Develop an export strategy

Exporting offers the prospect of new markets, more sales, better profits and a greater spread of customers. Without a clear strategy, however, none of these benefits are likely to be realised. International trade is often more risky and costly than doing business at home.
The first step is to find out whether your products have any international potential and to assess the strength of your competitors. Next, you will have to select the most promising markets, and then decide who to work with and how to market yourself. Do not expect instant results.
Once you do start to win orders, you will encounter legal, financial and logistical challenges, particularly as you may be working in a different language and currency. A disciplined, professional approach from the start will help you overcome these. Exporting can then develop into a highly profitable new phase of growth.

Assess your position

Be clear about your reasons for exporting.

You want to boost turnover and spread your costs.
You are looking for new markets.
You have built up a strong domestic base and want to maintain your rate of growth.
You have an internationally competitive innovation.
Your customers expect you to operate on an international basis.
You want to extend the lifecycle of your products.
You are receiving foreign enquiries or attracting international visitors to your website.

Ask yourself how ready you are as an organisation to start exporting.

Winning export orders takes time. Make sure you have the resources and commitment to support your efforts.
Identify any new skills that your employees will require to handle international business.
Review the extent to which you are able to operate in the local currency or language.
Be realistic about your ability to motivate a sales team from a distance.

Identify the particular risks you need to address.

Differences in language, currency and business practice can complicate any sale.
Securing payment from customers can be lengthy and complicated.
Delivery cycles will be longer than you may be used to. You may risk over-extending yourself, particularly with large high-value orders.
More people will be involved in any sale. As well as your customers, you may have to deal with regulators, banks, insurers and carriers.
Long lines of communication mean that overseas partners are likely to act more independently than you would normally expect at home.
Every foreign market is likely to pose a risk of some kind. Depending on where you export to, these could range from simple import restrictions for particular goods to political change, economic instability, poor transport infrastructure and intellectual property theft. Be aware of specific risks in each state.

Decide how aggressively you want to pursue opportunities.

You might decide just to pick up orders from foreign buyers in the UK or from traffic on the web.
Licensing your intellectual property or franchising your business format internationally might allow you to profit overseas without extensive direct involvement.

Finding experienced intermediaries to work on your behalf in different markets could reduce your initial costs and the complexity of the challenge.
You might decide to pursue growth directly and handle all aspects of the export process yourself.

Draw up an action plan

Decide where you should focus your efforts.

Work out your competitive position and decide which products are likely to perform best in international markets.
Choose markets that offer you scope for growth and that you understand. Selling to a country with a very different business culture may not be the best first step into exporting.
Base your decisions on thorough research (see 3).

Establish your objectives and budgets.

Spell out what you are hoping to achieve in terms of sales, turnover and profitability.
Draw up an export budget, clearly indicating how initial expenses should be allocated and when you expect to see a return.
Ensure that you set an export price that covers the additional costs and risks of exporting.

Plan how you will manage your exports.

Appoint someone to lead your export activities and decide how much time senior managers should allocate to export activities.
Ensure that employees have the equipment and systems they need to handle international orders.
Decide how you will organise marketing, sales and delivery to your export market (see 5).
Work out your terms of trade, including delivery terms and payment method (see 6).
Use your export plan as an active management tool and regularly update it.

Consider getting help.

UK Trade & Investment's (UKTI) Passport to Export programme offers training, mentoring, planning and support. Find information on the programme on the UKTI website
You can find translators, interpreters and language trainers on a database at UKTI.
Your trade association may be able to provide export advice and export market information. Find a trade association for your sector at www.taforum.org.
The Institute of Export offers training and professional qualifications at www.export.org.uk.

Research potential markets

Find out what you can about export markets from home.

Check international trade statistics online or in your local library to work out where demand is strongest for your products.
Look at the list of free sales leads held by UKTI and supplied by British embassies in different countries.
Join an export club to learn from the experience of other companies.
Ask your chamber of commerce about events it is organising where you can meet international companies in your sector.
Read the reports on different markets and industries published free of charge by UKTI.

Commission market research or use the fee-based information service from UKTI. A grant of up to 50% may be available towards the costs.
Consider checking with international aid agencies for companies that are looking for partners.

Explore foreign markets in person.

Attend a trade fair to meet potential competitors, suppliers and customers. Find out about trade fairs in the UK and overseas using the search facility on the UKTI website .
Go on a trade mission. You will be given a full briefing on the market and make a large number of contacts.
You may be able to get a grant towards the cost of your trip.

Check the legal and tax position

Find out about the key legal issues in your potential export market.

