

Planning: Why Export?



It takes time, commitment and finance to develop into a profitable and successful venture.

When thinking about exporting, it is crucial that a company has a clear idea of what it wants to achieve. Exporting is a business that at best is demanding but exiting, but at worst could ruin a company altogether.

- It is important that exporters be serious about exporting and determined to succeed. If your aim in exporting is merely to dispose of excess stock, you should give up the idea now.
- Nothing ruins a company's reputation, or NZ'S image as an exporting nation, quite as fast as exporters that cannot give guaranteed continuity of supply or service.



To expand production to use plant more efficiently To increase output in order to even out and reduce seasonal fluctuation

To increase production in order to lower unit cost and gain more competitive domestic price To provide an economic basis for output where the domestic is too small to support a volume manufacturing operation To increase competitiveness and quality by exposing a product to world competition To increase profitability by improved purchases power for raw materials through greater output

To lessen dependence on the home market by developing a broader sales base. Before committing your self to exporting, you should be able to list your own company's objectives. In looking closer at your list you should also consider whether exporting is the right approach to achieve these aims.



EXPORT PLANNING

Could you achieve similar results by increasing your share of the local market?
Could you overcome seasonal fluctuations by diversifying your product range?
Could you improve the efficiency of your plant? Are you continually researching new products or ways to improve your domestic market? Improving your production and developing a strategy for the NZ market may be another answer for your company. Assessing Resources Before going to look at potential export markets and investigating them in depth, you need to look first at your company and the resources you have available. It is this initial assessment which will decide whether exporting really is a worthwhile endeavor for your company- or whether you need to develop your home market further before venturing overseas. Apart from some exceptional cases it is important that you have a soundly established and profitable share of the NZ market.



EXPORT PLANNING

This is just common sense; if you export venture fails, then this can happen with even the most careful and realistic planning, you will be in business. A failure at first attempt will not prevent you from trying again if you are still in business. Your product should be well tested on the NZ market. Although different markets have different needs and demands, for a first exporting venture it is wise to concentrate on a product you already know well and in which you are confident. Modification may be needed to meet the requirements of a foreign market but you will be able to identify these more clearly after some market research. You will need to assess your production capacity: Have you the manufacturing capacity to take on exporting? Are you planning any expansion of premises, plant? Is the plant in good repair? How long do breakdowns take to repair? This can be crucial in meeting tight export deadlines.





- How do you enforce quality control? Will exporting strain your supplies to the NZ market? Do you have satisfactory raw materials supply? Is it regular? Do you have adequate storage for both your raw materials and finished goods? You also need to look at the effect exporting may have on your staff. It produces extra demands on human resources and may need to make some changes:
- Do you have sufficient skilled personnel or trades people? Is your workforce stable, interested in and loyal to the company? Have you someone able to manage your exporting business activities? If not, can you afford to spend time away from the business and family to visit your foreign markets? Are you physically and mentally prepared to deal with the stress of travel and exporting?

• **Researching the Market Estimating Market Potential**

- Examining Weaknesses

- Any weaknesses you discover in the assessment of your resources could be the cause of potential failure for your export business. You need to examine ways of ensuring your business is strong and stable as possible before you start. Seek advice from specialists in any area of weakness you pinpoint.

- Talk to other exporters about what problems they encountered and how they solved them. Market research is a valuable tool that helps exporters to find whether a market offers good prospects for their products and what marketing techniques to use. Foreign markets are different from our own and it can be, too easy for a company to make costly mistakes through lack of information.

- Market research can take several months but before you make a visit to the market, you can usually do some research from information available in NZ.

•**EXPORT PLANNING**

•Having made an assessment of your resources and selected a target, or markets, further research will be needed on the potential of the markets. There are a number of factors that affect product prospects in the market:

- Regulations Marketing Environment

- Competition

- Price Structure Regulations

- All countries have legislation affecting the importation of foreign products. Much of this is aimed at protecting local producers but specific legislation can exist to protect final consumers, with expensive penalties for defaulting importers.

Regulations can apply on: The level of tariff protection The amount of imports of any category of products (quota systems) The amount of foreign exchange available to pay for imported goods and services.

- Shipping and transportation procedures Health requirements for foodstuffs Safety requirements for appliances and equipment Methods of marketing and distribution.

EXPORT PLANNING

You will need to research the legislation applying to your product, the changes you will need to make (in product, packaging, pricing, structure, distribution, etc.) and what the cost will be in making these essential changes. Regulations may vary markedly between national, state and local levels and you will have to take particular care that you can meet all of them. Market Environment

You will need to do a lot research on the actual market environment for your product, looking at:

Factors affecting demand- Essentially exporters must estimate what real potential there is for their products in the market.



What is the size of the market, is it likely to grow and what share of it can your product win? Climate, geography, social and cultural values are all-important factors. Imports- how much of the product is currently being imported and from where? How are the market shares of the various foreign suppliers likely to develop? How do prices from the various sources compare? Consumption - how much of the product does the market actually consume and what is consumption likely to be in the future? A small sales base could indicate great potential- or simply no demand. Consumption of parallel or similar products should also be looked at to assess the potential market for a new product.



