

Massachusetts Export Center

A part of the Massachusetts Small Business Development Center Network

International Business Plan Workbook



Massachusetts Export Center

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About the Publishers

Recognizing the need to make export services easily accessible to companies of all sizes, the Massachusetts Export Center serves as the state's one-stop resource for export assistance. The Massachusetts Export Center offers a range of targeted, customized services to Massachusetts businesses at any stage in the export process. Whether you are a small business just thinking about exporting or an experienced exporter, the Massachusetts Export Center stands ready to help with services suited to your needs. Our services include: export counseling and technical assistance; international market research and assessment; international business development assistance; export training programs; and export publications. The Export Center is a specialty center of the Massachusetts Small Business Development Center Network and a key partner with the Massachusetts Office of International Trade and Investment.

INTRODUCTION

The purpose of the International Business Plan Workbook is to prepare your business to enter the international marketplace or to better organize your existing international business activity. This workbook will serve as a step-by-step guide to lead you through the process of exporting your product to an international market. The business plan workbook may be used in conjunction with the Massachusetts Small Business Development Center's "Start Thinking Export" manual, available through the Export Centers website.

The workbook is divided into several sections. Unless otherwise indicated, each should be completed before you start the next section. After you have completed the entire workbook, you will be ready to develop an international business strategy.

This workbook will help you to carefully plan your international business strategy and to make effective export decisions. Careful completion of this workbook will result in the following benefits:

1. An assurance of export commitment
2. Careful evaluation of your product's potential for the international market
3. Better management of your international business operations
4. Clear communication of your international business plans to others
5. A significant increase in the likelihood of international business success

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Section I:

Executive Summary

EXECUTIVE SUMMARY

- The Executive Summary is a very important component of the International Business Plan, particularly if the plan will be used to obtain financing or financial commitment from the company top management.
- Even though the Executive Summary appears first in the International Business Plan, in most cases, it should be prepared as the last component of the Plan, as completion of other components will contribute to the preparation of the Executive Summary.
- Write the Executive Summary so that it is easy-to-read and understand, keeping it to one or two pages.
- Include basic facts about the company, including company's name, address and principals.
- Provide a very brief description of the business, including a brief history, product/service description and key achievements of the company.
- Include the purpose of the International Business Plan, the company's reasons for going (or wanting to go) international, the means by which the company plans to go international, how international activities will fit into the existing company infrastructure, and objectives the company wishes to achieve by going international.

Executive Summary Preparation Worksheet

The questions below will help guide you through preparing the essential elements of the Executive Summary. Keep in mind that this should be the last section completed, as completion of other components of the Plan will contribute to the completion of the Executive Summary.

1. What is the purpose for preparing this plan (to prepare the company for international business activity, to organize the company's existing international business activity, etc.)?

2. In what type of business is the company involved (e.g., manufacturing, service, wholesale, etc.)?

3. What are the primary products or services that the company provides?

4. When was the company established and what is the status of the business (is it a startup, expansion, or a broadening of the market base from a domestic to an international level)?

5. What is the business form (sole proprietorship, partnership or corporation)? Who owns it? What is the ownership percentage breakdown?

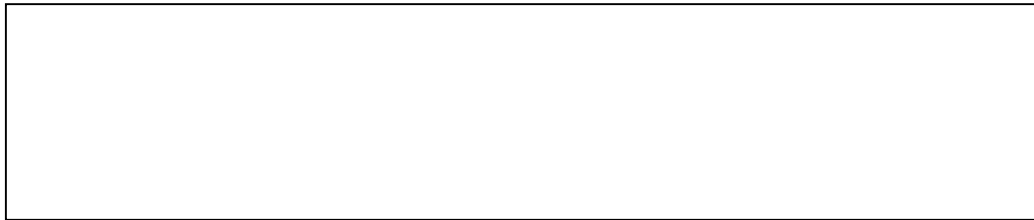
6. How is the company's product or service fulfilling a need in the domestic marketplace?

7. What need will the company's product or service fulfill in the international marketplace?

8. What are the short and long-term achievements the company hopes to realize through doing business on an international basis?

9. By what means does the company plan to expand internationally (use a succinct description of the steps the company will take to uncover and access international markets and the methods of overseas market entry the company will use, e.g. "export via a network of overseas distributors" or manufacture overseas via licensing agreements)?

10. How will the company's international business activities fit in with the existing company infrastructure (will a position be created to develop international markets, or will the function be assumed by the CEO, the marketing department, external resources, etc.)?



