

Suite 402**EXPORTING – THE START***Introduction**Overseas Markets**Your legal obligations**Transport considerations**Financial considerations**Trading abroad***404.01 INTRODUCTION**

Although your business may have an established market, there's no reason why it couldn't successfully compete overseas too, growing your revenue and profit.

But before you start exporting you need to have sound knowledge of your would be markets. You also need to consider whether your products are right for each target market and whether you have the necessary resources.

Planning to export?

Before you commit to exporting you need to honestly assess your export potential – both in terms of the readiness of your business and of your product or service.

It's essential to carry out detailed market research to identify and evaluate the target market. Research your industry sector in the market you want to enter, finding out the current opportunities and growth areas. Examine:

- The industry structure
- The predicted demand for your product or service
- Competition and how you plan to fit into that marketplace
- Any modifications required to make your product or service saleable.

OMIS (Overseas Market Introduction Service) provides focussed business advice and help you assess whether there is a market for your goods, for a fee. Find out more about OMIS on the UKTI website.

After completing your market research, it's well worth developing an export plan that clearly defines how you will enter the new market.

Bear in mind the following questions when drawing up an export plan:

- Does your business have a marketing strategy that incorporates international trade development?
- Do you have the financial resources to support your exporting activity?
- Do you have the right people to develop the new export markets?
- Does your business have adequate knowledge of the requirements of your chosen market? For example, in modifying packaging to meet foreign import regulations, food safety standards or cultural preferences?
- Do you understand export payment mechanisms and export finance?

Then assess whether your product is suitable for export. Consider:

- Product standards and regulations in the overseas market (help can be gained from the British Standards Institution)
- The costs of adapting your product or service

402.02 OVERSEAS MARKETS

Selling and distribution in overseas markets

There are a number of elements you need to consider to sell successfully overseas. How you organise your sales presence in export markets is one of the key decisions.

Depending on your product, you may be able to sell directly. For example, you might be able to sell over the Internet or by exhibiting at local trade shows.

Many businesses look for a partner who already understands the local market. For example:

- You can sell to a distributor who then sells your products locally.
- You can use a sales agent who sells products on your behalf
- You can enter into a joint venture with a local business. This gives you a share of the management and profits of the joint venture. But this is a more complicated and expensive option.
- If you want complete control over sales, you can set up your own local office. This is the most expensive option.

The choice you make can have important financial and legal consequences. For more information, see the guide on market entry, selling and promotion overseas.

When arranging a sales contract with an agent or distributor, you need to ensure that responsibility for delivery and payment is clearly defined.

It's also important to remember that intellectual property (IP) protection becomes more complicated if you sell goods overseas. Patents and trade marks are only recognised and protected in the country of origin, so you will need to secure IP protection in each country you intend to sell into. For more information, read the guide to intellectual property protection overseas.

Marketing your product or service overseas

To succeed, your marketing strategy will need to be tailored to each target market.

You'll need to appreciate the traditions, culture and legislation of the countries you are trading with to exploit your exporting efforts. Knowledge of the local language will help you to understand every transaction and can be helpful when you translate all your packaging, promotional and marketing material into the local language.

Sales promotion overseas

Customisation of your marketing activities is essential if there are cultural differences affecting the consumption of your product.

You should consider:

- Using different media. TV viewers in one country may belong to a particular socio-economic group, while in others TV ownership is far more widespread.
- Changing symbols. For example, you may need to respect different standards of dress in promotional activities in some countries.
- Changing the market proposition. For example, bicycles are presented as a leisure item in one country, but as essential vehicles elsewhere.

Using local agents

Non-specialist research can be conducted in-house but you will need to be clear about the data you require. You will also need to set a realistic budget to cover the necessary costs.

Alternatively you could delegate the research to local agencies to save money. Local market research agencies have direct access to your potential customers. However, you should carefully consider the reputation of the agency. Find an agency in your market.

402.03 YOUR LEGAL OBLIGATIONS

You'll need to familiarise yourself with the VAT (Value Added Tax, Sales Tax) rules administered by Customs and Excise.

In most cases, exports will be zero-rated for VAT although there are exceptions. Check with the Customs and Excise offices to find out what applies to you.

Details of any exports you make must be entered on your VAT return. If you have a high level of exports to European Union (EU) member states, you may have to submit more detailed declarations in an Intrastat return.

For export outside the EU you must report sales to Customs and Excise using the single administrative document (SAD). Shipments below a certain value can be reported via a standard shipping note (SSN).