Market Segmentation- in exporting consumer goods, it is important to identify the market segment in which your product is likely to make sales. A profile of the segment market should be developed- age, sex, income, location, purchasing habits etc. This will help in more accurately forecasting the potential for a product and deciding on the most suitable marketing tactics.

Transport - what transport is available (airfreight, shipping, containerised) ? What are the advantages and disadvantages of each? You will need to look at freight rates, transport timetables, transshipment needs, insurance risks, packaging requirements, convenience to customer and reliability. This is essential to calculate cost and prices, determine packaging needs and schedule production and shipping.

distribution - is there a standard, clearly defined system of distribution through which similar products normally pass? Can any part of it be bypassed? What support function does each part of the distribution chain normally offer? How quickly does each element expect to receive stock, and how much does each normally hold? What are the standard markups and discounts at each level of distribution?

SERVICES EXPECTED BY BUYER

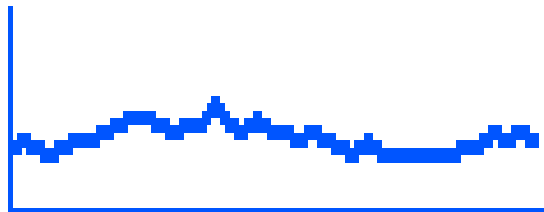
Depending on the product, your customers might expect technical services, including advice on handling or use of the product, expect training of operators, repair and maintenance, spare parts and guarantees on operational life or performance. Technical services can be an important marketing tool. When a competitor's product has similar features and a comparable price, a buyer will often choose on the basis of services offered. You should therefore investigate what services buyers and the market expects. Competition The strength of the competition is a key factor you must take into account when considering a market:

Does direct competition exist and if so, who are the important suppliers, both domestic and foreign? What share of the market does each competitor have and how have these shares been changing? Do any of these companies have plans for expansion? What particular cost advantages or disadvantages do the suppliers have? Do domestic suppliers have political influence that could be used to increase trade barriers?



Do the strong competitors have a strong enough grip on the distribution channels to make entry difficult? Are there market segments, which are not efficiently serviced by existing suppliers? Are there any gaps in their product lines? As well as gauging the success of the principal competitors, you should find out why they have succeeded.

Possible reasons why: A price below that of competing products A particular favorable brand image High product quality Superior advertising and promotion skills Superior method of distribution or domination of the distribution system Advantageous plant location Size and strength of the company Unique product features and patent protection Looking at the reasons for the competition's success will give some idea of the most efficient way of penetrating the market. And remember- once you have entered the market you will have to continue to watch the opposition-and even more closely. They are not going to stand back while you take the market from them.



Marketing Strategy Price Structure

Vital question exporters must ask, "At what price must we sell our goods to ensure that they will be able to compete with rival products already in the market? Although it can often be difficult, you need accurate answers in order to calculate the profitability of the particular market. You will need to find out the prices to the end user of competing products, whether similar products are sold to different segments of the market, and if so, at what price. Naturally the price paid by the end-user and the actual amount received by the producer can vary greatly. To calculate the price at which your goods can leave the factory and still be competitive, you will need to know the mark-ups at each stage of distribution, adding taxes, duties and transport costs. You will also need to find out to what extent the importer and the middlemen will pass along any price advantage offered by the exporter, or whether they simply use this to increase their own margins. When you have completed the research on your product and its potential market you should be able to draw up a strategy for production and marketing. Your market strategy should contain a policy statement on every component of your company's export-marketing requirements. It should include the budget or cost of each element and a program for a performance review of each area.

A planning strategy should cover the following factors:

- Company
- Production resources available
- Effect of exporting on your existing business
- Nature of your product and related services
- Design and colour elements
- To break even? To make profit?
- Alternative pricing strategy
- Pricing structures
- Currency management
- Distribution strategy and alternatives

Marketing and Promotion

- Promotional objectives
- Promotional strategy
- Selling a Merchandising strategy
- Sales aids

Effectiveness of elements of marketing strategy Future developments for the product or product range There will be other elements that you will want to include in your marketing strategy; elements that are peculiar to your company, your product and market. Your strategy should cover all the points you want to monitor during your export project. When considering export a way of expanding your business, the key factor in your decision will be the profits you can earn from sales. You will therefore need to work out your export prices carefully, taking into consideration all elements of cost. For each product exported to the market, you will need to establish a detailed costing structure.

This does not mean taking current wholesale prices and adding on the various charges involved for exporting. Your wholesale price probably includes a number of costs relating solely to the domestic market, which will distort your final export price. In order to evaluate your competitiveness you should extend your costing to include all cost and mark-ups added until your product reaches the final purchaser. You can then assess how competitive your product is and how much you can increase or reduce your price to meet the buyer's requirements.