

Overcoming barriers to export:

A guide for growing businesses
by Parcelforce Worldwide
and UK Trade & Investment

in association with **UK**
TRADE &
INVESTMENT



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Foreword



Dick Stead, Managing Director of Parcelforce Worldwide

UK businesses have endured a difficult time in recent years, with many small- to medium-sized firms suffering during these economic woes. The turmoil has forced many companies to scale back operations, make redundancies and retreat into their shells – stifling the UK's overseas growth as a consequence, despite favourable exchange rates.

However, the tide may be turning; last summer we saw the first signs that the weak pound was finally stimulating the UK's export industry. While the trade deficit remained, exports to the world's two largest economies – the US and China – grew significantly, offering cause for cautious optimism. Subsequent economic data has over the past six months served to reinforce this viewpoint. The challenge during 2011 is to build on these foundations and help our smaller businesses redevelop; giving them new growth opportunities and ensuring that exports are able to make a sustained contribution to the UK's economic prosperity.

In our conversations with customers – both pre- and post-downturn – we've always been surprised to see just how many companies have the appetite to export but feel they lack the resources and expertise to succeed in overseas markets. Believe it or not, there is actually a wealth of information, guidance and support available to hungry businesses – the real challenge is knowing where to start. To better assist these businesses in getting to grips with the basics of overseas trade we have teamed up with UK Trade & Investment to create this introductory guide, within which we will address the key tenets of successful exporting and provide a blueprint companies can use to move forward with confidence.

Susan Haird, Acting Chief Executive of UK Trade & Investment



The UK economy is currently at a crossroads. The government is looking to stimulate private sector growth, yet both domestic and overseas market conditions remain tough; industry is gaining momentum once more, yet fragility and fears still remain; small businesses are getting back on their feet and looking to expand.

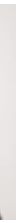
As a nation, we have the means to succeed but to do so we must look outwards. We must seize the opportunities in distant markets and make the most of our global connection.

That presents challenges but there are many reasons to be positive. The internet continues to play a key role in opening up new markets and enabling companies to gain an overseas foothold without the need to invest in an on-the-ground presence, while new and expanding economies offer the opportunity for UK exporters to move beyond traditional boundaries. Manufacturing in the UK is already being fuelled by rising demand in export markets.

Furthermore, there are a growing number of resources from a variety of outlets designed to aid businesses in overcoming barriers to export and optimising their supply chains; consultancy, capability assessments, training courses, delivery tools and trade fairs, to name but a few.

Confidence in the UK economy is growing, and if firms can seize these overseas opportunities then I believe we will be well-placed to overturn the trade deficit and secure our nation as one of the world's leading exporters of goods and services.

Emma Jones, Founder, Enterprise Nation



International trade has moved into a new phase. Gone are the days when years of effort were required in the domestic market before going global. You can now start a company on Monday and be trading with the world by Wednesday. The web has made this perfectly possible and faced with a sluggish UK market there's never been a better time to leverage technology and look overseas; after all, a connection to the internet is a connection to over one billion potential customers.

Our politicians are encouraging it and technology is in place to enable it yet small business owners are resisting the international trade opportunity for fear of perceived language, currency, cultural and business barriers.

In my new book 'Go Global – how to take your business to the world' I put paid to these perceptions and show you don't need big budgets or to be a big business to be a globally successful one. The book offers a route map that will have you trading across the globe and illustrates how it can be done with stories from 20 successful exporters.

Whether you're selling business or personal/products or services, if you've considered exporting but didn't know where to start or you're making international sales and want this to grow, the 'Go Global' book is for you. It will guide you on a journey of international deals and discovery.

Chapter 1: Why export?

We are in an age of ever-changing business environments, increasing interconnections and globalisation, which means new opportunities for organisations. There is a real need for UK companies to focus on the rapidly expanding markets and their diversification, and to equip themselves with the tools they need in order to compete on a world stage.

In recent years we have seen a shift in global economics, with traditional markets like the USA and Europe readjusting in order to compete against the rising strength of countries in Asia and the Middle East. So far in the past decade, nearly a third of the economic growth in the world has originated from the BRIC economies: Brazil, Russia, India and China¹. This is predicted to increase further in the future.

By recognising the impact of this changing world economy companies will be best positioned to explore the opportunities in these high growth markets and take advantage of increased trade, competitive wage levels, new sources of talent and innovation.

Economic potential

Though it may come as a surprise to some, the UK is already leading the way in many areas of international trade:

- In 2009, the UK was the second most successful defence global exporter, achieving an 18% share of the global market
- London is Europe's largest international banking centre, with an estimated 41% of all the EU's financial services
- The UK is a world leader in university R&D, with more scientific research papers per head than the USA, Germany, France or Japan
- Eight of the world's top ten largest management consulting firms – based on fee income – are from the UK
- The UK is number one for corporate headquarters in Europe
- The UK is the world's second-largest exporter of TV programmes
- London is the global centre for emissions trading
- The UK is one of the largest outward investors in the world, with over US\$1.6 Trillion of stock held overseas in 2009, generating wealth and income for the UK. Only France and the USA are bigger outward investors..
- It takes 13 days to set up a business in the UK, compared to the European average of 32
- The UK has the least barriers to entrepreneurship in the world
- London is the leading city in Europe in terms of languages spoken

While overseas trade suffered considerably during the economic downturn, figures released during 2010 by the Office for National Statistics showed that British exporters were finally beginning to benefit from the resultant depreciation in sterling. Export volumes in both goods and services continued to grow as the year progressed – with the value of services shipped overseas totalling £41.4 billion in Q3 alone – helping to fuel overall economic growth². The lower exchange rate is feeding through into lower export prices and helping to boost the competitiveness of British products overseas.