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Section II:

Export / International Business Policy Commitment Statement

EXPORT / INTERNATIONAL BUSINESS POLICY COMMITMENT STATEMENT

- The Export/International Business Policy Commitment Statement reflects the company's commitment to devote the necessary time, staff and financial resources to develop international markets.
- To succeed in international trade, a company must be strong in its current domestic operations and have solid reasons and goals for exploring international markets. To achieve international success, a company must have the commitment from the most senior levels of operations on down throughout the company in order to recreate domestic success and achieve international business goals.
- In many companies – especially in those that are just beginning to look at overseas markets – commitment to the development of international markets can easily be forgotten once domestic markets pick up or other “priorities” take precedence. By putting the export policy commitment in writing and including it as a formal part of the international business plan, export plans are more likely to be taken seriously and included as an integral part of the company's overall business strategy.

Export Policy Commitment Statement Worksheet

1. List all levels of the company that have expressed a firm commitment to international trade.

2. Will top senior management and designated export development staff be able to spend the time traveling to foreign markets to meet potential distributors, agents or other business partners?

3. Does the company have the necessary funds to cover the costs of additional staff time, product modifications, legal and accounting counsel?

4. Is management willing to forego immediate profits for long-term sales and growth during the period of evaluating potential markets and during the early market entry-level period where startup costs may be high (travel, trade show participation, trading costs, etc.)?

5. Does management have a clear understanding of the time required to uncover and access overseas markets (although it varies greatly from company to company, it can sometimes take years for a company to export successfully)?

INTERNATIONAL STAFF / RESOURCE SKILLS MATRIX

This exercise will help your company to:

1. Identify the major skill areas required to do business abroad,
2. Qualify the existence of internal resources to cover certain international skill areas,
3. Identify those needs areas that require outside consultation by trained service providers,
4. Provide a system that will help structure the process of researching entry into defined target markets.

Directions:

For each international skill area listed below, identify the name of the person (if in-house) or organization (if external resource) and write the name of the person or organization where appropriate. If the exact name of the person or organization is unknown or unidentified, simply place an "X" where appropriate. In many cases, both internal and external resources should be identified to cover certain skill areas (for example, a freight forwarder should be consulted on documentation and shipping issues, and an international banker should be consulted on international payment and financing issues).

International Skill Area	Skilled In-House Resource	Trainable in-House Resource	Outside Government Agency	Outside Private Service Provider
Global Analysis				
Demographics				
Country Politics				
Business Culture				
Industry Analysis				
Trade Association, Journal & Show Identification				
Standards Identification				
Product Modifications				

International Skill Area	Skilled In-House Resource	Trainable in-House Resource	Outside Government Agency	Outside Private Service Provider
Product Servicing				
International Marketing				
Overseas Partner Identification & Selection				
Export Controls				
Overseas Regulations & Tariffs				
Documentation & Shipping				
Translation				
Legal Issues				
International Payment & Financing				
Travel				
Accounting / Tax				
Overseas Distribution Management & Support				

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Section III:

Company Objectives to Achieve by Exporting

COMPANY OBJECTIVES TO ACHIEVE BY EXPORTING

- ❑ The company's primary export goals should focus on long-term growth through increased sales volume, profit, market share, and improvement in the competitive position of the company both domestically and internationally.
- ❑ Secondary goals could be centered on an enlarged sales base, diversification of risk, compensation for seasonal fluctuations, utilization of excess capacity and extension of product life cycle.
- ❑ The Export Objectives Statement should include both long term and short term, primary and secondary goals.
- ❑ The company's motivations for going international should be carefully studied and assessed, as the proper motivations will make the export process much easier and ultimately more successful. On the other hand, exporting with the wrong motivations can have a long-term negative impact on the company.
- ❑ If your company's motives are unclear for your exporting objectives, you should meet with a representative from the Massachusetts Export Center. The questions on the following pages will help you determine your company's motivations for exporting.

Export Objectives Statement Worksheet

1. What are the company's long-term goals for the next five years? (e.g., increase export sales by ___% annually, gain global market share, etc.)

2. How will international markets help the company reach its long-term goals?

3. For the company's international business, what are the first year (short-term) goals? (e.g. learn the how-tos of exporting, research overseas markets, etc.)

