives of the organizations on the other hand, the definition emphasizes the relationship between a customer and an organization. As a result, the definition of the significance of the relationship were unjust business - business, which includes transactions between the two organizations. In the world of international marketing, governments, quasi-governmental agencies, and profit and nonprofit entities are frequently buyers. For example, companies like Boeing and Bechtel have nothing to do with the products for consumers. Similarly, the Russian export agency, Rosoboroneksport, has adopted a Western style approach to marketing to sell arms from 1700 the country's military facilities. (Onkvisit & Saw, 2004, pp. 3-4) Here we should make a remark or difference in this international marketing; our focus is on activities, businesses, trade, sales, and customers in the commercial sphere, therefore references in the production of weapons, selling them, government subsidies and humanitarian, do not fall under the normal international and export marketing, and as such, they only can confuse and understanding of the concept.

Keganidentified international marketing with global marketing, as a process of orienting the resources and objectives by a company in global market. (Keegan, 1995, p. 1) According to Majaro, international marketing and globalization are not only interconnected but also stay in the dependency ratio. Thus, globalization appears as a marketing strategy. However, management at world level implies the definition of international marketing complex which can be described as local marketing and international marketing, summarized in the following way: i) Local marketing, which means manipulating the variables controlled by the company such as price, advertising, distribution, and product in a controlled environment composed of different economic structure, competitive, cultural values and legal infrastructure within the borders of a country, simply called marketing; ii) International Marketing is a complex international operation in which the primary objective of the company is to reach the right degree of synergy in all operations; iii) Export marketing involves the flow of international transactions. In achieving this goal, national marketing, export and import (foreign trade) apply; iv) Cooperative marketing is focused on international exchange, which includes export marketing, investment, joint ventures and multinational marketing. The characteristic of this marketing is that internationalization of production with access to high technology; v) Transnational marketing applies mainly to multinational companies with the aim of internationalization of capital which establish the companies or affiliations in different countries of the world. (Jakupi, 2008, pp. 12-13)

If we are satisfied with the definition and understanding of international marketing, it does not mean that we have cleared up the concept in our relevant case, or export marketing. Earlier we noted no any significant difference in the definition of domestic and international marketing, but from the activity and circumstances that

occur and develop one and the other, they were different. International marketing is a broader concept and includes more activities. Exporting is a part or only a segment of the international marketing primary aimed at export, or the former is an intermediate stage of the latter.

As a consequence of the globalization and saturation of local markets, the companies can create opportunities to enter the new markets. Entering simply means that the company's existing products or services are also available in a foreign country. The main reasons why companies seek to enter new markets in foreign countries, according to Johansson, are: to exploit the market potential and growth, high level of profit, learning from a main market, pressure from competitors, diversified markets, learning how to do business abroad, and so on. (Johansson, 2000) There are different entry strategies used by the companies to access international markets, where Ayal and Zif have distinguished two general ones: i) the strategy of concentration in the market, and ii) market diversification strategy. If the company chooses the first, focuses its efforts on a limited number of attractive markets, while the diversification strategy incorporates large number of markets. (Ayal & Zif, 2003, pp. 84-94) The concentration strategy is based on a long-term view of opportunities to operate in international markets. Bradley maintained that the company enters the market by committing resources in order to have long-term profitability through market penetration. This strategy sets the goals easily available to the international market and minimizes the risk of investment. A general advantage of using this strategy is that it is universal for all industries. Market diversification strategy is based on a relatively balanced spread of resources across a number of markets. The main advantages of this strategy are: flexibility, reduced concentration and a way to gain speed in several important competitive advantages. (Bradley, 2002, p. 3) The strategy of concentration provides a rapid rate of growth in new markets, especially products that are characterized by a cycle of very short life, thereby creating barriers for other companies to enter the market and thus result in higher profits for the company which manages to enter first.

To access foreign markets requires the strategies that are meant as plans for future actions. Export marketing strategies represent a complex approach of techniques and tactics that are appropriate and flexible conditions prevailing in international markets. Considering the fact that businesses have significant similarities between themselves, the question is the necessity of designing and implementing differentiated strategies and achieve the intended purpose. In essence, export marketing requires deeper and more sophisticated expertise in the four elements of the marketing mix, standardization, adaptation, aggregation, diversification, and competition. Deeper expertise should be available in response to the elements of different international environment such as culture, macroeconomic situation, political, juridical, social and cultural environment. These elements are taken into

account when drafting the strategy that make up the offer. Information on international markets have a key role in the export marketing strategy.