This is not the only evidence to suggest that exporting represents a significant opportunity for UK economic growth. Lloyds' TSB Commercial Markets' most recent 'Business in Britain' index – which surveys more than 2,300 small business owners – showed positive sentiment at its highest since 2007. The index revealed that a quarter of firms expected order-book levels to rise, with 42% predicting an increase in foreign sales⁵. In fact, the index actually identified domestic demand as a concern, emphasising the need for UK companies to start looking abroad in search of new revenue streams.

¹ International Monetary Fund 2010, calculations compiled by Bloomberg

² Office for National Statistics: UK Trade Dec 2010 <http://www.statistics.gov.uk/pdfdir/bop1210.pdf>

³ Lloyds TSB Corporate Markets: Business in Britain July 2010: http://www.lloydstsbbusiness.com/media/lloydstsb2004/business/pdfs/business_in_britain_jul-2010.pdf

Business potential

Considering the impact of increased exporting for the UK as a whole is one thing, but what about the impact on individual businesses? To get a better sense of the opportunities on offer to growing firms, Parcellforce Worldwide commissioned brand new research into current opinions and perspectives on exporting⁴.

The results produced a number of illuminating findings, most notably, that almost half (46%) of exporters now get 40% or more of their revenues from exports. Interestingly, within the group of businesses that make 40% of revenues from exports, one third had been exporting for less than a year – demonstrating how quickly companies can get off the ground and start turning over a substantial profit.

On the flip side, only 16% of non-exporters are considering or have recently considered getting started, meaning the overwhelming majority – 84% – are not considering it. This reticence to make the needed commitment and investment in exporting is something this guide will look to address directly.

That said, one in five non-exporters believe that if the export barriers they face were removed tomorrow (enabling them to commence overseas trading) they could increase revenues by more than 10% within the next year alone. Specific barriers will be addressed in detail later in the guide, but it's clear that even though apprehensive, non-exporters still acknowledge the potential opportunities offered by international trade.

Key reasons for exporting – as identified by UKTI⁵

Demonstrate international demand for your products	Potential higher overseas prices for your goods	Competitive pressures in your domestic market reducing prices and margins	Competitors using their overseas profitability to steal your domestic market share	Relatively low labour or capital costs as compared with foreign manufacturers	Discovering a new multi-cultural or internationally-oriented corporate culture
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⁴ Parcellforce Worldwide engaged Populus to survey senior decision makers within businesses employing between 1 and 249 staff from across the UK. To ensure a balanced viewpoint, Populus surveyed both exporters and non-exporters. Of the 513 Senior Business Decision Makers surveyed in Parcellforce Worldwide's 'Barriers to Export' research 253 (49%) exported goods or services, while 260 (51%) did not.

⁵ BIS Economics Paper No.5 "Internationalisation of Innovative and High Growth SME firms"
<http://www.bis.gov.uk/assets/biscore/economics-and-statistics/docs/10-804-bis-economics-paper-05.pdf>

Chapter 2: Barriers to exporting

What are the key problems that prevent businesses from starting to export?

Exporting is no different to domestic trade in the sense that businesses will face a combination of challenges that must be overcome in order to turn a profit. These will differ depending upon the size of the firm, the industry in which it operates, the make-up of its customer base and of course the general economic backdrop.

Just as with local trading then, successful exporting depends firstly on recognising which potential barriers businesses are likely to face – both those uniform challenges that all exporters are likely to face and that are specific to a particular organisation.

Businesses considering exporting often have concerns over complexity, or a fear of the unknown. However, exporting presents such businesses – even if they represent a range of different sectors – with a set of roughly uniform challenges that can be tackled in turn and managed with the appropriate level of planning.

Examples of uniform barriers faced when exporting to a new overseas market include:

- Cultural differences
- Poorly established legal and regulatory institutions
- Substandard infrastructure
- Economic/political turmoil

Examples of barriers that will differ from organisation to organisation include:

- Resources – e.g. staff dedicated to overseas marketing
- Upfront financing
- Knowledge – e.g. where to target, which approach to take

In the new 'Barriers to Export' research, it's interesting to note that 17% of exporters have started exporting in the last two years, whereas 42% have been engaged in international trading for more than ten years. While it's encouraging that there are still companies looking to take their activities overseas despite the economic downturn, it's important to stress that exporting is not and should not be considered solely the domain of long-established and seasoned players.

The need to challenge this perception is further highlighted by the fact that just 16% of current non-exporters are considering moving into exports, while one in four have no interest in overseas markets. This is a worrying statistic given the economic importance of exporting, not to mention the potential for non-exporters to grow their own businesses in the process.

Emma Jones is the author of export publication 'Go Global – take your business to the world', available at www.goglobalguide.com and in book stores. 'Go Global' highlights a number of common fears that inhibits potential exporters, which this guide will examine over the following chapters. The book puts paid to some of the perceptions that may be deterring UK businesses from exporting, and shows that such activity isn't only the preserve of a major corporate with big budgets. As Jones explains:

International trade has moved into a new phase. Gone are the days when years of effort were required in the domestic market before going global. You can now start a company on Monday and be trading with the world by Wednesday. The web has made this perfectly possible and faced with a sluggish UK market there has never been a better time to leverage technology and look overseas; after all, a connection to the internet is a connection to over one billion potential customers.

Our politicians are encouraging it and technology is in place to enable it yet small business owners are resisting the international trade opportunity for fear of perceived language, currency, cultural and business barriers. Surveys show the perception of international trade is quite different to reality; successful exporters talk about how quickly they came to terms with everything from export documentation, to the cultural etiquette of doing business overseas. In the words of Jane Field, founder of Jonny's Sister, a company selling to Bermuda, Sweden, Denmark and Germany from a home base in Somerset: "Exporting sounds like a big deal but if you take it bit by bit, you soon realise it's perfectly possible, whatever the size of your company."

Chapter 3: Starting up

Do I need domestic success?

Fear: To trade successfully overseas, I first have to trade in my own market for years.