4. What are the company's two-year goals for international business?

EXPORT MOTIVATIONAL WORKSHEET

For the export objectives listed below, circle the answer that best describes the priority of the objective for your company:

1. Exporting will enable the company to dispose of excess products and utilize excess production capacity.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

2. Exporting will enable the company to fill unsolicited overseas orders.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

3. Exporting will enable the company to offset seasonal market fluctuations.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

4. Exporting will enable the company to extend the life cycle of existing products
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

5. Occasional export sales will supplement domestic sales.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

6. Exporting will contribute to the company's general long-term expansion.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

7. Exporting will enhance the firm's competitiveness in the US and abroad.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

8. Exporting will help the company to diversify risk by selling to different markets.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

9. Exporting will enable the company to gain market share.
 - a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

10. Exporting will increase the company's overall sales volume and profit.
- a. One of 3 top priorities
 - b. High priority
 - c. Not sure / unknown
 - d. Incidental benefit of exporting
 - e. Low priority

If you answered with more than one or two "a"s or "b"s in questions 1 through 5, you may want to consider reassessing your motivations for exporting. Most "a" and "b" answers should have appeared in question numbers 6 through 10. Questions 1 through 5 listed mostly incidental benefits from exporting, while number 6 through 10 listed long-term objectives of exporting.

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Section IV:

Current Situation / Background Analysis

CURRENT SITUATION/BACKGROUND ANALYSIS

- Once the company fully acknowledges the export commitment and defines its objectives and goals for doing business internationally, the next step is to analyze the company's product(s)/service(s), operations, personnel, internal resources and industry status. This analysis will ultimately determine what the company will export and how the company (internally) will proceed with its international business activity.
- Selection of the most exportable products and services involves a number of factors, including: uniqueness; strong profit margin; versatility and flexibility. For example, a product that is unique, shows a good profit margin, or utilizes an advanced technology available here in the U.S. may have good export potential. However, a product that is undifferentiated, has low profit margins, requires no special labor skills, and is commonly manufactured in many foreign markets may not have export potential.
- The Current Situation/Background Analysis also helps to determine how international operations will fit in with the company's existing domestic business operations. Staff involvement and export roles are specified. In addition, specific resources (financial, time and personnel) of the firm that can be devoted toward export development are initially identified.
- Finally, the company's industry status is briefly analyzed to ensure international growth potential.

Current Situation/Background Analysis Worksheet

SELECTION OF POSSIBLE PRODUCTS/SERVICES TO BE EXPORTED

1. What are the major products or services the company sells?

2. What makes the company's products or services unique for an overseas market?

3. Why will international buyers purchase from the company over its domestic and international competition?

4. What is the level of the product's technology – simple, advanced, state of the art? Is the production process exclusive to the company? If the technology is unique, is it patented or patentable? Is the technology a good "fit" with some overseas markets?

5. Are special skills or training required to install, use or service the product?

6. Are the company's domestic competitors exporting similar products or services?

7. Is the company receiving international inquiries for its product or service?

8. Does the company's domestic price include a good profit margin? If there is not a good profit margin in domestic pricing, is there any reason to believe that foreign sales of the product might be less price sensitive, and tolerate increases to cover additional export costs.

9. Is the company's product bulky with high shipping costs?

10. Will the company's product require special storage (e.g. controlled temperature) during shipment or while in inventory?

11. Is production of the product versatile and flexible enough to allow for modifications in compliance with export market demands?

12. Are the product packaging, literature, instructions, and/or manuals flexible enough to allow for modifications in compliance with export market demands? Are these materials easily translatable? Are there highly technical terms that might be difficult to translate without specialized expertise?

13. Can the product be easily manufactured in accordance with overseas regulatory requirements or standards?

After answering the preceding questions, you are now in a much better position to identify which of the company's products or services have the highest likelihood of export potential. List them below:

Products/Services	Reasons for Probable Export Success

EXPORT OPERATIONAL ANALYSIS – EXPORT CAPACITY

1. What is the current status of the company's production capacity (Is the company operating at full capacity? At ____% under capacity? Etc.)?

2. How easily could the company increase capacity to meet international demand?

3. Are there fluctuations in production? When and why?

4. Is there a minimum order requirement? If so, would this requirement also apply to international sales?

5. Is there any reason to project a sudden change in domestic demand?

6. Can production runs be modified for incorporating product adaptations that will enhance product appeal in a given overseas market (e.g. technical, cosmetic & content changes)?

7. Will there be production scheduling problems once extra shipping time and product modifications are factored in for international orders?

EXPORT OPERATIONAL ANALYSIS – THE EXPORT FUNCTION

1. How will export operations fit in to the company's existing organizational structure? (e.g., Will a new international marketing area be established? Will the function be assumed by the CEO or the existing marketing department?)