The program for export marketing strategies explore the activities consisting of finding methods of production and instruments of international marketing mix. Although strategies in this regard are quite complex and flexible, the priority is what makes possible the homogenization of differentiated market segments. Strategies to increase the volume of export are a long-term process aimed at penetrating foreign markets and increase profit. For these strategies to succeed in foreign markets, the fundamental issue is to solve internal problems and facilitating export, and that should be preceded by research and analyses.

From development point of view, exports are classified as classical or traditional, and advanced or export marketing or exporter. Classical exports, as the name itself suggests, is the earliest form of entry into foreign markets. It was also known in ancient times when various tribes exchanged goods, initially in the form of tramps, and later in exchange for coins. This export form still exists today. The difference between historical stages is that today without proper research in the time of global competition, it is difficult to export. Advanced or export marketing is the most developed form of export involving a range of activities to be undertaken prior to entering foreign markets.

By the forms of engagement and dominance, the export can be direct and indirect. The first or direct export has to do with the case where the producer or exporter sells to a buyer in foreign markets. If a company that deals with export, develops a section that deals with issues of export or sale in foreign markets. Direct export has some advantages manifested through a better control of the majority of marketing stages of entry and the launch of products in foreign markets. Such export goes step by step or in the form of scales. The second or indirect export is the manufacturer that exports using independent organizations, for example, the use of specialized agencies for export, associations, partner companies, and authorized representatives with the exclusive right to import. It is undertaken in order to reduce the cost of production company to enter into foreign markets and export performance, or to share these costs with intermediaries who should be paid.

Marketing is a process that takes exporter in several cycles or phases. First, the company explores opportunities for penetration in foreign markets and designs the plan for export. The plan is made based on the information collected, market research and marketing exporter. During this phase, the company identifies the resources and assess the causes of the motives for export. Entry into foreign markets is not easy and carries large costs on research, determination of market structure, segmentation, creating the system of distribution, competitive analysis, and identification of key contacts.

Preparing the marketing strategy is a stage where the exporter based on combined assesses export capacities of the company. The strategy must contain details of examined opportunities and entry barriers in each market, as well as to identify customer requirements in target markets, who are the customers, who will sell goods, what are conditions of supply, marketing mix elements of international distribution channels that will be used, and what promotion instruments will be used. Once these activities are carried out, preparation for the export marketing campaign follows. The campaign is based on placing the information with which potential customers are informed about the type of products that will be offered in target and segmented markets. Depending on the feedback coming from the customers, the draft implementation plan of export marketing is prepared. (Previšić & Došen – Đurđana, 2000) It is understood that the implementation plan is not yet secured the success of the enterprise for export, because foreign markets often appear unpleasant surprise because of unknown environments and other enterprise strategy aimed at the same markets.

Export marketing as a broad and complex activity involves, among others, partner arrangements, the most known of which are: consortium export, cooperative export, "piggy back" marketing or complementary export, loan works, and leasing. The works associated with export marketing include: compensation, barter, back purchasing, switch, and factoring. Given that these are the areas which the surveyed companies are mostly found to apply one or more of them, it is useful to discuss what they imply.

*Consortium export* occurs when the company is small and does not have sufficient capacity to make export. Two or more companies join their efforts as a consortium with a common goal - export. Union brings greater strength, while profits in the consortium is shared proportionally among parties that constitute it. The consortium advantage is that it allows the mobilization of resources and capacities that are dispersed in two or more business entities to provide synergistic effect with the greatest impact on marketing. When the companies organize the consortium to export, they become more attractive for potential agents and distributors, mobilize more members within the group, thus affecting the country's economic development by using more resources rationally, and enable to overcome more easily the potential risks arising in the process of export marketing. *Cooperative export* is similar to consortium, but here the companies need to cooperate with other partners to reach out qualitative outputs in certain foreign markets. Companies in the leading role in export marketing get more familiar image which place the products as their own, although the products can be produced in a cooperative way. Cooperation can be developed in various forms, for example, a company specializing in the production of certain parts or byproducts which are then assembled and finalized by another partner. Export Cooperative has special importance because of its specialized work to achieve higher productivity in

