

Are You Ready To Export

1

Strategy comes from the Greek.

- In military terms it is the setting up of forces before the battle begins.

2

Exporting has become a lucrative activity for many companies. All of these exporting companies began by making strategic decisions on how to expand their market outside of their country.

3

What competencies do your organisation possess, from management experience and personnel?

4

Preparing for export – how you will organise and what you need to do.

5

Your capacity - financial, production and personnel. Do you have the required capabilities to enable your efforts to succeed?

1

If you have the right strategy you will be:

- At the right place.
- At the right time.
- With the right people.

In order to have the right strategy you need to do your homework and prepare.

Reasons For Exporting

- There are many good reasons you should be exporting.
 - Economies of scale
 - Increased revenue and profit
 - Increased productivity
 - Spread risk base of business
 - Smoothing effect on order book
 - Offset lack of demand for seasonal products
 - New product ideas
 - Additional markets
 - Tax advantages
- Just because exporting is a good idea, you should not jump into it unless:
 - You have an export plan
 - Your company is ready to export
 - You have done market research

Reasons For NOT Exporting

- There are certain disadvantages to exporting.
 - Sacrifice short term profits for long term gains
 - Increased travel and administrative costs
 - Hiring additional staff
 - Need to develop new promotional material
 - Modify your product to meet international requirements
 - Must obtain export licenses and import permits
 - Fluctuations in foreign currency exchange
 - Apply for additional financing
 - Previous bad experience with exporting
- These disadvantages may justify a decision to forego exporting at the present time.
 - With proper planning one can overcome these obstacles, and avoid critical mistakes.

2

To determine if your company is ready to export, several factors need to be analyzed and questions need to be answered.

Are You Ready To Export?

The following is a brief questionnaire designed to help you make those fundamental decisions to help you export more effectively.

This questionnaire highlights characteristics common to all successful exporters. Your answers will help you to assess your export readiness, as well as identify the areas where your business needs to strengthen to improve its export activities.

1. Does your company have a product which has been successfully sold in the domestic market?
2. Does your company have, or is preparing, an international marketing plan with defined goals and strategies?
3. Can your company commit sufficient production capacity to the export market?
4. Does your company have the financial resources to actively support the marketing of your products in the targeted markets?
5. Is your company willing and able to dedicate staff, time, and resources to the process of developing export markets?
6. Is your company committed to providing the same level of service given to your domestic customers?
7. Does your company have adequate knowledge in modifying product packaging and ingredients to meet foreign import regulations and cultural preferences?
8. Does your company have adequate knowledge about shipping its product overseas, such as freight costing, and identifying and selecting international freight forwarders?
9. Does your company have adequate knowledge of export payment mechanisms, such as negotiating letters of credits?



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Many companies begin their export endeavour without a plan.

- Without a plan one cannot measure of success
- May overlook better export opportunities

Company Goals

Questions to ask regarding exporting and your company goals include:

- What are the company's reasons for going after the export market?
 - Are they strategic, tactical, or opportunistic?
- How committed is top management to the export effort?
 - Has top management communicated its commitment to exporting to the whole organization?
 - Is exporting viewed as a quick fix for a slump in domestic sales?
 - Will the company neglect its export customers if domestic sales pick up?
- What are management's expectations for the export effort?
- What is the expected return on investment of the export program?

International Experience

Questions to ask about the company's international experience include:

- With what countries have you done business?
- What countries do inquiries come from?
 - Which product lines are mentioned most often?
- Is the trend of sales and inquiries up or down?
- Are any domestic customers buying products for sale or shipment overseas?
 - If so, to what countries?
- Who are the main domestic and foreign competitors?
- What are the lessons learned from previous attempts to export?

Management and Personnel

Questions to ask about the company's management and personnel include:

- How much of upper management's time can and should be allocated to the export effort?
- Who within the company has any international business experience?
- Who within the company reads, writes, and speaks a foreign language?
- Who within the company will be responsible for exporting?
- Who will follow through after the planning is done?
- What organizational structure is required to ensure that export sales are adequately serviced?
 - How many people need to be hired or transferred?
 - What skills are needed?

4

If early export efforts were unsuccessful because of poor planning.

- Your company may have been misled into abandoning exporting altogether
- Your company would have missed out on a

Organising for Exporting

- A company new to exporting generally treats its export sales the same as domestic sales.
 - This is a mistake.
- Two key advantages of separating international from domestic business are:
 - The centralization of specialized skills needed to deal with international markets.
 - A focused effort on export sales.
- Separating international from domestic business may be done at different levels in the organization.
 - For example, at first a company may create an export department with a full or part-time manager.
 - Reporting to the head of sales.
 - Later on, a company may choose to increase the autonomy of the export department.
 - Reporting to the company president.

Ways to Organise for Exporting

- There are several ways a firm may organize its exporting efforts.
 - By product line
 - Good if each product line is distinct.
 - By territory
 - Good if product modification is needed in each territory.
 - The key is to facilitate the marketing effort.
- Experience has proven that a company's international success depends more on its marketing methods than on the unique benefits of its products.



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Formulating an export strategy based on good information and proper assessment increases the probability of:

- Choosing the best options
- Using resources effectively
- Achieving success

Production Capacity

Questions to ask about the company's production capacity include:

- How is the present capacity being used?
- What will be the cost of additional production?
- Will filling export orders hurt domestic sales?
- Are there fluctuations in the annual work load?
 - When?
 - Why?
- What minimum order quantity is required?
- What is required to design and package products specifically for export?



Quality and Standards

Questions to ask about the company's product quality and standards include:

- To what international standards do your products conform to?
- Is your company ISO 9000 certified?
 - If not, what will it take to have this competitive advantage?
- How does your company measure quality?
- Is the quality of your products world-class?

Financial Capacity

Questions to ask about the company's financial capacity include:

- How much capital can be committed to export production and marketing?
- What level of export department operating costs can be supported?
- How are the initial expenses of export efforts to be allocated?
- What other new development plans are in the works that may compete with export plans?
- When will the export effort pay for itself?

Available Resources and Goals

- If you have answered the previous sets of questions, you know just how prepared your company is to export.
 - And you know what gaps, if any, need to be filled in order to export.
- You also know how exporting fits into your company's short, medium, and long-term goals.
- You know what the company wants to gain from exporting.