

## *Thinking of Exporting?*

Here are five quick steps to think about before heading abroad...

Written by Glenn McTaggart November 2004

Does your product or service have what it takes to make it globally? Do you have market dominance in Australia? Is your market niche and product life cycle reaching saturation? If you have answered, “YES” to these questions, attacking the international marketplace could be your next step. Once you have decided that your product or service is viable and would like to extend into international markets, a few things should be considered. Natural hesitance in international business culture, commercial law, foreign trade regulations and basic global experience and marketing can engender feelings of hesitance and self-doubt. In September 2004, World population was estimated at six billion people by the US census bureau and is projected to swell to over nine billion by the year 2050. On this statistic alone how can we ignore the possibility! Here are five steps to identify the practicality of entering the wider world.

### *Step one: Your product or service mix*

Much will be dependant on what methods you decide on how to enter the market.

Will you modify your product to suit the environment of a global region? Will you promote your product or service differently or the same? Is the price to be identical to that in Australia or a cost-based system? Which region or distribution channels most likely suit?

### *Step two: Identify for market region*

Select the region of the world you wish to enter and start gathering information. Ask yourself; will there be any legal or political walls that must be hurdled? Is the economy of the selected region able to sustain new product? Are there any cultural or social reasons why this venture would fail? Is the environmental technological level over or under the level of your product?

### *Step three: Identify possible competition*

The Internet is your friend! A massive source of information is available to you within a few mouse clicks. Look at those who have a similar product or service to yours. Although you will be hard-pressed to find any pertinent financials and depending upon how feely they give up

information, much can be learned about their physical size and market presence. Look at the possible threats from new and existing competitive entrants – who are they and can they affect your bottom line. Identify the level of bargaining power you might have with raw material and service suppliers. Seek out information on the level of buyer brand loyalty – can they be persuaded to adopt other brands or substitutes?

#### *Step four: How to enter the market*

There are various ways to penetrate international markets, each giving varying level of product and financial control. Broadly the choices are indirect/direct exporting, licensing, joint ventures and direct investment.

Indirect export is beneficial for new market entrants due to occasional export only when required. Goods are developed in the home country and are sold to domestic based export merchants who sell abroad. These merchants or intermediaries take on the responsibility of selling the product in the international arena. Unlike direct exporting where the company must market and sell their product themselves, indirect exporting requires minimal initial investment and reduced risk.

Another potential doorway to the global market is to licence an established international company to manufacture or product or service in your chosen region for a fee or royalty. The licensor has little risk however has less control over the licensee and if the product is very successful, you have given up large profit margins. Management contacts should also be in place. There is also the potential of creating a competitor when the contract ends.

For economic or political reasons and depending upon the proposed region, a joint venture can overcome financial and government restraints and crack otherwise difficult markets. This would see the brand loyal cliental adopting your product purely for the name. For example, Whirlpool took fifty three percent of Dutch electronics group Philips's white goods manufacturing business and greatly increased their market share in Europe. Joint ventures can have drawback if the partners do not agree on particular policies and direction.

If you are convinced that the international market is for you, consider direct investment. Here you are effectively setting up an international branch office and depending on your product or service opens your company up to possible

cheaper labour or raw materials, foreign government investment incentives and freight savings. Having a physical presence also can create closer client and supplier relationships, product or service image strength and support and optimise control of all facets of the business. Conversely large capital is required and you are exposed to possible worsening markets.

#### ***Step five: Financial Analysis***

Your product or service may have been calculated for success and your assault in the international arena imminent, leaving one question remaining: can you afford it? Sales projections, market research and competitor analysis are excellent tools in identifying required investment capital. If you are not equipped to perform this study

do not underestimate the resourcefulness of marketing organisations. Money spent now on market research could save you thousands of dollars of your hard-earned capital if the venture is not adopted overseas.

Depending on the level you choose of international involvement sets the level of initial investment. Globalisation of your product or service can be an adventure in itself however even if selecting a low cost entry method, strategy will still command much of your attention and diligence that has the possibility of robbing concentration of your already established local market. Many factors must be weighed including that if it would be a long-term detriment *not* to try.

#### ***References***

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- U.S. Census Bureau ([www.census.gov](http://www.census.gov))
- Kolter P. 2004 “Marketing Management, eleventh edition”