--

2. How will export operations fit in to the company's organizational structure in 1 year? 3 years? 5 years?

--

3. Other than the main area within the company that will be responsible for export development, what are some other departments within the company that will assume some export-related functions (e.g., accounting, shipping, etc.)? (Note: at this time, it might be helpful to refer back to the international staff / resource skills matrix prepared in the last section)

Department	Function

4. What are some of the functions that will need to be assigned to the public or private sector outside of the company? What will those resources be?

Public / Private Sector Resource	Functions

INDUSTRY STATUS

1. What are the expected growth trends for the company's industry over the next 3-5 years?

2. Is there a predictable pattern of how domestic compares to international in the company's industry? Where in that cycle is the industry presently?

3. How price sensitive are domestic and overseas markets for the industry?

4. How are competitors from overseas doing in the U.S. market?

5. Are there any U.S. companies within the industry who are successfully exporting similar products?

6. Is the company somewhat familiar with the industry's growth prospects in the global market?

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Section V:

Marketing Preparation

MARKETING PREPARATION

- Now that you have developed an overview of some of the internal issues involved in preparing your company for international business activity, you are ready to take an initial look at prospective target markets overseas. At this point, the importance of preliminary assessment and preparation cannot be emphasized enough. Without a thoroughly researched and planned international marketing strategy, you could quite possibly fail in export operations, engage haphazardly and inefficiently in foreign sales, or never reach viable export markets.

- If the issues outlined in the previous sections have yet to be resolved, further investigation into the company's export aptitude should take place. This may entail additional staff planning sessions and/or counseling sessions with a representative from the Massachusetts Export Center.

- Assuming that the results from the previous sections are encouraging, this next section will help you target and research prospective overseas markets. This section will also help you to set the stage for your international business strategy, including product/service pricing, method of market entry, and export procedures.

Marketing Preparation Worksheet

Market Research Sources

Before you get into the specifics about how to assess overseas markets, it will be necessary to compile a wide variety of information. Below is a grid, which lists some public and private sector resources that can provide some of this information. The same research items listed below will be used later to assess prospective target markets.

	Mass Export Center	U.S. Export Assist. Center	U.S. Dept. of State	Foreign Govt. Offices	United Nations	Develop-ment Banks	Trade Assns & Journals	Fax Retrieve Service	World Wide Web	Banks	Accting & Law Firms	Consult-ing Firms	Freight Forwarders
Demographic													
Population size, growth, density	X	X		X	X	X		X	X				
Urban/rural distribution	X	X		X		X		X	X				
Climate & weather patterns	X	X		X		X		X	X				
Shipping distance	X	X		X					X				X
Product-significant demographic	X	X					X	X	X				
Infrastructure	X	X		X		X		X	X				
Political													
System of Government	X	X	X	X	X			X	X				
Political stability	X	X	X	X	X			X	X				
Government role in business	X	X	X	X					X				
Regulations on foreign companies	X	X		X				X	X		X		
Economic & development priorities	X	X	X	X		X		X	X				
Economic													
Overall level of development	X	X		X		X		X	X				
Economic growth	X	X		X		X		X	X				
Currency (inflation rate, availability)	X	X		X				X	X	X			
Per capita income & spending patterns	X	X		X		X		X	X				
Social/Cultural													
Literacy rate, education level	X	X		X		X		X	X				
Class structure	X	X		X				X	X				
Language	X	X		X		X		X	X				

	Mass Export Center	U.S. Export Assist. Center	U.S. Dept. of State	Foreign Govt. Offices	United Nations	Develop-ment Banks	Trade Assns & Journals	Fax Retrieve Service	World Wide Web	Banks	Law firms	Accting & Consult-ing Firms	Freight Forwarders
Cultural issues	X	X						X	X				
Business culture	X	X		X				X	X			X	
Market Access													
Limitations on trade		X		X				X	X				X
Documentation on trade	X	X		X			X	X	X				X
Documentation and importations	X	X		X				X	X				
Local standards, non-tariffers	X	X		X			X	X	X				
Intellectual property protection laws	X	X		X			X	X	X		X		
Legal issues (distribution, etc.)	X	X		X					X		X	X	
Product potential													
Consumer needs	X	X					X	X	X			X	
Local productions, imports, importation	X	X					X	X	X			X	
Sales channels of related products	X	X					X	X	X			X	
Market size & growth projections	X	X					X	X	X			X	
Competitive environment	X	X					X	X	X			X	
Receptivity to US products								X	X			X	
Distribution, Marketing & Production													
Standard distribution practices	X	X					X	X	X			X	
Availability of distribution partners	X	X					X	X	X			X	
Average prices for competitive products	X	X					X	X	X			X	
Access to local trade associations & journals	X	X					X	X	X			X	
Access to local distribution partners	X	X					X	X	X	X	X	X	
Availability of licensing partners	X	X		X			X	X	X	X	X	X	
Availability & competence of labor				X								X	
Conditions for local manufacturer				X							X	X	