If you are selling goods like firearms, software, chemicals or fine art, you may well require an export licence. To check if your goods are likely to require an export licence, visit the Government website: www.gov.uk/do-your-goods-need-an-export-licence.
Your product will need to comply with local regulations: For example, safety standards and labelling requirements.
Intellectual property becomes more complicated when you start selling overseas. UK patents and trademarks only protect you at home. Find advice on protecting your intellectual property overseas on the Intellectual Property Office website.

Prepare a comprehensive sales contract.

Be clear in the sales contract about where your responsibilities end and the buyer's start.
Use internationally agreed Incoterms to avoid any confusion about who is delivering the goods, arranging freight insurance, and paying for transport. You can order a copy of Incoterms 2010 from the International Chamber of Commerce website/products-and-services/trade-facilitation/incoterms-2010/.
Make sure that any agreement has clear measures for performance and only lasts a fixed term. You want to retain your flexibility in case of changes in the market.

Make sure you understand the tax rules.

Exports are usually zero-rated for VAT, with payment in the country of destination. You need to keep proof that your goods have left the UK.
Your customer will normally be responsible for paying any taxes or duties in their country, though it will depend on what you have agreed in your contract.

Reach the market

Be prepared to modify your product and your marketing to take account of local rules and cultural preferences.

Check your market proposition. Overseas customers might think about your product in ways that you do not expect.
Think about how best to reach your target audience. You might find that your product is sold in different ways and through different channels.

Consider any changes that you need to make to your branding and labelling. For example, you may have to rename your product.

Select a channel for selling into the market.

You may be able to sell directly: for example, via your website, using direct mail or at trade shows.
Appointing an agent to sell goods on your behalf can be a cost-effective option. Take advice on your responsibility for their activities and draw up a suitable agreement. For example, you could be held liable for prosecution under the Bribery Act for any bribes or illegal payments they have made on your behalf, even if you had no knowledge of the payment.
You may find it easiest to use a distributor who buys goods from you to sell on to their customers.
Other options include entering into a joint venture with a local partner, opening a local office or setting up a local subsidiary.

Be clear about how you will deliver your goods.

Your choice of whether to use sea, road, rail or air as your mode of transport depends on your type of goods and how quickly they have to be delivered.
You will need the right documentation to clear UK and overseas customs, and to avoid any unnecessary tax payments. Find advice on international trade documents on the Government website: www.gov.uk/international-trade-paperwork-the-basics.
Many exporters use a freight forwarder to handle their transport. Choose one who knows the territory and who can handle your documentation. Find an international freight forwarder on the British International Freight Association website
Check packaging and transport regulations in your destination country.

Aim to offer a service that equals or surpasses local expectations.

Reply promptly to any enquiries and sign any letters personally.
Make sure your product has service support.
Don't disappoint importers by failing to ship as promised.
Keep your contacts informed of any changes to the arrangement.

Finance

Guard yourself against non-payment.

Decide how much credit you are prepared to extend yourself or take out insurance.
Always ask whether a prospective customer is a properly formed company and can pay its bills.
Be clear about how you are going to chase up payment. Ask your bank about invoice discounting to protect your cashflow.
Have a back-up plan for re-selling your goods if the customer refuses to accept them.

Negotiate a method of payment to reflect the risks that you are running.

Advance payment is safest. You are paid before the goods are shipped.
Letters of credit confirmed by a British bank are highly secure, but you must ensure that your documentation is absolutely correct. Any error and the bank will turn down payment.
Documentary collections allow you to raise payment directly through your customer's bank.
If you sell on open account, you offer credit of 30 days or more, so only use it with customers you know well.

If you have a series of contracts, rather than a single project, consider setting up a line of credit with your bank.
For countries with foreign exchange difficulties, countertrade or barter might secure you an order that you would have otherwise missed.

Take care about how funds are transferred.

Cheques can bounce and are slow to clear. Banker's drafts and international money orders are safer, but they are more expensive and can still be lost in transit.
Your customer can arrange payment through SWIFT, the standard for inter-bank transfers, to any account you choose.

Before dispatching any goods, think about insuring yourself against the three most common export risks.

Credit insurance offers protection against non-payment. The Export Credits Guarantee Department mainly provides insurance for capital goods and major projects. For more information, visit the Export Credits Guarantee Department website. For other goods, approach a private insurer, who will guarantee to pay you about 80% of the selling price.
If you are being paid in local currency, guard against any fluctuations in foreign exchange rates by setting up a forward contract with your bank.
Take out cargo insurance to cover any damage or loss to goods in transit.

Signpost

To find more information about UK Trade & Investment's export support services, visit www.ukti.gov.uk/export.html
For information on markets and details of trade missions, visit the export zone at the British Chambers of Commerce
To find a trade association relevant to your sector, search the Trade Association Forum's online database
For a list of freight forwarders, contact the British International Freight Association
To order a copy of Incoterms 2010, visit the International Chamber of Commerce website