Reality: 28% of the companies surveyed and profiled in Enterprise Nation's 'Going Global' survey⁶ started selling overseas within 12 months of trading and for 36% it was between one and two years. The companies were discovered via search engines or recommendation, promoted via local blogs and sites, and orders have grown ever since via word of mouth. For the majority of businesses, this happened before their venture turned two years old.

Excerpt from 'Go Global – take your business to the world' by Emma Jones, 2010, Harriman House

It's understandable that many firms choose to focus on their domestic operations before looking further afield in a bid to grow their business, yet while this may be arguably more practical, in today's global marketplace they may very well be selling themselves short. For many goods and services, international opportunities could greatly exceed those on offer in domestic markets, perhaps due to lower competition in certain territories or economic conditions within a country fuelling heightened demand for a specific product. The 'Barriers to Export' research supports this notion, highlighting the fact that most exporters view international trade as a means of growing their business.

How did you first start exporting?

	Total
Actively sought out exports market to grow the business	54%
Actively sought out exports market to protect the business	6%
Bowed to overseas demand for products	6%
Exporting began inadvertently/without planning (e.g. as a result of online enquiries)	27%
Other	7%

Raul Kharbanda, Head of Research and Customer Insight at UK Trade & Investment, explains:

"The 'Barriers to Export' research identifies two types of exporter – the strategic exporter that makes an informed decision to expand overseas, and the opportunistic exporter that reacts to unexpected overseas demand. In both cases, domestic success is not a prerequisite of international success, and it's clear that both types can play a key role in helping the UK escape the clutches of recession, providing they recognise the potential barriers they face and take proactive measures to overcome them."

Ultimately, a business's decision to export should not be based on its domestic footprint, but rather, should stem wholly from the business case – i.e. whether exporting can deliver substantial revenues, and whether the benefits outweigh the risks involved.

⁶ Enterprise Nation profiled 20 businesses and surveyed 253 business decision makers in its 'Going Global' survey, July 2010

How much will it cost?

1 in 4 non-exporters currently believe exporting would be prohibitively expensive, according to the 'Barriers to export' research

Fear: It will cost me a lot of money to become a global business.

Reality: None of the companies we profiled spent a penny, dime or yen on purposefully attracting their first overseas order. With business coming in from customers, they are now making investments in having sites translated or making customer visits but this can be done on a budget. They are all making the most of free or low cost technology tools and social media to increase orders and customer satisfaction.

Excerpt from 'Go Global – take your business to the world' by Emma Jones, 2010, Harriman House

Perhaps as a result of traditional misconceptions, or maybe down to their own experiences procuring goods or services from overseas, many non-exporters believe the costs of international trade outweigh the benefits. The truth is that while operational expansion is always likely to generate additional expenditure, exporting start-up costs are not likely to be unmanageable and in the long-term will be more than off-set by the rewards on offer.

The trick is for companies to pinpoint – in a detailed fashion – as many of the potential costs as they can upfront, minimising the chances of unpleasant surprises occurring down the line. By gaining a 360 degree perspective of export expenditure, firms will be in a better position to identify where possible efficiencies can be achieved.

Below are a few examples of new cost areas businesses should consider, and ways in which their impact can be reduced:

Export costs	Solutions
The additional cost of boosting volumes for export, in addition satisfying domestic demand	<ul style="list-style-type: none"> • Achieve economies of scale through production of additional volumes • Engage overseas suppliers to produce products locally and save on shipping
There may be additional costs associated with selling, e.g. flights, hotels and translation costs for sourcing products/suppliers	<ul style="list-style-type: none"> • Delivery partners can minimise the need for an on-the ground presence • Visit hotel websites directly rather than going via third-party sites, to avoid commission fees • Try to organise trips with multiple stops rather than journeying back and forth from the UK • In some territories it's possible to sell UK-labelled products overseas without translation
International trade may require additional working capital and may require longer waiting times for payment	<ul style="list-style-type: none"> • There are specific financial opportunities when exporting – e.g. using Letters of Credit firms can get paid early by a bank for a fee or a discount

As well as the above, businesses may also need to allow for additional items, such as:

- Insurance for goods
- Marketing overseas
- Commissions

In each case, the best approach is to spend time working out which costs are absolutely essential and which can be lowered or removed altogether. For example, by choosing the right overseas delivery partners, businesses can also solve the issue of fully insuring their products. Equally (dependent on the product and/or the industry in which a company operates) it may be sufficient to restrict marketing activities to online outreach and search engine optimisation – in this instance researching competitors will help companies to better determine the best approach to take.

How much should I charge?

The most simple answer is 'cost plus' – work out the full cost of delivering the product and the margin needed per unit and make these the minimum. Cost and price are not always related however. For example, Big Macs sell for \$2.90 in the USA, \$3.28 in the EU (on average) but only \$1.45 in Russia – prices vary due to local supply and demand.

Charging can often be one of the hardest decisions to make because the answer is not obvious. Generally businesses should look to aim for lower prices in order to sell more (however buying an exclusive product at a higher price may mean a higher volume). It's therefore important for firms to assess interest in their product, what competitors charge and the other alternatives, and research local factors like sales taxes (e.g. VAT) and discounts, while if possible visiting the market and talking to potential customers.

Parcelforce Worldwide and UKTI have put together a flow-chart that can be used as a guide from identifying the 'ideal' price through to setting the right price – one that takes into account all costs and eventualities, and will deliver a reasonable return on investment.

It's also important to develop a contingency plan for when or if key factors change, where necessary taking a different approach:

- A lower selling price that will increase the volumes sold, allowing 'fixed' costs to work harder and produce more
- Improving the product – this may initially push up costs, but creating a premium product with a premium price could more than offset this

Finally, businesses need to consider the impact of duties. For parcels sent within the European Union, the single market means there are no duties or taxes to pay on entry. However, outside of the EU, VAT and duties are often applied. These are usually paid by the recipient once they've received the item. It is crucial therefore that exporters make clear any such costs on their websites to avoid consumer being hit by hidden costs.