manufacturing, more efficient distribution, and greater rationality in the price of exported products. “*Piggy Back*” or complementary export marketing represents a form of contractual joint exporting products and services to foreign markets. This includes exporting by the leading company and accompanying member. The leader makes the choice, and the accompanying member does not have promotion to foreign markets. Although attendants are not equal to the leader, this marketing has its advantages expressed in complementary basis. *Lohn works* are a specific form of exports, which are based on the completion of the production process using raw materials from ordering to production of final products. The reason for these works is that companies in different stages of production have also different capacities. The contract is signed between the companies having raw materials, and those that have manufacturing capacity in order to export. Lohn works can deal with byproducts and final products. The advantage of these works is to use the capacity, manpower, income generation and keeping active the production functions, but their shortcoming is that it diminishes creative abilities fragmented into the company’s work. *Leasing works* are a special form of international marketing, which means the lease of fixed assets to other entities. Partners (lender/donor and recipient/borrower) enter into contracts. The interest of the lender is to generate incomes from the rent of the assets by the deadline determined in the contract. After the deadline, the contract may be extended or terminated. The leaser in some cases may also decide to acquire the assets of the lessor at market prices in case their use has benefited and has concluded that in the long run it is better to put forward payments for the activities to be carried out. Both contracting parties find the benefits of leasing on their own affairs. Another advantage of leasing is that the funds for the use of modern, productive, with new methods, and technical achievements in certain environments are not available to many. This is why leasing as a form of export marketing occupies a very important role.

*Compensation* as a work related to export marketing can be in the form of commodity exchange of goods by value, and a little exchange is compensated in money. It is very old form dating back to the tramp, but is still widespread in the modern world, especially in the countries with weak or not convertible currency. These arrangements are a form “piggy back” discussed above. Compensation works have their own principles, such as: i) bids and counter bids clarified in the contract; ii) exchange for commodity goods that can be from the same industry or economic sector; iii) differ from one area to another; iv) cash payments under the contract; and v) may include bank guarantees. Full arrangement occurs when the value of the commodity invoiced is reimbursed 100% by the company of the other country. The partial arrangement is considered the invoiced value compensated by a percentage of the commodity (say 70%) while the rest of the value paid in cash. *Barter* works are also very old form of trade. Here the in the compensation works money is not participating in the exchange, but goods are directly exchanged with



the same value and quantity between countries or companies. The other difference is that the compensation works occur combined with arrangements, and to the barter the procedure is simpler. Barter is more prevalent in the countries with large outstanding debts. To avoid burdening the state with even more debt and avoid stagnation, the works are implemented through barter exchanges. The advantage is not in their simplicity, but also in certain circumstances when presented as the way out of debts or lack of money. Repurchasing is a kind of activity where the seller works by the buyer feedback arrangement, reaches a value equal to the selling. Its most recognized name is as parallel trade. Although separated, these works are contingent on one another. However, the contracts have to be signed separately. In export marketing it engages in transactions by parties who find common interests, especially in industrial marketing arrangements (equipment, machinery, transport vehicles, etc.). *Switch* are the work of third parties acting as intermediary in dispute resolution between the contracting parties. "Switch", sometimes known as "swap" (change of role or country) works are known as trilateral trade, where each party has its own interests. The advantage is that more parties are engaged, giving the trade multilateral character. Weaknesses occur when switchers offer discounts that are available for the same products and thus make the destabilization of the market, because the switchers' interest are only in what are paid for, and may not be interested in what prices the exported goods are sold. *Export factoring* implies intermediation in dealing with the financial means to achieve efficiency and safety in the sale of products in foreign markets. Specific mechanism is related to export marketing works that includes three entities: the client as seller or exporter, the buyer, and factor. The exporter sends the goods to buyers in a foreign country, and entrusts the work related to these contracts as factoring. Factoring in export marketing is important because it accelerates trade and contributes to increased competitiveness, it eliminates visible dangers to credit, reduces the costs and time for export, and increases the volume of contacts and information between different entities by making many transactions more integrated and interdependent. (Katz , 1990)

Entering the foreign market as a component of export marketing provides the highest level of strategic cooperation, but this also requires large commitment of resources and analyses.

Today, mutual efforts to promote foreign direct investment (FDI) are made by host countries as well as foreign countries, with the main objective to boost export. FDI have priority in many stages in international trade that require the import of raw materials. However, barriers are common and they reduce the rate of entries. From a strategic perspective, the barriers can be created or used to gain competitive advantage by the company. Effect of entry barriers is expected to reduce the flow of entry into the industry. (Mata & Portugal, 2004) Sudarsanam considered increasing the effectiveness of barriers in the market as a condition by other

elements of the market structure to create or defend monopolies. (Sudarsanam, 1992) According to an earlier finding by Porter, there are seven major barriers to entry that companies face when entering or after entering foreign markets: i) economics of scale; ii) product differentiation; iii) capital requirements, companies must invest large financial resources to compete in the market; iv) the costs of relocation; v) access to distribution channels; vi) independent costs of size; and vii) government policy (licensing or permit requirements restricting access to raw materials, subsidies or favorable development of government policies affecting specific industries). (Porter, 1980)

