

## **AN EXPORT - BEGINNERS GUIDE**

With only 20 million potential customers, Australia is a limited market. Many companies look to the international marketplace for growth opportunities after they have established themselves in the domestic markets.

While some Exporters might happen across export orders, most have to carefully plan both their market entry and their business growth to ensure success. Developing an export program takes time, money and resources. You must have total commitment from the boardroom to the shop floor.

### **Step one – Look inwards**

The first step to export should not be thinking about which market to enter, but looking at your own business and whether it is capable of exporting.

You need to be realistic about what you can do, failure can affect your reputation, be very costly, and make future success harder to achieve.

Do you have the production capacity to maintain domestic sales and meet demands from new markets? Can you expand this capacity quickly when you need to? Delivering on time is critical. If you lose a customer because you can't fill an order on time you may very well have lost them permanently.

Do you have the right personal to be able to service export markets? Can you afford to have staff or yourself, out of the office for an extended period of time? The international marketplace is highly competitive so good customer service is critical. Overseas travel for face-to-face meetings is necessary, not only in establishing business but also in maintaining relationships.

Do you or your staff have a reasonable command of the language required? Don't assume English works everywhere.

Does your company have the financial ability to develop a new overseas market? Breaking into any new export area requires considerable funds for a variety of expenses. Expenses fall into a diverse range of areas such as market research, R&D, airfares, accommodation, visa, sales promotion, new brochures, training of overseas sales agent, setting up joint servicing offices offshore, exhibition venues, translators, insurance etc.

Does your company have sound marketing knowledge to be able to develop a product overseas? Your product and your marketing plan may need to be altered to take into account the difference overseas regulations, cultures and customs.

Also consider if your product or service is exportable. You must be able to explain why you think your product or services can be successfully exported. What makes it competitive? What needs or functions does it serve?

You must have a unique selling proposition; whether that is price or a product the market hasn't seen before. Don't consider exporting products that are produced successfully in every country, unless you have something extremely unique to offer.

### **Step two – Where to?**

One of the Basic rules of export is that closer is generally cheaper. Logistic and freight costs can push the cost of a product to an uncompetitive level, especially when only small quantities are being exported. In the beginning, look to close neighbours where you can minimize these costs.

If you are a small or medium enterprise, investigate what are termed "beginners markets" which include New Zealand, Singapore, Malaysia and the South Pacific Islands. These countries are close neighbours to Australia, are English speaking, have very similar legal and financial structures, share similar time zones and are relatively small markets, with populations under four million.

Taylor wines now exports to 30 countries, but their export program began just next door. New Zealand was a good starting point for them while there were a lot of similarities, it gave the company an introduction to new regulations and dealing with international governments.

That experience was valuable to them when they expanded to Asia, and then further afield still.

### **Step three – Research**

Once you have chosen a market, the key is to research, research and research! Start earlier than later it may take you longer than you expect to research the market.

Thorough preparation for entering the overseas market is essential, if you rush into decisions and arrangements it is easy to make expensive mistakes. Analyse the market thoroughly – size, distribution capabilities and competition for your particular goods or services.

Consider import duties; local taxes such as sales tax; cost of shipping or airfreight; foreign market regulations such as quarantine and labeling standards; consumer protection rules; product standards; and current selling prices. Your market research should also identify potential agents, distributors or partners or partners.

It is also important to research cultural customers. The language barrier can be one of the most difficult challengers businesses face when entering international markets. Being able to say good morning is important; people are appreciative when they see you have made an effort.

Language is not the only cultural issues which must be considered. All too often businesses don't give enough consideration to local customs and religious activities which also effects the way business is conducted. The more you prepare for the cultural differences in the new business market the more equipped you will be adapt to situations and understand the different negotiation styles and different customs.

Taylor wines had to research the different tastes preferences in the markets they wanted to export to, especially in competitive markets like the USA.

Going into big, competitive markets like the US with all 30 wines in their range would have turned into problem, and probably a failure. Instead they researched the market preferences and took just eight wines they knew the market would like.

They have since developed a wine especially for the US market, and it is selling very well.

You also need to conduct research on issues closer to home; the assistance and grants available to new exporters. Both federal and state governments provide a number of financial assistance programs that new and current exporters should investigate.

#### **Step four – Plan**

Developing an export plan is critical. An export plan is the formal record of this business growth process. It draws together your findings related to the determination of your export capability, the analysis of export opportunities, your target market decision, your market research, and your strategy development. This plan will help you focus your activities to ensure you achieve defined objectives and may also assist you in getting finance from your bank if this proves necessary.

If you can visit the country and study its special characteristics, examine the opportunities and identify the competition first hand do so. This is essential in some markets, such as India. Also try to exhibit in a tradeshow in the target market. This gives you an opportunity to trial your product with consumers, and meet potential distributors and retailers.

Don't be afraid to visit the markets multiple times, the better you do the early stages of research and relationships, the more opportunities arise.

Visiting the country will help you decide which methods of selling and distribution to use- whether to sell through a distributor, your own foreign office or a joint venture. From this information, design a model of who you would like as your business partner and representative within your selected overseas market. This will help you develop the market entry strategy best suited to your business.

#### **Step five – Manage your Growth**

For Export to be successful long-term growth strategy, it must be part of your business strategy and not a stand-alone plan. It must be integrated into your overall company growth strategy.

To manage your growth you need to be in control. Remember, you do need not have to accept Every contract – it has to make sense to you. You may turn down a contract because you don't have the production capacity to fulfill the order, or because it is not where your product should be positioned.

Stay in control, and build your export program gradually by putting targets in your contracts with partners. Even if you are targeting large markets you can start small with just one chain or one city, then increase the area you service region by region as your capacity grows.

**Avoid the common mistakes**

The most common mistakes business make when entering the overseas market include not getting professional advice; inability to balance domestic and export markets; the assumption that all markets are the same; lack of commitment from the top management; and an unwillingness to modify products to meet regulations or cultural preferences of other countries.

Don't go it alone and risk falling into one of these traps. Organisations such as Australian business International Trade Services and Austrade provide comprehensive advice, information programs for first time exporters. Seeking advice can help you avoid mistakes that could cost you growth opportunities and success.