Will customers pay up?

Fear: I won't get paid.

Reality: Of businesses surveyed in Enterprise Nation's 'Going Global' survey, 65% use an online payment gateway such as PayPal to ensure payment is as easy and secure as possible for the customer, regardless of their country or currency. Having these systems in place increases efficiency and reduces the risk of customers holding back on payment.

Excerpt from 'Go Global – take your business to the world' by Emma Jones, 2010, Harriman House

One of the most easily understandable business reservations about exporting is the issue of payment. Collecting payments from domestic customers can be challenging enough, and the fear factor is greatly enhanced when businesses start considering customers that may be thousands of miles away, communicating in different languages and different time zones. When invoicing customers, Parcelforce Worldwide and UKTI highlight four things to consider:

Paperwork

- Keeping clear records is important. To accelerate payments, ensure any paperwork and dialogue with the buyer is in good order
- Don't assume the other party shares your understanding of payment

Currency

- There are no fixed rules about which currency to use, but customers usually prefer invoicing in their local currency

Trading terms

- Goods take longer to arrive, hence expect longer for payment
- Be wary of sending multiple orders before being paid for one
- Use translators to mitigate language issues
- Consider offering documents for upfront payment

Indirect taxes

- Tax misunderstandings can lead to payment delays and disputes
- Ensure both parties agree a price that either includes or excludes relevant indirect taxes, such as VAT

Chapter 4: Target markets

1 in 3 non-exporters claim they wouldn't know which export markets to target

I don't know where to start

The countries that businesses should consider for exporting depend very much on whether they already have demand from existing clients or whether there is a need to create a new market for their products. The best way to build a market is to target existing customers; however it is important to assess the full cost before deciding or agreeing to anything. In order to create a new market businesses need to take advice – from government bodies such as UKTI, industry peers or their banks, to name but a few sources – identify opportunities and decide where to begin. The following few pages provide a useful starting point from which to carry out more in-depth research, drawing upon the numerous resources and multitude of market information available to UK businesses.

UKTI's Kharbanda notes the importance of new exporters focusing their efforts:

"When getting into exporting, successful firms don't tend to try and go after every country at once, but instead, they tend to focus on specific overseas targets – whether emerging or established markets – and concentrate on gaining a foothold first and foremost, before considering any further overseas expansion."

Product research is key

35% of non-exporters perceive their goods to be unsuitable for export

Just as in its domestic market, a company will need to identify demand for its products and a reason for people to buy them, while making sure that its research also takes into account factors such as local market regulations e.g. health and safety rules, labelling, professional requirements, import duty and tariffs. Bearing these points in mind should enable businesses to sell a wide range of products and services profitably overseas.

Kharbanda highlights the perception gaps between exporters and non-exporters:

"In the Barriers to Export research one third of the non-exporters perceive their products to be unsuitable for export, yet our survey identified a tremendous breadth in the range of industries in which UK exporters are currently operating – everything from creative and digital industries to consumer goods, manufacturing and technology and telecoms. Research can be the key to bridging this perception gap – doing your homework and researching where the best opportunities are, as well as how to best exploit them."

Understanding local markets

Research shows that both non-exporters and new exporters hold a number of concerns relating to red tape, regulation and local market understanding.

Fear: I won't be able to understand export documentation

Reality: A significant 85% of 'Going Global' survey respondents send their products overseas via the local Post Office and 11% use international courier companies. It is from these sources you will pick up all you need to know about documentation and customs.

Fear: I will have to speak the language of the countries into which I'm selling.

Reality: It's a nice touch to learn a few phrases and have parts of your site translated but until you reach that point, take advice from our profiled success stories, and let Google Translate become your best friend!

Excerpt from 'Go Global – take your business to the world' by Emma Jones, 2010, Harriman House

In relation to the question of documentation, Emma Jones highlights the fact that the majority of exporters utilise the expertise of trusted distribution partners to tackle the issue.

For example, Parcelforce Worldwide is able to remove much of documentation burden on behalf of customers through its integration with the network of around 12,000 Post Office branches across the UK. Businesses can fill in basic customs declarations at the point of sending their items from the Post Office, or print and ship online. For more detailed information on restrictions and regulations for specific products, businesses should talk to their local UKTI or Chambers of Commerce for advice as part of their market research.

Of course, there are still a few basics that it's important to consider upfront, to avoid being taken by surprise at any point during the exporting process:

- 1) Businesses will generally have to pay tax in the UK on any profits made
- 2) They may also have to pay corporate taxes and VAT on sales locally
- 3) Businesses might have to pay local property taxes if they use property overseas
- 4) If businesses are doing work in the UK for someone in another country, sending goods or sending out personnel to fulfil specific tasks will not incur business taxes
- 5) If businesses set up a local office or hold stock in a country, they may be subjected to local income taxes and VAT
- 6) If businesses buy anything whilst you're abroad, they may incur VAT or local sales tax costs
- 7) If VAT or local sales tax costs are significant businesses can often reclaim them through further investigation of local regulations

There's no doubt that knowledge of 'local' overseas markets can be extremely useful, whether it's insight into buyer habits and patterns, cultural idiosyncrasies, or even just the ability to speak the local language. It's important to remember however that these factors are not as important as basic demand for the goods and services – if people want a company's product, then such barriers will pale into insignificance. Equally, as businesses become more experienced they'll typically pick up much of this insight and information anyway, helping to continue to evolve and expand their operations. Finally, UKTI has locally-based representatives throughout the globe whose purpose it is to offer support to UK businesses and help them overcome these hurdles. Again, a simple phone call or meeting could in fact be enough to significantly reduce some of the barriers to export.

According to Kharbanda:

“Both tariffs and cultural barriers can also limit a firm’s ability to achieve exporting success. Interestingly, as companies become more experienced, their perception of which export barriers pose the biggest threat appears to change, suggesting that over time they become more astute at handling some of the barriers, while others represent more of an ongoing challenge.”