In general classification, there are two types of obstacles: tariff barriers and non-tariff barriers. Customs tariffs are a common package as barriers. When the export tariffs are levied, they usually apply for scarce resources in the absence of the exporting country or raw materials, or more or less to serve the logic of protection of local production. The purpose of setting the tariffs by the Government is to collect tax revenues, protect the local industry, trying to keep foreign goods out of the country, and stimulate domestic consumption. Given the scope of tariffs, in comparison between the protection and income, the second goal or revenue generation is relatively lower than the first. Taxes under derivative transactions or collected at any point in the stage production and distribution chain, and are levied on the value of the product, including taxes charged to the product in the early stages. Non-tariff barriers are more subtle or not so obvious. As such, they are even more diverse. Their impact may be more devastating than the tariff barriers. Common non-tariff barriers to entry, include: classification, assessment, documentation, product requirements, and quotas in trade.

#### **4. Specifics of Exporting Marketing**

Marketing specifics of SME exporters in Kosovo to a great extent can be superficially understood by the general economic situation and very small volume of exports. They will be better understood by studying the empirical data from the survey with some of the companies that export. But there are some other export marketing specifications in Kosovo. The first is that most companies by their profile are generally small size by their number of employees and resources available. This situation presents a double limitation on the capacity required for a genuine strategy to export marketing strategy and its implementation. They are mainly oriented to regional markets that are emerging economies like Kosovo with similar drawbacks (large share of the informal sector, high level of corruption, poverty widespread and in general small purchasing power, fragile political and institutional stability, etc.). Although many Kosovo companies and businessmen traveled abroad and have seen marketing experiences in foreign companies, what is needed it is not an attempt to copy their behavior, but learning to respective

conditions of Kosovo. Strategic decisions can be extracted and operational decisions by ad-hoc situations (from case to case) when appropriate, but this approach should be in the framework of strategic decisions.

Kosovo as a small and underdeveloped country, in particular SMEs, to some extent are facing a shortage of high-profile experts in the field of marketing. Very good experts have either migrated for a better life, or are involved in various governmental sectors, public and international organizations operating in Kosovo. The level of experts in the private sector is insufficient. Creativity and innovation are low. Marketing programs and concepts are oriented mainly from necessities to business survival and rarely can one find a well-planned strategy. Perhaps this is due to the general circumstances. Another reason of failure to implement or insufficient implementation of export marketing is that Kosovo is a small country that means little space to operate.

## 5. Case Studies

As explained in the methodology section, the collection of primary data is carried out in the form of survey. Quantitative and qualitative data on their economic indicators were collected and analyzed. The following case studies are presented for each company separately: Devolli, Stone Castle, Elkos, Pestova, Water Rugova, BirraPeja, NZB Union, SL, and Janina. This section discusses the profile of each of them.

### 1. Devolli

Founded in 1990, currently employs about 900 workers. Deals with production and trade (export-import) of a wide range of products in food industry. In Kosovo it is mostly known to produce juices "Tango", milk "Vita", and Turkish coffee. It has an installed production capacity of 50,000 liters of juice per day, and 12,000 liters of UHT milk per hour, and is one of the biggest manufacturers in the region. It has cooperated with "Tetrapak" company which has supplied the Swedish technology, with the EU standard and American FDA. It has invested heavily in network of sales, thus making one of the largest networks of distribution in Kosovo and the region.

It is a partnership and has 5 founders, of which 2 are the owners, managed jointly by the owners and the manager. Here there is a leadership through the network of customers and clients. Besides trade as its main, and production as a secondary activity, it also deals with services. Legal framework, especially for export it considers favorable to some extent and states that there are obstacles to export to countries of the region. Distribution and sale in Kosovo is managed through seven regional sales centers, most of which are located in Peja (where it is based) and Pristina. Distribution activities in Macedonia and Albania are made by trucks. Has

the golden medals “The Century International Quality Era Award”, on April 18, 2005 in a competition of 71 countries of the world.

Despite relatively good business results, although falling compared with previous years, highlights three key obstacles in its activity, and: 1) taxation and customs; 2) the poor state of infrastructure (roads, electricity, telecommunications); and 3) unfair competition that comes from the informal sector, smuggling and tax evasion. Export marketing strategy still is without elaboration in details, because, as stated during the interview, the economic circumstances in Kosovo and the region are in some sort of crisis, and this has prevented the strategy and action plan for expansion. The biggest rise in prices of food items brought not so much a decline in sales. For as much as prices rose last year, buyers who do not afford the higher prices of imported goods, returned to Devolli. A concern for the company is that if the purchasing power of the population continues to fall, then this could also affect the company's plans for new products and improving the quality of existing ones for which investment is required.

