



How do I: Decide whether I am ready to Export?

Think the business needs to expand by exporting? This practical guide to the first steps involved will help you decide whether or not you are ready to grow beyond your domestic market.

There are two main reasons why companies consider breaking into international markets. The first is to increase business by building market share outwith the domestic market and the second is to spread the risk. If your focus is purely on the domestic market and that market suffers a downturn you could find yourself in a difficult situation. However, by building sales in other markets you are spreading the risk across several markets, all of which are unlikely to suffer at the same time. In addition, exporting may be prompted by domestic market saturation, diversification, customer relationships and economies of scale. Whatever the reasons, exporting should be viewed as a long-term strategy and the company's readiness to embark on this should be agreed at the highest levels.

BENEFITS

Exporting can provide a number of business benefits, including:

- Developing the business into new markets.
- Gaining competitive advantage.
- Increasing internal skills, knowledge and expertise.
- Extending product life cycles.
- Spreading the business risk.

GETTING STARTED

There are several key questions to answer before deciding to export:

- Have you done your market research?
- Is your product exportable?
- Have you got the necessary infrastructure in place?
- Are you committed?
- Can you finance it?

The interrogation of these questions will allow you to go on to develop the outline export plan.

MARKET RESEARCH

This is probably the most important factor before deciding to export. Spending wisely on market research to find out that a market is not suitable for you is better than entering that market and failing.

First step is to identify your target market or markets. The decision on which markets to enter may be based on your existing knowledge of the market, the activity of your customers, the presence (or absence) of competitors in that market and Government initiatives.

It is prudent to focus on one or two key markets initially so that you do not spread your resources too thinly (for more information on this area see the **How do I: Find the best export market?** guide). When prioritising your markets, you should consider the following:

- Local demand for your product or services.
- Presence of known customers.
- Competitors in the market.
- Ease of entry into the market.
- Availability of external support.
- Local market knowledge within the company.

At this stage, your market research will fall into two categories:

Desk Research:

- Background to the market and its culture
- Opportunities available
- Legislation

Field Research:

- Identification of key contacts
- Competitor analysis
- Size and location of potential customer base
- Information specific to your company's product or service
- Market entry options

Once you have chosen your international market or markets, you may want to test your assumptions by undertaking empirical market research i.e. commissioning your own research to probe specific questions or concepts. For more information on this see the **How do I: Conduct Market Research?** guide.

Your first port of call for help and assistance with market information and statistics is your local Business Gateway International office (www.bgateway.com or tel: 0845 609 6611).

There is plenty of support (and some financial assistance too) available to potential exporters. Some of these organisations are:

- Scottish Development International: offices around the world, trade missions, buyer activity, advice, mentoring, etc. SDI is a joint venture between the Scottish Executive and Scottish Enterprise
- Food from Britain: offices around the world, trade shows, missions, market information, etc.
- Scottish Export Clubs
- Chambers of Commerce: Manage Export Marketing Research Scheme, credit checks, export planning, training, etc.
- HM Revenue & Customs: Help and advice (including free guides) on importing and exporting

Weblinks for all these organisations can be found at the end of this Guide.

In addition to helping to identify existing market data and the availability of financial support to help you fund bespoke research, these organisations will help you to identify appropriate trade missions, international buyer events, training/market awareness courses, etc.

Finally, remember the best way to research a new market is to physically visit it yourself.

PRODUCT

Firstly, find out if your product is legal in your chosen market and that it is exportable. Once you have established the exportability of your product you will need to examine its adaptability. For example:

- Will you need to add or take out some ingredients? Tastes as well as cultures vary from country to country.
- Does the packaging or labelling need to be changed or translated? Every country will have do's and don'ts where packaging is concerned.
- What is the market opportunity and potential for this product? Opportunity will have been assessed at the Market Research stage: however, you may need to do some specific product research to assess the business potential for your particular product.
- Is the price right? Consider pricing very carefully because if you get it wrong you may not get a second chance. Do not attempt to buy market share, be prepared to earn it. Some other business could come along with a cut-price product and wipe you out.

Some of these questions can be answered by desk fact-finding but may also need to make visits to the market to ensure that you have got your facts right.