While many trade barriers to export have been broken down in recent years, it's inevitable that not all of them can be fully removed. However, if businesses stick to the task and take full advantage of the advice and resources available, these barriers can quickly be overcome.

Do I need an overseas presence?

Fear: I can't make sales or service customers if I don't have an office overseas.

Reality: Of businesses surveyed in Enterprise Nation's 'Going Global' survey, 62% sell overseas via their own website and 25% sell via other sites such as eBay, Alibaba and Etsy.com. When you have a presence on the web, you don't need a physical presence in the country.

Excerpt from 'Go Global – take your business to the world' by Emma Jones, 2010, Harriman House

One in four exporters view local knowledge, tax and languages as key market barriers

More than half of non-exporters don't think they have the on-the-ground resources or marketing needed to make exporting effective

While on occasion the presence of a representative on-the-ground could still come in handy, a physical presence in each territory is not a prerequisite of successful exporting.

The internet has removed many of the traditional barriers to exporting by giving businesses a viable sales tool and marketing channel that can be quickly and easily tailored to meet specific overseas requirements at a relatively low cost. After a target market has been identified, it's worth taking the time to review questions such as 'is it necessary to produce a local language version of the website' or 'are there specific products that need greater visibility within overseas marketing efforts?' For example, it may be that producing English and Spanish language versions of the website – using locally-based internet service providers and overseas domain names – will be sufficient to reach the vast majority of an overseas target audience, saving time and money when it comes to website development and maintenance costs.

Delivery and the business of actually getting the goods to the customer is something which needs to be agreed with the customer, but generally speaking customers will expect the business to take responsibility for delivering the goods to them.

Solving the problem of distribution is the key to eliminating the need for an on-the-ground presence, and trust really is fundamental to a successful distribution partnership. A delivery partner has to be able to uphold the business's brand values overseas and match delivery and product commitments by ensuring that goods are dispatched in a timely manner and in perfect condition.

Trade associations can assist businesses in locating a trusted overseas delivery partner, but for many firms it may be possible to utilise existing UK partners such as Parcelforce Worldwide in order to fulfil their global requirements.

By taking advantage of the reach provided by local delivery networks, businesses may also be able to combine multiple deliveries into bulk shipments and get a better price. For example, Parcelforce Worldwide is one of 23 members of GLS network, a pan-European group providing 500 depots and 25 hubs in 30 countries – this means that it can deliver bulk shipments to different countries and then use its partners to distribute the individual goods locally. Parcelforce Worldwide is also part of the EMS global network, which draws on the resources and experience of worldwide postal services to provide further in-depth local knowledge and services on a global scale.

46% of non-exporters feel they'd need trusted distribution partners in order to export successfully

Key industries and markets

UKTI's Kharbanda notes:

"The UK has a brilliantly diverse private sector and it's possible to sell all manner of products successfully overseas providing a business conducts sufficient research and planning. There are today a number of industries in which exporting could offer high growth opportunities within specific overseas markets. If a company operates in one of these industries then it should be giving careful thought to the possibility of creating local language websites, developing local distribution partnerships and expanding its business internationally."

The key markets for the exporters that get 40% or more of their revenue from exports are South East Asia and South America. Europe is also a crucially important destination, accounting for approximately 450m consumers

Based on their research and insight, UKTI's international trade experts have identified the following key sectors for exporting:

<p>Advanced Engineering:</p>	<p>Many opportunities overseas can be found in high growth markets. In China there are significant opportunities in aerospace, automotive, machine tools, marine engineering, construction, oil and gas, power generation and agriculture, while Indonesia offers predictions in packaging machinery, machine tools and advanced materials.</p> <p>In Russia most manufacturers need to replace or upgrade their old production equipment and technologies, while in Singapore the government has set a target to double manufacturing output by 2018. Other high growth markets include Brazil and India.</p>
<p>Architecture:</p>	<p>With a vast range of industry specialisms such as sustainable development, sports and transport infrastructure and urban regeneration, UK architects can attract considerable interest from high growth markets.</p> <p>There are opportunities in Saudi Arabia, Qatar and Abu Dhabi, and in India, which has a need for better urban infrastructure, residential housing, commercial buildings and retail space. In Hong Kong, meanwhile, the government has pledged £20 billion of new infrastructure investments⁷. Furthermore, architects will be in demand in Brazil which will host the 2016 Olympic Games.</p>
<p>Design:</p>	<p>High growth markets, especially Brazil, China, Hong Kong, Singapore, South Korea and Taiwan, are creating a wealth of potential opportunities as their forever expanding commercial sectors embrace design as an important element of business strategy and international competitiveness. For example in South Korea the design market is now worth £10.6 billion and design has become a primary consumer purchasing factor. Similarly China's design sector is now potentially worth more than £3 billion⁸.</p>
<p>Environment:</p>	<p>The world market for environmental goods and services is worth around £400 billion and is growing fast. Much of this expansion will happen in high growth markets as they turn to sustainable solutions to develop industries and reconstruct infrastructure. These growing cities are also in need of facilities for the safe disposal of waste and better air and water quality.</p> <p>Opportunities can be found in China, where there is major investment in air and water pollution control and India offers exciting prospects with water waste treatments. This is also an area in which Turkey has also invested heavily in its bid to join the EU. Saudi Arabia needs to invest US\$20 billion in its environmental sector over the next 10 years; similarly Singapore and South Africa are devoting increasing time and money in environmental projects⁹.</p>