## **2. Stone Castle**

Earlier known as NBI “Orahovac”, has been part of the international wine market. During the 1980s the company has exported 32 million liters of wine in the German market. NBI “Orahovac” within which operated the winery, was one of the largest in the Balkans. The wine cellar has the capacity of processing about 70,000 barrels a year and storage capacity of about 500,000 Hl.

On July 31, 2006 the agreement was signed and strengthened between the Kosovo Trust Agency and the new owners to sell NBI “Orahovac”, that became as the New Co StoneCastle Vineyards and winery L.L.C. The company to main wines and their derivatives: 1) red wines: “Cabernet Sauvignon”, “Merlot”, “Pinot Noir”, “Amphora” and “Vranac”; and 2) white wines: - “Rhine Riesling”, “Chardonay”, “Elena” and “White”.

Wholesale distribution is done through representatives (El-Kos, and ETC). Distribution in the region is done through various distributors, namely the companies that are authorized such as Rack, Ivena Commerce, and Karanta. Only few people are assigned to marketing who make promotion in the mass media (TV, radio, newspapers, magazines, internet). It hopes to succeed in international markets, although this has not yet had any elaborate strategy for export.

The products are high quality with affordable prices for customers. Design and packaging are another element, which together with brand products, have become popular products company. To improve the quality of wine and a new design of bottles, labels and other associated parts of the final product, it expects to penetrate the European and world market. At the moment there are concrete offers and is in negotiations to enter into contracts for the sale of wines in Switzerland and the

Scandinavian countries. Currently it exports to Albania, Bulgaria, Croatia, Serbia and Macedonia. It also exports a little in China, and the USA. In the local market where there is a competition, which pushes the company to be more oriented to export.

### **3. LLC “Pestova” -Pestovë**

KPS “Pestova” is private company founded in 1991 by an owner, mainly with his own resources. It produces, imports and sells seed potatoes, has the factory for manufacturing of crisps (“Vipa Chips”). Potato is produced by the company and in collaboration with other small farmers. Potato processing is done in the factory, which has an area of 5000 m<sup>2</sup>. Currently it employs 21 workers. The company consists of four departments: i) Input trading mechanism; ii) production and processing potatoes; iii) marketing and sales; and iv) finance/accounting.

“Pestova” is also the exclusive representative of the Dutch company “AGRICO” for the sale of seed potatoes for Kosovo. In cooperation with this foreign as well as with the Ministry of Agriculture of the Republic of Kosovo, it produces and sells potato seeds for Kosovo. It is the distributor of a company from Poland “CLICH” which produces agricultural mechanization, and is representative for Kosovo of chemicals and fertilizer Belgian company “Hermo”. Potato products are: potatoes for consumption, seed potatoes, potatoes for the production of chips. The types of chips produced, are: VipaClassic, Vipa Ketchup, Hot Pepper Vipa, Vipa Sweet Pepper, Vipa Beef and VipaPizza.

The distribution until 2008 was made by the company itself and by mid-2008 due to the increasing demands of customers, through authorized distributors which proved more effective and beneficiary. Within few months, sales increased by 70% for the chips and brought costs reduction by 30%. This type of distribution applies only to chips/crisps.

It exports to Albania, Macedonia, and Montenegro, in which it has authorized representatives; distributor for Albania is “VllezeritDedja” who is also the distributor of potatoes and agricultural machines, and for Macedonia is “Dauti Commerce” in Skopje. Physical distribution in Kosovo is made by the company trucks. Kosovo competition is weaker than in other countries. The objective of the company is to be present in the market of Albanian by 30% of share.

### **4. Natural water “Rugova”**

This company started operations under the name of “Rugova Water”, which was established on 28.11.2006, where in the beginning there were only 7 workers employed that gradually increased. The main activity is water bottling. Water bottling plant in DrelajRugova is close to the source of an area of 50 acres and comprises 1000m<sup>2</sup> facility.

Water flowing from a natural spring lies at an altitude of about 1000m. The main product assortment includes the following: Rugova water: 0.25 L 2. Rugova water: 0.5 L 3. Water Rugova 0.75 L 4. Water: 1.5 L 5. Water Rugova: 5 + 1 L 6. Water Rugova: 12x0.5 L. Transport is usually made by the vans to the final consumers which are shops, supermarkets and restaurants.

