

Developing an Export Strategy



Determining Your Products' Export Potential

There are several ways to evaluate the export potential of your products and services in overseas markets. The most common approach is to examine the success of your products domestically. If your company succeeds at selling in the U.S. market, there is a good chance that it will also be successful in markets abroad, at least those where similar needs and conditions exist.

Another means to assess your company's potential in exporting is by examining the unique or important features of your product. If those features are hard to duplicate abroad, then it is likely that you will be successful overseas. A unique product may have little competition and demand for it might be quite high.

Finally, your product may have export potential even if there are declining sales in the U.S. market. Sizeable export markets may still exist, especially if the product once did well in the United States but is now losing market share to more technically advanced products. Other countries may not need state-of-the-art technology and/or may be unable to afford the most sophisticated and expensive products. Such markets may have a surprisingly healthy demand for U.S. products that are older or considered obsolete by U.S. market standards.

Assessing Your Company's Export Readiness

Answering these general questions about how exporting will enhance into your company's short, medium and long-term goals will help determine your company's readiness to export:

- What does the company want to gain from exporting?
- Is exporting consistent with other company goals?
- What demands will exporting place on the company's key resources, management and personnel, production capacity, and finance and how will these demands be met?
- Are the expected benefits worth the costs, or would company resources be better

used for developing new domestic business?

The next step is to more closely examine the impact of exporting on your company. The questions in [Table 1](#) will help you analyze the decision to export.

Developing an Export Plan

Once you have decided to sell your products abroad, it is time to develop an export plan. A crucial first step in planning is to develop broad consensus among key management on the company's goals, objectives, capabilities, and constraints. (Answering the questions listed in [Table 1](#) is one way to start.) In addition, all aspects of an export plan should be agreed upon by the personnel involved in the exporting process, as they will ultimately execute the export plan.

The purposes of the export plan are (a) to assemble facts, constraints, and goals and (b) to create an action statement that takes all of these into account. The statement includes specific objectives, it sets forth time schedules for implementation, and it marks milestones so that the degree of success can be measured and help motivate personnel.

At least the following ten questions should ultimately be addressed:

1. Which products are selected for export development? What modifications, if any, must be made to adapt them for overseas markets?
2. Which countries are targeted for sales development?
3. In each country, what is the basic customer profile? What marketing and distribution channels should be used to reach customers?
4. What special challenges pertain to each market (competition, cultural differences, import controls, etc.), and what strategy will be used to address them?
5. How will the product's export sale price be determined?
6. What specific operational steps must be taken and when?
7. What will be the time frame for implementing each element of the plan?
8. What personnel and company resources will be dedicated to exporting?
9. What will be the cost in time and money for each element?
10. How will results be evaluated and used to modify the plan?

The first time an export plan is developed, it should be kept simple. It need be only a few pages long, since important market data and planning elements may not yet be available. The initial planning effort itself gradually generates more information and insight. As the planners learn more about exporting and your company's competitive position, the export plan will become more detailed and complete. An outline of an export plan is presented in [Table 2](#). (See also [Chapter 2](#) for information about market research).

From the start, the plan should be viewed and written as a management tool, not as a static document. Objectives in the plan should be compared with actual results to measure the success of different strategies. The company should not hesitate to modify the plan and make it more specific as new information and experience are gained.

A detailed plan is recommended for companies that intend to export directly. Companies choosing indirect export methods may require much simpler plans. For more information on different approaches to exporting and their advantages and disadvantages, see [Chapter 4](#).

NOTE: Many companies begin export activities hap-hazardly, without carefully screening markets or options for market entry. While these companies may or may not have a measure of success, they may overlook better export opportunities. If early export efforts are unsuccessful because of poor planning, your company may be misled into abandoning exporting altogether. Formulating an export strategy based on good information and proper assessment increases the chances that the best options will be chosen, that resources will be used effectively, and that efforts will consequently be carried through to success.

Table 1 - [Management Issues Involved in the Export Decision](#)

Table 2 - [Sample Outline for an Export Plan](#)

Table 1

Management Issues Involved in the Export Decision

Management Objectives

- What are the company's reasons for pursuing export markets? Are they solid objectives (e.g., increasing sales volume or developing a broader, more stable customer base) or are they frivolous (e.g., the owner wants an excuse to travel)?
- How committed is top management to an export effort? Is exporting viewed as a quick fix for a slump in domestic sales? Will the company neglect its export customers if domestic sales pick up?
- What are management's expectations for the export effort? How quickly does management expect export operations to become self-sustaining? What level of return on investment is expected from the export program?

Experience

- With what countries has business already been conducted, or from what countries have inquiries already been received?
- Which product lines are mentioned most often?
- Are any domestic customers buying the product for sale or shipment overseas? If so, to what countries?
- Is the trend of sales and inquiries up or down?
- Who are the main domestic and foreign competitors?
- What general and specific lessons have been learned from past export attempts or experiences?

Management and Personnel

- What in-house international expertise does the firm have (international sales experience, language capabilities, etc.)?
- Who will be responsible for the export department's organization and staff?
- How much senior management time (a) should be allocated and (b) could be allocated?
- What organizational structure is required to ensure that export sales are adequately serviced?
- Who will follow through after the planning is done?

Production Capacity

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

Financial Capacity

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

Table 2

Sample Outline for an Export Plan

Table of Contents

- Executive Summary (one or two pages maximum)

Introduction: Why This Company Should Export

Part I - Export Policy Commitment Statement

Part II - Situation/Background Analysis

- Product or Service
- Operations
- Personnel and Export Organization
- Resources of the Firm
- Industry Structure, Competition, and Demand

Part III - Marketing Component

- Identifying, Evaluating, and Selecting Target Markets
- Product Selection and Pricing
- Distribution Methods
- Terms and Conditions
- Internal Organization and Procedures
- Sales Goals: Profit and Loss Forecasts

Part IV - Tactics: Action Steps

- Primary Target Countries
- Secondary Target Countries
- Indirect Marketing Efforts

Part V - Export Budget

- Pro Forma Financial Statements

Part VI - Implementation Schedule

- Follow-up
- Periodic Operational and Management Review (Measuring Results Against Plan)

Addenda: Background Data on Target Countries and Market

- Basic Market Statistics: Historical and Projected
- Background Facts
- Competitive Environment