

Export

A world of opportunity



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wealth into the economy”

Sir David Wright
Chief Executive, British Trade International

● Introduction

Opening up overseas markets can seem too daunting for many small businesses. There often appears to be thousands of obstacles in developing a market overseas. Market research, language barriers, currency, late payment... the problems can seem endless.

But that perception is often misplaced, say the experts. There is now plenty of help for small businesses intent on establishing new markets abroad. "Exports are vital to the UK's future success as they bring new wealth into the economy" argues Sir David Wright, Chief Executive of British Trade International. "The challenge now is to get businesses to take notice of the services on offer and to use them."

Business owners' concerns are highlighted in a Mori survey which showed that small firms who are not currently exporting, are deterred by the difficulties and expense they believe lie ahead.

Over half thought they had too little exporting knowledge, were unsure whether their product would be competitive abroad, thought the cost of entry would be too high, or their company was too small. While almost a quarter (23 per cent) believed that a tailor-made market report would cost £10,000 or more: the true cost being £300 - £500.

This essential business guide, produced by Bibby Financial Services, leading providers of export factoring, sets out to put the record straight, by advising on the crucial first steps to exporting that every business must take in order to succeed. It covers how to develop an effective export strategy, how to finance it, and where to go for help and advice.



● Developing an **effective export strategy**

Before you do anything else, you must develop an effective export strategy. This will minimise the costs you incur in exporting and maximise the chances of success at the same time.

Your export strategy needs to answer all the leading questions. First of all, is there a market for your product abroad and, if so, where is it? Secondly, what kind of competition would there be in any market you entered and could you ensure the profitability of any export venture in the face of that competition? Then, if you decide that exporting would work for your business, what is the best way to go about marketing and selling your product overseas? And, last, but certainly not least, how do you finance your overseas ventures?

Finding the answers to these questions will involve you in all the essential elements of an export business strategy. These include market research, distribution, sales and marketing, and funding.

● **Research your market**

A clear focus is crucial to planning. Successful exporters identify and target a small number of key markets. Which regions of the world provide the best opportunities for selling your products or services abroad?

UK exports are currently running at about £186 billion and almost 58 per cent of this trade is with the rest of the EU. France alone took £17.8 billion of British exports last year. However the fact that Britain remains outside the eurozone, does mean that additional factors such as the strength of sterling will have an impact on demand from overseas markets.

Generous Government subsidies are available for investigating new market opportunities and can be sourced through Trade Partners UK, which provides free access to specialist advisers on foreign markets and sectors.

This can be followed up by tailored market research through overseas embassies on trading conditions, opportunities, buyers, potential partners, and the legal and cultural constraints of trading in different foreign markets.

Participation in key trade exhibitions is an important component of this research, enabling exporters to meet potential customers, find out about target markets, and check out the competition.

All this can be planned a long time in advance and worked out to the tiniest detail.



● Distribution

The next step involves considering how to sell your goods abroad. Do you set up a separate company, or a remote sales office, or do you use a local agent, distributor, or licensee to market and sell your products or services. Your decision could depend on the markets you are targeting or the goods you are selling.

Your research, particularly your participation in key trade exhibitions, should help you to decide which is the best option for you. Market reports are also available to enable a business to choose business partners in different parts of the world. They can help you to identify the best customers, the right approach to those customers, the price of your products and services, and how to handle all the necessary paperwork.

Local Chambers of Commerce, which, according to research by Bibby Financial Services, are used by almost two thirds of exporters for the information they offer, also give advice on paperwork for the movement of goods.

You will also need a forwarding agent. For this, you can consult the British International Freight Association.

With regard to after-sales service and technical support, your agreement with local partners should require them to provide routine support and any necessary after-training, etc.



● Sales and Marketing

A survey conducted by Bibby Financial Services in conjunction with Export Times asked British exporters about the most important skills needed to succeed when exporting.

More than half put international marketing in first place, followed by sales ability. This confirms the importance of targeted sales and marketing efforts in foreign markets.

There have never been more ways to market your goods abroad. Your research should identify which are the best for your products.

If you opt for a distributor, you should consider promotional activity such as collaboration with them on product literature as part of your marketing plan. You should also look at developing a web site, enabling potential customers to access information on your goods or services and make purchases should they choose. E-commerce is growing rapidly and can have a huge impact on a business's turnover. One village store in England, for instance, increased its overall sales via the Internet when its greeting cards proved more popular in Japan than in the UK.

A little research could also identify the publications which are read by your target customers abroad, enabling you to develop an advertising and public relations strategy for those publications.

Personal contact is also essential. You should attempt to make regular visits to your customers – and encourage them to visit you. You should also consult them on existing and new products so that your offer consistently meets their exact requirements.



● Financing your **Export** venture

The next challenge is finding the required funding to start - and maintain - your export venture.

According to the Bibby Financial Services survey referred to earlier, the majority of respondents admitted to using foreign exchange services, followed by a bank overdraft or loan, and then factoring and invoice discounting.

However, there are many problems associated with selling abroad, including getting paid by your overseas customers. It is this concern which leads some financial institutions such as banks to be wary of funding export ventures, while others specify strict conditions, which might make your foreign sales less than profitable. It is essential, therefore, to research the options thoroughly as part of your export strategy as early as possible.