The distribution channels are direct. The cost of distribution is high because they have to be present wherever it is possible for customers, so this cost is a burden to the volume of sales. The company's competitors in Kosovo are numerous; Bonita, Dea, Kika, Don Aqua, Water Well, Water Ice, which are local companies, and importers.

### **5. BirraPeja**

It works since 1971 as a socialist company until 2006 when it was privatized. The factory is located in the city of Peja, in a total area (including its infrastructure) of 24 ha. It produces beer, a product which is present almost everywhere in Kosovo market where alcoholic beverages are sold. In the domestic market it has involved a number of distributors. The company "Agro Trade" is the distributor for the city of Pristina, in Ferizaj-NT "Shkodra, Prizren-NT" "meteor", Glogovac-NT, "Vjosa", "Gjilan-NT", May 1 "Mitrovica" Liridoni "Gjakova- "star Bec" Therandë- "Lila Com", and Fushe Kosova "Elkos Group".

Is the leading Kosovo company which managed to penetrate foreign markets, where there are authorized distributors: to US Illyrian Import, for the UK, Switzerland, Germany, Netherlands, France, Belgium, Italy, Denmark "Kelmendi Import-Export", the Albania "sh.pk Kuinda" Bosnia and Herzegovina DOO- "Sam Pino", and Mountain of black-red "Monecco".

Beer product is diversified into some form of packaging, and with different volumes:

- Glass bottles in returnable crate 24x0.33L, and 20x0.50L;
- Pack with refundable bottles 20x0.33L, and 6x0.33L;
- Premium bottled beer package irreversible 20x0.33L;
- Package of bottled beer without alcohol 24x0.33L;

Since it enjoys a monopolistic position in the market as a producer in Kosovo, it is sponsor of many different activities through promotion. It was declared the best company of the year in 2008 and the best company in 2009 by the Ministry of Trade and Industry of Kosovo.

Unlike most of the other companies surveyed, the Peja Brewery has managed to implement some kind of export marketing. Slovenian partner "LaskoPivo" which is also the co-owner is involved in joint works with it. Cooperation takes place in the

form of specialization, where Slovenian partner deals with the production of some components of beer. The leading role in marketing is played by BirraPeja exporter due to its image which it has had and has in the market. In complementary export marketing, the Slovenian partner appears as a member in the role of assistant to export and share in the benefits on complementary bases. Since beer is subject to certain stages from production to final product, BirraPeja is engaged in lohn works.

## **6. Elkos**

Founded in 1990 and re-established in 2000, deals with the production and trade of various commodities and selling them through wholesale and retail in food industry. It is a partnership and has 5 founders, of which 2 are the owners of the company. It employs 330 regular employees. 300 of them work in the sales points and the factory, and 30 in administration consisting of 26 males and 4 females. The average salary of workers in trade and production is 250 euros and 350 euros for those in administration. In 2011, the export value represented close to 20% of turnover.

There are also plans for the future to expand into other locations within Kosovo and the opening of new lines of production, improve the quality of products and services, resume the production of some products sold before, but now it had to stop them as their sale are not proving profitable.

The company is distributor for BirraPeja in Fushe Kosovo, but there is no any form of export marketing. Its export is made through authorized distributors and representatives in Albania and Macedonia. It is the largest importer of foodstuffs in Kosovo and the leading supplier of supermarkets and shops. Raw materials for the production and export of products are provided mainly from imports (flour from Serbia), and for meat products from Brazil by exporters to Kosovo.

## **5. Janina**

The factory is producing plastic tubes for circulation of warm and cold water, and central heating. It deals with the sale of additional equipment which is needed for the installation of water. It started working in this activity since 2003 and is one of the most successful companies in Kosovo in the production of plastic pipes. It is divided into production and sales sector. It employs 15 workers and covers 80% of the market share for of plastic pipes in Kosovo

The company has grown to penetrate the market of Albania, Macedonia, Serbia, Montenegro, Greece, Switzerland, and Slovakia. Its products are also equipped with a certificate of SKZ-testing laboratory in Germany, which is internationally recognized. It plans to invest in new projects worth over € 2,000,000. By the end of February 2010 already had invested over € 1 million. Investment include:

- The establishment of the new plant;

- The purchase of new machinery for plastic pipes with a capacity 5 times greater than the capacity of existing machinery;
- Opening of the new line of laminate products (plywood with plastics);
- Together with the Swiss partner plans to start the production of and electric brushes.

For the last two, Janina projects will be the first company that will introduce these new products to the Balkan market.