⁷ www.bechtel.com

⁸ Datamonitor

⁹ Business Monitor International

<p>Healthcare:</p>	<p>High growth markets are now looking to take advantage of western expertise in healthcare. Construction of new healthcare infrastructure is proceeding in the United Arab Emirates, including the US\$1.8 billion Dubai Healthcare City development. Saudi Arabia is also a major market for medical and dental equipment, surgical implants, pharmaceuticals/ biopharmaceuticals, diagnostic products, hospital operation and management and medical training.</p> <p>In Latin America, Brazil is going through major health reforms, including a comprehensive management modernisation process, which offers substantial business opportunities. Similarly South Africa is attempting to restructure its healthcare sector.</p> <p>Hong Kong is trying to become the international hub for the standardisation of Traditional Medicine, South Korea needs to cater for one of the fastest ageing populations in the world and Malaysia is undertaking huge transformations, setting up medical centres and government hospitals while upgrading existing facilities and medical systems.</p>
<p>ICT:</p>	<p>Opportunities are found in almost all of the world's high growth markets particularly in China and India. India is expected to become the second-largest telecom market globally by 2010, while China is now seeking to develop capability in next-generation internet and satellite broadcasting networks, advanced computing, integrated circuits and digital AV equipment¹⁰.</p> <p>Similarly, Singapore is exploring a programme to deliver next-generation broadband network with higher speed access. Markets such as Hong Kong, Indonesia, Russia, Saudi Arabia, Taiwan, Vietnam and the UAE also show exciting futures.</p>
<p>Rail:</p>	<p>There are still huge amounts of investment in rail all around the world, worth around £120 billion annually. Developing countries are more in demand for new rail systems than in high growth markets. Despite the economic downturn, more money is being invested into local infrastructure, particularly metros and light rail systems. India, for example, is planning railway investment of US\$60-80 billion in the next three years and Singapore is committed to a US\$35 billion injection by 2020.</p> <p>Moreover, Thailand has proposed a four year development plan which needs investment of around £4.8 billion in 12 rail projects, as well as an expansion plan for the mass-transit network in the Bangkok Metropolitan Area; China plans to build another 20 metro systems by 2020 and Taiwan has embarked on a number of major railway and metro projects.</p>
<p>Security:</p>	<p>The global security market is expected to grow from US\$28 billion in 2003 to over US\$170 billion by 2015¹¹. Governments are turning their attention towards mass transportation and major international events. There is also more demand from the private sector for access control, security services and guards together with fire and alarm monitoring and equipment.</p> <p>India, the Middle East and China are forecast to show particular opportunities, with China expected to become the second largest market player by 2018. Security is also high on the agenda for Mexico, with the government budgeting over US\$2.6 billion for security in 2008.</p>

UKTI's Kharbanda concludes:

“By targeting specific overseas markets, you are in many cases tying your success directly to the growth of the country or countries in which that market exists. Hence it’s no surprise that the firms experiencing a high percentage of export revenue are those targeting South East Asia and South America, where there are a number of rapidly expanding markets they can capitalise on.”

¹⁰ Gartner

¹¹ Technavio Insights

Chapter 5: Building momentum

Expanding your exports business

Fear: Maybe I'll make one international sale but I'm not sure I have what it takes to turn this into more sales.

Reality: Many of the profiled businesses speak of 'accidentally' getting into international trade by virtue of receiving orders via their website or network. The experience of delivering a first international order brings with it confidence in your abilities to service new markets and an appetite for more orders. This explains why 78% of 'Going Global' survey respondents believe their international sales will increase over the next 12 months.

Excerpt from 'Go Global – take your business to the world' by Emma Jones, 2010, Harriman House

Once a company has taken the time and effort to get its exports business off the ground, it would be a significant missed opportunity if it did not then explore ways in which to further this success and generate additional international revenues. On the following pages there are some detailed tips on making this a reality, while Parcelforce Worldwide and UKTI have also put together some simple steps to help firms move beyond a distance-selling approach.



Perform ongoing checks

Remember that exporting is only worthwhile if it will generate income. Businesses should firstly work out the costs and risks involved that will help them to decide whether the project is worthwhile, and then apply this approach to any other potential expansions. In each case, if there is only a marginal profit with large risks then other variables must be considered.

Similarly, the exporting operation as a whole should be evaluated on a regular basis to ensure that all opportunities are being capitalised on fully, and that furthermore, the scope of the operation merits the reward on offer.

It is very important that companies do not put all their reliance on one single market, particularly given the uncertain global economic climate of the last few years. Diversifying or spreading capital reduces risks, and by thinking beyond the usual geographical spheres of activity, companies can make the most of their areas of expertise to gain an advantage, offsetting the impact of a downturn nearer home, maximising global potential and therefore growing faster.

The six steps to effectively managing ongoing export risk:

1. Make sure the business has an appropriate contract
2. Keep in touch as part of the after-sales service
3. Insure against bad debts
4. Reduce currency risks
5. Consider using an agent
6. Protect intellectual property

Top 10 tips for expansion

1. Where are we now?

Review all international (and domestic) accounts and how they are controlled and administered. Look at sales trends, sales values and volumes and the margins involved. Is the international price list up-to-date and the discount structure clearly geared to maximise sales and margins in every market? It is easier and less costly to sell more to existing customers than to find new ones.

2. Consolidate

Once key accounts have been reviewed, the focus should be placed on supporting and developing them. Examine the geographic and product splits, as there will be some markets and products that are not as profitable as others, and focus on the ones that are most likely to continue to help build sales and margins. Can systems and administration be simplified to be more effective and provide useful management information on a weekly basis? If so companies can react quickly to trends and developments in their business sector and this will help them consolidate and focus.

3. Consider other sectors

Many companies sell to a specific group of clients within particular business sectors but there are occasions when customers from other sectors may have an interest in their products or services. Conducting some in-house research can determine if there is any demand for a business's product/service (or a modified version) being sold to customers in related sectors or fields. In many businesses a wider portfolio of related products can prove more attractive to buyers and retailers who prefer a single group source as it provides efficiencies in buying and managing their supply chains.