INFRASTRUCTURE

You need to have the appropriate infrastructure in place to be able to cope with demand from another market. This includes:

- Spare capacity for increased production.
- Available finance to fund export development.
- Appropriate administration e.g. to handle certificates of origin, export documentation, invoices in Euros or other currencies.
- Personnel to deal with increased workload.
- Distributors or agents in chosen market.

All of these need to be in place before you can begin to export. But you should also think about the future if your export sales take off. Have you got space for further expansion? Will you continue production at home or look abroad?

COMMITMENT

Are you committed to the idea of export, or are you just thinking about it because sales are down in the domestic market? Britain is often accused of being a nation of fair weather exporters and there is no point in investing in a new market if you are not going to persevere. Are you sure you want, or need, to export? This is an important question, as you may not yet have exhausted the domestic market. For example, if your product sells in Scotland but not England, you may wish to look elsewhere in the UK before going abroad.

Choose your export market carefully and then focus on it. A scatter gun approach will not have the desired results and will put strain on your resources. When choosing your market you should look at the one with the greatest potential, at the lowest possible entry cost, to minimise the risk.

Building export sales takes time and your export development will probably be at least a three-year plan. Don't set your sights too high. Managing expectations is important to the continued success of the company. Show your company you are committed to exporting by offering training to relevant staff. This could take the form of training in export documentation and letters of credit or offering teaching in the language and culture of your chosen market.

FINANCE

You should be able to finance your export development plans without destabilising your domestic market. Ideally, export development should be funded through working capital. It should also be viewed as an investment and not a cost. Remember there are significant costs involved before you start in terms of market research, visits to the market, personnel, distributors, setting up systems & procedures, adapting your product for the market, etc. Your investment should be a medium to long-term one as exporting should not be undertaken for short-term gain. Familiarise yourself with the credit terms of your chosen market and ensure that you have a good cash-flow to cope with them.

THE EXPORT PLAN

Assuming the answers to your GETTING STARTED questions are largely positive, you should be in a position to develop the export plan. This should include the overall export objectives and key strategies which will be a critical framework for the rest of the plan to support (or refine as needs be). The objectives may still be in draft form, as you may want to refine them subject to exploring the next two areas:

Where to export? Finding the market that represents the best export opportunity is not as simple as it may first sound. It involves an evaluation of the market, the consumer and the trade, married with the practicalities of servicing e.g. your product, logistics and financial considerations. For more information on this stage see the **How do I: Find the best export market?** guide.

How to export? Should you export using a direct or indirect sales operation? Each route has its pros and cons. The business has to decide which best suits its requirements. To help your decision process, see the **How do I: Select a route to a new geographic market?** and **How do I: Find, employ and manage a foreign agent?** guides.

Once the business has committed to exporting, agreed which market and through which channels, the export plan can be finalised. The final plan should include:

- Background to cover market, target end users and rationale for exporting.
- Key objectives expressed as volume, value and profitability.
- Marketing strategy to include targeting and key strategies e.g. price, promotion.
- Sales strategy including distribution channel strategy and plan.
- Targets for key activities.
- Investment including e.g. set-up costs and support programme investment.
- Timing plan.
- Monitoring and evaluation plan.

HOW DO I? SUMMARY

1. Assess the market opportunity and product potential.
2. Confirm the business capability and commitment.
3. Seek professional assistance – there are plenty of organisations that can help.
4. Agree which export market and through which distribution channels.
5. Finalise the export business plan.

OTHER USEFUL SOURCES OF INFORMATION

Visit **www.scotlandfoodanddrink.org** and choose the Marketing & Sales Zone or Export Zone:

- Market Information: you can access data on geographic markets, consumers, retailers, foodservice operators, specific product sectors and more
- Business Directory: for a constantly updated list of specialist marketing suppliers
- There are many other How Do I? Guides which can help you grow your business

Business Gateway: www.bgateway.com

Scottish Development International: www.sdi.co.uk

Overseas Market Information Service: www.uktradeinvest.gov.uk
(can be found on the UK Trade & Investment Website)

Chambers of Commerce: www.chamberonline.co.uk

HM Revenue & Customs: www.hmrc.gov.uk

www.scotlandfoodanddrink.org - The information service tailored to the food and drink industry.
Contact the Scotland Food & Drink Helpline on **0845 601 3752**.