## **6. NZB Union**

NZB "Union" carries out various construction and craftsmanship activities, ranging from stone work, construction of houses, flats, different centers, construction of roofs. Deals with handicrafts, paintings, ceramics, floors, water system, central heating, hydro-thermal insulation, metal works, and the manufacture of doors, windows and cupboards using material from Germany "Roplasto". Located in Industrial Zone, p.n, Pristina, established the contact with "Roplasto" through participation in trade fairs in different countries. Its call for collaboration received a positive response. The agreement for collaboration was concluded in 2008.

The German partner has its interest in the lohnexport marketing for the production of plastic doors and windows, for which it has a contract with. The material arrives through commercial agents to "Roplasto" by trucks. This new material has made the company superior over other competitors in respective sector.

The main competitors of the company are: Rehau, Aluplast and Salamander. "Union" in the promotion strategy has been and is focused on advertising on television, radio, direct promotion via leaflets, as well as participation in trade fairs organized in the sector of construction in Kosovo. It mainly exports to the markets of the region (Albania, Macedonia, Montenegro).

## **7. SL**

SL is a company in the food industry. Initially it had done market research for the start of production of various kinds of bread, and chose the production of a single product - standard 500 gram bread. Due to growing demand, it has doubled its production capacity by installing a second production line in the existing plant. Sales of this product increased rapidly even though the company has virtually no promotional activities.

The company has two shifts working in manufacturing. Each shift has 10 employees who have sought training and preparations. Four of them have been specially trained for baking cakes. Four others are employed in stock and ensure efficient flow of products. Fourteen other workers work during the day and about seven in the administration. Therefore, the total number of employees including 25



auto-drivers car currently reach about 70. It varies and sometimes reaches 80 people.

Besides small bakers in Kosovo, there are two other major competitors in the production of industrial bread wholesale in order. Both produce a similar kind of standard bread with a similar price, but not with the same quality. The price is the same with the bread of other producers, which increases competition. Knowing that the bread is an elementary product for consumption, the marketing activities have been small and with limited opportunities for product differentiation. It does not deal with short-term export plan and does not intend to enter into such efforts.

## 6. The Current Level of Export Marketing Implementation

Since we got some of the major companies that export, a kind of generalization on export of Kosovo, as noted in the methodology, can be made. This section relies more on the data related to export, by which we can make descriptive evaluation on the current level of implementing the export marketing. Table below summarizes the main figures for each surveyed company.

**Table 1. Business performance indicators and export as of 2014**

Company	Founded in	Workers	Fixed assets (mil €)	Turnover (mil€/year)	Export (mil€/year)	Export/ fixed assets (€)	Export/ worker
Devolli	1990	900	370	260	35	9,5	3,9
Stone Castle	1957	150	420	12	2,5	0,6	1,7
Pestova	1991	21	2,5	3	0,8	32,0	3,8
UjiRugova	2006	25	2,3	4,2	0,1	4,3	0,4
BirraPeja	1971	250	180	340	42	23,3	16.8
Elkos	1990	330	315	550	18	5,7	5.5
Janina	2003	15	1,1	1,2	1,1	100	7.3
NZB Bashkimi	1991	26	1,4	1,2	0,9	64,3	3.5
SL	2008	70	0,3	0,1	-	-	-

*Source: Author's survey data*

Figures from the table above suggest that export is dependent on several factors and varies according to the company size and sectors. Larger companies established earlier or with longer experience in business have greater volume of export and are more likely to implement export marketing than small ones. Export in relation to the number of workers turned out not to be so consistent with the company size. For example, Janina although much smaller size than Elkos, made largest export compared to its fixed assets. The reason for exceptional cases where small and newly established companies are more likely to export, depends on a number of factors, among others, the type of activity and products. This suggests that companies like Janina alongside local market may have as its primary target export since its establishment. Others have gone through a process of identifying and meeting the customers' needs at home market, then became more export

oriented. If the home market is saturated with certain products and competition for them is fierce, this does not mean that the companies cannot enter production for export. The companies where the main activity is focused on production, are more likely to develop partnership arrangements as a type of export marketing (“BirraPeja”, “Union”). Also, the companies in collaboration with foreign partners from developed countries such as “Union” can more easily and quickly penetrate foreign markets through partnership arrangements than those that did not have this kind of partnership.

Although we encountered some forms of export marketing, they are more a development or evolution of classic export, which is a dominant form and without any export elaborated strategy. What we witnessed from the survey as production capacities, transport, pricing, distribution points, promotion, are elements of marketing mix, not the export marketing strategy. The products are of high quality and present in the local market as well as abroad at affordable prices, but at the same time Kosovo market is flooded with similar products sold at higher prices. Let us take the example of bottled drinking water “Prolom” from Serbia, “Radenska” from Slovenia, and “Jana” from Croatia. All of them are sold at higher prices than domestic bottled water. A 450 gram of “Medex” brand honey from Slovenia is twice as much more expensive than of Kosovo’s counterparts. Why does this happen, and why the shelves in Kosovo supermarkets occupy more space than domestic similar products? The explanation can be found in the export marketing strategy, in which Kosovo lags behind. It is understood that the companies cannot do more in this direction on their own. Table below summarized the main forms and arrangements used by the surveyed companies.