For detailed information on VAT rules, see our guide on VAT on sales to EC countries.

Export controls

Certain goods may only be exported following the issue of an export licence. Examples of goods subject to licensing control include fine art, firearms and chemicals. Find out which goods require a licence.

Understanding the law

As soon as your goods enter another country they become subject to that country's laws.

You can get reports and data on specific countries, alternatively, you can search for an international trade adviser.

402.04 TRANSPORT CONSIDERATIONS

Your responsibility for transport depends on your agreement with your customer or supplier. For example, you might be responsible for delivering the goods to a warehouse in the customer's country. Your obligations should be clearly set out in a written contract using Incoterms.

For more information, read a guide to Incoterms at the International Chamber of Commerce website.

The best mode of transport for your goods will depend on the type of goods and how quickly they need to be delivered. You may need more than one mode, for example, sending goods by lorry to a port in the UK and then by ship overseas. The goods will need suitable packaging and labelling for transportation.

Depending on the contract, you may need to arrange insurance. Marine insurance can cover transport by air, road or rail as well as by sea. Find an insurance broker who can help you arrange insurance.

Normally, you are responsible for UK customs procedures and your customer looks after customs in their country. In any case, you must ensure that you have the right paperwork.

Most companies use a specialist freight forwarder to handle transport. Confirm exactly what they will do and whether they can handle all documentation and other procedures.

Look for a forwarder who exports regularly to that destination. They can "consolidate" your goods with other consignments in a single container to reduce costs. Reputable freight forwarders are usually members of and International Association.

Getting international transport right can be complicated. Take advice from a specialist provided through your government Trade departments.

402.05 FINANCIAL CONSIDERATIONS

The delay between the shipping of goods and your receiving payment for them will affect your cashflow.

It's worth discussing your cash position with your accountant and bank manager before committing to exporting.

It's also important to insure your business against not being paid in case one of your overseas customers goes out of business.

(In the UK the export Credits Guarantee Department, run by the government, may be able to offer insurance and advice, depending on the type of export.)

There are also currency issues you need to consider. Some of your customers could face problems obtaining foreign currency to pay for your exports. In this case, it's worth insisting on a confirmed letter of credit that commits your customer's bank to pay you at an agreed rate.

Businesses which sell on credit to foreign customers can use factoring to free up cashflow. Export factors specialise in the collection of money from overseas. The factoring company pays you a percentage of the invoice value up-front and the balance (less their percentage) once they have collected payment.

402.06 TRADING ABROAD

When arranging your sales contract you should ensure that payment responsibilities are clearly defined using the “Incoterms 2000” terminology and contracts. Read a guide to Incoterms on the International Chamber of Commerce website.

Working effectively with different cultures

You’ll need to understand the culture of your target markets to establish a successful relationship with your potential customers.

Being able to speak the language of your potential customers can help to establish mutual confidence. It’s a good idea to avoid colloquialisms and metaphors in promotional material – they could be embarrassing in the local language.

Research

You should conduct research into your target market to establish local considerations. These may include product or packaging modifications to enable your product to conform to local cultural demands. Or it could be that local sales and marketing channels for your particular product are different from those in your country – mail order in one country, shops in the other, for example.

Checklist: ten key steps to successful exporting

1. Research your market – does your prospective foreign customer need what you are selling at the price that will yield you a profit? What is the competition and how will they react?
2. Implement an export strategy and review your capabilities – ask yourself: what would my business gain from exporting?
3. Construct an export plan – define how you will enter the foreign market. Finalise human resources and marketing strategy.
4. Choose your sales presence – establish whether you need a direct sales operation. Or is an agent or distributor more effective? How will you manage your overseas sales presence?
5. Promote your product – how are you going to market and sell your product? Customise marketing to the target country.
6. Get the legal side right – contact Customs and Excise to clarify requirements. Make sure your reporting practices are watertight.

7. Get paid on time – ensure your cashflow will remain at a safe level. Guarantee sufficient credit for your future sales. Take out insurance cover if necessary.
8. Choose your distribution methods – consider the complications of selling over long distances and across national frontiers.
9. Transport goods effectively – assess and choose the most effective transport method and make sure the goods are insured by you or the importer.
10. After-sales policy – regularly liaise with customers, export agents and banks. Monitor political unrest in the country of destination. Manage regular servicing and warranty claims.

Please see '**Acknowledgements**' for sources of research.