A growing number of businesses, and particularly SMEs, are using export factoring both to fund their overseas ventures and to ensure that they get paid by their foreign customers. Export Factoring provides up to 80% of the value of export invoices together with an overseas collection service for payment of those invoices, releasing a continuous flow of cash for businesses to further develop their overseas activities.



● **Getting Paid**

As most exporters will tell you, getting an order is easy but getting paid by overseas customers can sometimes be difficult. Language is the first hurdle followed closely by the challenge of dealing with different currencies and the problems of fluctuating exchange rates, although this situation has been eased in Europe with the introduction of the euro. Credit checks on prospective customers are difficult to obtain and standard terms of trade also vary from country to country.

Moreover, exporters must take account of the fact that average payment times abroad are often greater than the average 46 days we have in the UK. Comparable figures on the European mainland, for instance are 87 days in Greece, 81 days in Italy, 72 days in Spain and 58 days in France. There are some tried and tested methods to ensure you get paid.

● **Letters of credit**

A very secure way of obtaining payment, but not always popular with customers, this involves the customer raising a letter of credit, which is guaranteed by a UK bank.

● **Advance payments**

Again often unpopular with customers but with no risk and no financing costs.

● **Bills of exchange**

A written document which requires your customer to pay a specified amount on a set date.

● **Open account trading**

Used within the EU for existing customers, this amounts to offering credit, usually 30 days, upon delivery of the goods.

Whichever method of payment you decide is right for your business, it is essential that you negotiate credit terms - and have them in writing - from your customers prior to the delivery of goods.

● Getting Paid

Export Factoring is an increasingly popular way of ensuring you get paid by your overseas customers.

Most export factors employ a number of means to ensure that overseas invoices are paid on time. Many employ multilingual teams who can communicate verbally and in written forms in a wide range of languages. This makes it much easier for any issues or problems to be resolved quickly.

Some export factors also belong to Factors Chain International, a world-wide network of factoring companies which can provide further assistance in collecting outstanding monies from customers based in more remote overseas areas. The benefit here is that the overseas customer is dealing with a local factoring company and so language and currency problems are eliminated.

To speed up the receipt of customer payments, some factors actually have bank accounts in those countries where their clients do a lot of business in order to make it as easy as possible for their customers to pay their bills. That way, they can pay their clients the balance of any invoice the day after the debt is paid into the account concerned.

In order to help UK exporters, some factoring organisations have set up overseas offices to assist British firms in securing payment on their products and services quickly and efficiently. Bibby Financial Services has opened companies in the USA, Australia and Poland, which not only provide owners and managers in those countries with innovative cash flow solutions, but can ensure that UK businesses trade with these markets successfully.



● Dealing with Euros

On 1st January 2001, the euro became a reality for the 300 million people in the twelve eurozone countries.

Although the UK is not part of the eurozone, there are implications for UK exporters with trading links, both direct and indirect, with the EU due to the use of the euro in cross border trade. Firms in the eurozone now have exchange rate certainty when trading with each other, and price differences are more transparent to customers.

You should also remember that the introduction of the euro has led to additional price competition across the eurozone. It is now easier for customers to compare prices than ever before. If you feel that the prices for your product or service are particularly keen, then directly comparable prices in euros should offer you the ideal opportunity to show potential customers that you offer good value for money.

Some questions UK exporters should consider when considering exporting to the eurozone:

● Pricing

Are you going to continue quoting prices in only one currency, or will you consider quoting in both sterling and euro.

● Invoicing

Are you able to issue invoices in euros and can your business deal with invoices received in euros?

● Technology

Remember you may not need a major overhaul, it may simply be a case of setting up a new ledger in euros and changing the currency markers to euro on the system you have set up to print your invoices.

● Training

Do staff need training in or need information on how to place and take orders, generate invoice and process payments made in euros.

Useful Contacts

www.bibbyfinancialservices.com/international

Bibby Financial Services: The UK's largest independent factoring organisation specialises in the provision of export factoring to SME's. They provide funding against export sales and will help in managing collection of payments from overseas customers. Tel: 0800 587 5755

www.tradepartners.gov.uk

British Trade International: coordinates all Government support for international trade development and promotion. Trades as Trade Partners UK. Tel: 0207 215 8200

www.businesslink.org

Business Links: runs a national network of local business advice centres to provide information to SMEs and their business advisers. Tel: 0845 600 9006

www.britishchambers.org.uk

British Chambers of Commerce: a network of more than 60 accredited Chambers provides a ready-made management support team for businesses. Tel: 0207 654 5800

www.hmce.gov.uk

HM Customs & Excise: responsibilities include collecting billions in VAT and excise duties. This Government department can provide information on Income Tax, VAT and National Insurance contributions. Tel: 0845 010 9000

www.bifa.org

British International Freight Association (BIFA): the trade association for companies engaged in international movement of freight to and from the UK by all modes of transport, road, rail, sea and air; handles 85% of all UK business within the freight forwarding industry. Tel: 0208 844 2266

For more information on Bibby Financial Services International division please call 0800 587 5755
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