**Table 2. Forms and arrangements of export marketing**

Company	Export	Main export destination	Distribution	Export marketing
Devolli	✓	Albania, Macedonia	By the company and its authorized distributors	No
Stone Castle	✓	Albania, Bulgaria, Croatia, Serbia, Macedonia	Authorizes distributors	No
Pestova	✓	Albania, Macedonia, Montenegro	Specialized distributors	No
UjiRugova	✓	Albania	Importers	No

BirraPeja	✓	USA, UK, Switzerland, Germany, Holland, France, Belgium, Italy, Denmark, Albania, Bosnia and Herzegovina, Montenegro	Authorized distributors and representatives abroad	Cooperative export, complementary export marketing, piggy back, and lohn works
Elkos	✓	Albania, Macedonia	The company itself	No
Janina	✓	Albania, Macedonia, Serbia, Montenegro, Greece, Switzerland, Slovakia	Authorized distributors	No
NZB Bashkimi	✓	Albania, Macedonia, Montenegro	Specialized distributors	Lohn works
SL	X	None	None	No

*Source: Author's survey data*

The most frequent countries in the third column “main export destination” are the ones that we also came across when referring to the share of overall export by country (Albania, Serbia, FYR Macedonia), which are Kosovo’s first neighbors. The distribution network in most cases include the company itself and/or authorized distributors. Only in one case the importers come from Albania to import “UjiRugova”. In another (“SL”), despite being a manufacturing company, it has not yet managed to make any export. The last column in Table 2, which is of particular importance, highlights that only two out of nine companies apply the forms of export marketing. In general terms, this may partially explain the very small and underdeveloped export of Kosovo.

## 7. Conclusions and Policy Implications

Export marketing in a small and emerging economy such as Kosovo is still underdeveloped both at national and firm level. Even marketing in general has yet to evolve and catch up with modern trends. The reason behind this underdevelopment can be traced back to decades of socialist economy, loss of former markets, and the difficulty to penetrate foreign markets today in a globalizing economy. The presence of many international organizations and missions in Kosovo, among others, development agencies and interested companies for investment, has brought a new approach. Yet, the figures on foreign trade, especially from export perspective, and the evidence from case studies, suggest that Kosovo’s export perspective remains limited to neighboring countries and not even being able to match import or lower the trade deficit.

The small volume of export is mainly made through classical export, but there are some promises to intensify the rest of the forms to penetrate in foreign markets. Case studies identified the causes of smaller export, which largely can be attributed to the lack or underdevelopment of export marketing strategies. Some export marketing types that are being implemented by the companies in question, appear to generate better results than through classical export. Although there is a lot of discussion as how to make the economy more export oriented, concrete measures at national level should emphasize the importance of FDI, where foreign companies, especially from developed countries, are more diversified and experienced. Among others, FDI can bring a new entrepreneurial spirit and the experience in exporting across countries. What Kosovo Government can do and should do, is to prepare a so far missing export strategy. Such a strategy should focus on the parameters of the sectors where there are more potentials for export, then analyze the strategies of penetration into foreign markets, and support the development export marketing arrangements.

At micro or company level, export can be boosted if export marketing strategies are detailed into the types of export. If a product or service is indeed of good quality and with favorable prices, it is still insufficient to enter a foreign market. Marketing is the key, even if the products are not competitive at home but may be demanded abroad. Indian and Turkish restaurants may find it difficult to compete in their own countries, but in the UK and Germany apart from higher demand, follow their import for cuisine from India and Turkey. Although Kosovo partially has her own cuisine, there has still not been any serious attempt neither to market traditional recipes nor exporting them. If a business is not specialized in industrial production of such foodstuffs, it can act as a collection point and make arrangements with other businesses which can produce and export. A good export strategy would be if the activities in this respect are coordinated with specialized agencies which have better access to foreign markets. At present, Kosovo companies with limited resources may prioritize a consortium as an advanced form of export marketing. The benefit from the consortium would be the evolution of other export marketing forms. To make this strategy feasible, a support from institutions and easing of conditions for export is needed, while the task of the companies remains to improve the quality of their products and services to make them more competitive.

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