4. Review USPs and existing customers

Things to consider:

- What are the company's unique selling points and strengths?
- Why do customers buy from the company and not competitors?
- Is it possible to offer existing customers a better service, improved or new products and attractive pricing deals?
- Can this be applied to new customers?
- Does the company actively promote its USPs in its sales and communication strategy and on its website?
- From a customer perspective, is a domestic competitive advantage transferable to overseas markets?

5. Get out more

Although it's important to focus on key customers, it's easy to overlook the importance of devoting time to networking and finding new customers or new products for existing customers. Attend more industry events and let more people know what the company does and what it can do for them. Take the time to look at new markets and customers and carry out research. There may be quick wins in reviewing old client contacts – 60% of buyers report that lack of contact is the primary reason for not reordering. Visit overseas customers and markets because carefully planned direct contact can give companies a critical advantage over competition. Market Visit Support (MVS) finance may be available for certain markets, so check this with the relevant local UKTI office.

6. Stimulate sales

Devise incentives to stimulate sales of particular items or group items to attract new interest. Particular markets or customers may react differently to promotions, so gear them to the products most likely to attract them. Incentives such as prizes or business visits can be used to promote sales through agents/distributors. In some industries offering free or subsidised training for overseas staff can also be of long-term benefit. Multi-language or foreign URLs can also generate foreign business.

7. Consider new markets

This is the time to review market coverage, do essential desk research and consider if current exchange rates will give the company a competitive advantage in markets it has considered but not entered before. This will help to spread the company's financial risk and take advantage of markets that are still growing. UKTI market research and introduction services can be a cost-effective way of investigating new markets and finding new partners. The Overseas Market Introduction Service (OMIS) is available to British companies investigating viable markets for their product/service to help them find the most suitable partners to work with locally. Both the UKTI Export Market Research Scheme (EMRS) and Export Communication Review (ECR) services can also be used to help companies decide which markets fall within their business, commercial and communication objectives and which ones they feel comfortable managing.

8. Partner-supplier engagement

Companies need to know what is happening in their markets from those on the spot. Partners, agents or distributors overseas should be encouraged to keep in monthly contact. Ask for feedback on market/competitor information, sales performance and demand trends. Avoid undue pressure as this may prove counterproductive. Attempt to secure medium-term volume/ sales commitments to new proposals. Consider using local exhibitions or seminars to boost promotional activities. The UKTI TradeShow Access Programme (TAP) can be used to help fund participation in local exhibitions.

9. Contain costs in international markets

A company's international pricing strategy has to relate to the costs of servicing international accounts. Freight costs are currently more negotiable and better rates may be obtained by using firms that specialise in certain markets. Discuss the financial services and products available with banks and financial advisers – from documentary credits to hedging against Forex risks – and generally be aware of the cost benefit implications of such support.

10. Repeat the process

Reviewing international trade operations needs to be an ongoing process, as economies and market opportunities both move quickly. By putting this insider knowledge into practice time and time over, businesses will ensure they always stay one step ahead of the game.

Case study: Integrated Technologies Ltd (ITL)



Flourishing Ashford-based firm ITL, which specialises in the contract design, development and manufacture of instruments for use throughout the life science sector, recently opened a factory in Jinqiao, China, after receiving help from UKTI.

UKTI provided support with areas such as documentation, the preparation and translation of brochures, and advice on China's business culture and environment.

"When you're attempting to do this sort of thing for the first time, you need a lot of support," said Managing Director Tom Cole.

"We talked with UKTI in the early stages of this project and very soon began to feel the benefit, receiving invaluable advice on aspects of who to contact in China, how best to progress the project and how to tackle bureaucracy. Our International Trade Adviser worked tremendously hard on our behalf."

"We commissioned an Overseas Market Introduction Service report from UKTI, which gave us really good contacts and led to our identifying five key suppliers in China. One of these is now our partner, and in June 2008 we opened our new Jinqiao facility."

He concluded, *"We are confident that it will lead to continued robust growth that will benefit not only our customer, but also everyone in our company, both in the UK and in China."*

www.itl.co.uk

Chapter 6: Export toolkit

Checklist: planning, trading, managing risk

The following section outlines a simple but comprehensive checklist of the key criteria a business should consider prior to and during the exporting process. Some aspects will be straightforward, others more complex; a handful of the points may not apply to the business, while others may be fundamental to its ability to achieve export success. In either case, the purpose of this list is to ensure that no stone is left unturned, leaving each company able to approach exporting with the peace of mind that it is well-prepared for any obstacle that may present itself along the way.

Planning

Have you considered?	Yes/No
• What are the USPs (unique selling points) of my product/ service?	
• Which countries would I be most interested in selling to?	
• Which countries might be interested in my products?	
• Which people/businesses are most likely to be interested?	
• What do these people do at the moment?	
• What alternatives do they have?	
• Do people in this country use these products or services?	
• Why do they use them?	
• What price could I sell my product/ service for?	
• How does this compare with alternative products/ services?	
• What costs will be incurred by my customer in importing my product?	
• What return can my customer expect and will it be worthwhile?	
• How will competitors respond to my business?	
• What before and after services do I need to provide?	
• How can I add further value to my product/ service?	
• What regulations are there concerning:	
- Health & Safety?	
- Labelling/ leafleting?	
- Proof of compliance with professional or trade standards?	
- Restrictions on ingredients?	
• Can I use the trade names I want to in the new market?	
• What trade names can I use or protect?	
• Have I used all the services from UKTI and Parcelforce Worldwide that I need?	
• Have I discussed everything with my accountants?	
• Have I discussed everything with my bank?	

Trading

Have you considered?	Yes/No
• What currency will I invoice in?	
• Have I opened a currency bank account for currencies that I will hold funds in?	
• What am I going to use to invoice my customer?	
• How much can I afford to trust my customer to pay me?	
• Have I verified the identity of and received references from my customer?	
• What terms of payment do I need to agree with my customer?	
• Can I prove I am exporting overseas, to zero-rate the sale for VAT purposes?	
• Can I comply with HMRC requirements to provide Intrastat data?	
<ul style="list-style-type: none"> • What am I paying for and what is my customer paying for: <ul style="list-style-type: none"> - Delivery (may be shared) - Insurance - Import Duty - Marketing - Hire of Sales-force - After sales-service - Market research 	
• Does my customer expect me to provide free or discounted goods?	
• Do I need to use an agent or distributor to look after my interests locally?	
• Do I need to pay commission to an agent, distributor or other party?	
• Have I verified the identity of and received references for my agent/ distributor?	
• Do I need a formal contract?	
• If there is a dispute, have I got all duties and obligations set out in writing?	
• What could happen if there is a dispute?	
• Can any legal action be taken through UK courts?	
• Have I found a reliable shipping agent?	
• Are my staff clear about the information and paperwork to produce and when?	
• Will it help to use a bonded warehouse?	
• Do I need to do any marketing directly?	
• Have I found a reliable advertising/ PR agency?	
• Have I set up a system to monitor and pay any commissions due?	
• Do I need to investigate ways of reducing travel costs?	
• Have I reviewed the possibility of overseas tax liabilities?	

Managing risk

Have you considered?	Yes/No
• How is this business going to affect my working and other capital requirements?	
• What form of additional funding, if any, do I require?	
• Will I be incurring significant amounts of VAT or local sales taxes?	
• Can I claim any of these taxes back and how do I do this?	
• Does my workforce understand how we will reclaim these taxes?	
• Do I need credit insurance?	
• Have I arranged credit insurance on terms that are not detrimental to the operation?	
• Does my workforce understand what procedures and information the credit insurers require?	
• Do I want to offer discounts for advance payment?	
• Am I earning a reasonable interest rate on my currency funds?	
• Do I need to fix the exchange rates for my business (by hedging)?	
• Have I protected any intellectual property I am using or creating?	

Appendix 1: About Parcelforce Worldwide, UKTI and Emma Jones

About Parcelforce Worldwide

Parcelforce Worldwide is the leading provider of guaranteed express deliveries covering all 28 million addresses in the UK and 99.6% of the world population. Parcelforce Worldwide delivers around 150,000 parcels a day to customers and is a key player in the competitive, unregulated, express parcels market.

For more than 14 years, Parcelforce Worldwide has provided a vital link for UK businesses needing to send express shipments domestically and internationally. It has a long history as part of the Royal Mail Group and prides itself on the dedication of its people to deliver high quality services for more than 30,000 customers across the country.

Recent years have seen enormous changes in the market place and Parcelforce Worldwide has responded with major investments in technology, including the opening of a new national and international hub in Coventry in 2000.

About UK Trade & Investment (UKTI)

UK Trade & Investment (UKTI) is the government department that helps UK-based companies succeed in the global economy. We also help overseas companies bring their high quality investment to the UK's economy – acknowledged as Europe's best place from which to succeed in global business. UKTI offers expertise and contacts through its extensive network of specialists in the UK, and in British embassies and other diplomatic offices around the world. We provide companies with the tools they require to be competitive on the world stage.

For more information on UKTI, visit www.ukti.gov.uk or telephone +44 (0)20 7215 8000. For latest press releases, visit the online newsroom at www.ukti.gov.uk/media. You can also keep in touch with developments at UKTI through www.blog.ukti.gov.uk, www.twitter.com/ukti and www.flickr.com/photos/tags/ukti.

About Emma Jones

Emma Jones is Founder of small business support company, Enterprise Nation www.enterprisenation.com and author of 'Spare Room Start Up' and 'Working 5 to 9' – her latest book 'Go Global – how to take your business to the world' was released in November 2010 during Global Entrepreneurship Week.

Appendix 2: Further information

Useful resources

Details



Parcelforce Worldwide has launched a suite of cost effective international services designed to assist growing businesses as they move into overseas markets:

- Global Express – a fully trackable delivery service from next day to Europe and North America and delivery from two days to the rest of the world.
- Global Priority – tracked delivery from three days to destinations outside Europe.
- Euro Priority – tracked delivery from two days into Europe
- Global Value – a new low-cost parcel delivery service to major destinations outside Europe taking five–ten days with full tracking capabilities.
- Global Bulk Direct – a cost-effective service allowing exporters to package multiple overseas deliveries into a single pallet, rather than sending each one separately.

www.parcelforce.com



UKTI can help you to overcome barriers to new overseas business and enable you to improve your business performance, as well as enabling you to find your local International Trade Team.

www.ukti.gov.uk



Export Buyer is a comprehensive trade publication for exporters. It embraces all aspects of international trade and has established itself as a trusted source for export professionals, providing the very latest news and UK trading information.



The Institute of Export is the professional membership body representing and supporting the interests of everyone involved in importing, exporting and International trade.



The Tate Group of Companies, incorporating Tate Freight Forms Limited and Stoaway Filing Systems (UK) Ltd, is unique in serving the needs of those involved in international trade.

It is dedicated to the provision of accurate and timely information and to the creation of opportunities for exporters, importers and service providers to share their knowledge and learn from each other through our publications and services.



The BCC supports and advises businesses in all areas of International Trade Development and intelligent exporting, and with a worldwide network of Bilateral and International Chambers of Commerce the BCC can provide UK exporters with a unique added dimension far beyond the existing role of Embassy Post.



Enterprise Nation will shortly publish 'Go Global – take your business to the world' by Emma Jones, written for the growing number of businesses who want to sell overseas but don't know where/ how to start, or are selling overseas by virtue of having an online presence and want this to grow.

It will offer the practical tips and advice a business needs when starting out with international trade, alongside case studies of successful exporting businesses. Enterprise Nation's previous two books 'Spare Room Start Up' and 'Working 5 to 9' have been best sellers on Amazon and in-store. 'Go Global' will be launched with a micro site that will direct visitors to sponsoring partners who can assist in the international trade process.