TARGET MARKET IDENTIFICATION

When initially seeking to explore overseas markets, it can be overwhelming to determine which markets to target first. For this reason, it makes sense to narrow your initial search to five or fewer markets. Once it becomes evident which markets offer the most promise, the search can be narrowed further to the one or two markets that will be the focus of your marketing efforts.

If you are new to exporting, it might make sense to target markets that offer a combination of potential and ease of access. For example, if your company has never sold overseas before and China offers the largest and fastest growing market for your product or service, you still might want to consider markets such as the UK or Canada first they offer enough promise. This way, you can take advantage of prosperous export markets while gaining valuable export experience. Once you are more comfortable with international business, you can target some of the more challenging, faster growing markets.

The questions below will help you identify initial target markets:

1. Where in the world are products or services such as the company's selling?

2. Where do the company's domestic competitors currently export?

3. If the company is interested in creating a new market for its product or service, where in the world are there conditions (economic, political, technological, demographic) that indicate that there is a potential end-user market?

4. Of these countries, name the five countries with which you would be most comfortable doing business.

Selection of Target Markets

The following grid is designed to help you select the most promising markets for your company's product or service.

- A. Select the five countries you think have the best market potential for your product or service.
 - B. Review the market factors for each country.
 - C. Research data / information for each country.
 - D. Rate each factor on a scale of 1-5 with 5 being your best.
- Select one or two target countries based on your ratings.

Country Rating Country Rating Country Rating Country Rating Country Rating

Demographic

- Population size, growth
- Urban/rural distribution
- Climate & weather
- Shipping distance
- Product-significant demographics
- Infrastructure

Political

- System of government
- Political stability
- Government role in business
- Regulations on foreign companies
- Economic & developmental priorities

Economic

- Overall level of development
- Economic growth
- Currency (inflation rate, availability)

Per capita income & distribution

Disposable income & spending patterns

Social/Cultural

Literacy rate, education level

Class structure

Language

Cultural issues

Business culture

Market access

Limitations on trade

Documentation & import regulations

Country Rating Country Rating Country Rating Country Rating Country Rating

Local standards, non-tariff barriers

Intellectual property protection laws

Legal issues (distribution, tax, etc.)

Product Potential

Customer needs

Local production, imports, consumption

Sales channels of related products

Market size & growth projections

Competitive environment

Receptivity to US products

Distribution, marketing & production

Standard distribution practices

Availability of distribution partners

Average prices for competitive products

Access to local trade assns & journals

Access to local distribution partners

Availability & competence of labor

Conditions for local manufacture

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Section VI:

Tactics and Strategies

TACTICS AND STRATEGIES

- At this point in the export planning process, you have obtained enough information to select one or two foreign markets for your product or service. Based on the research and analysis conducted thus far: your company is committed to and capable of developing international markets for your product or service; your product or has sales potential in overseas markets; in selected target markets, prospective distribution partners will be reasonably accessible; your team feels comfortable that your product can meet the market's governmental technical standards requirements; your team understands and can operate within the target market's local business practices; and your company and product can overcome the competitor's advantages in target markets.

- This part of the plan will you prepare your product or service for the market by helping you: select your primary target market; price your product or service for export; choose your method of market entry; identify prospective distribution partners; promote your product/service; and develop terms and procedures for the export transaction.

- During the latter part of and following this section, the use of qualified external resources such as freight forwarders, international banks and international legal counsel is highly recommended. Use of these resources will help to properly address many of the technical and complicated aspects of the export transaction. Often, these resources will save your company money and time, and offer training to the staff personnel involved in the export transaction. Often, these resources will save your company money and time, and offer training to the staff personnel involved in the export transaction. In addition, these resources can help your company avoid some of costly pitfalls many companies encounter when doing business internationally.

Tactics and Strategies Worksheet

PRIMARY TARGET MARKET SELECTION

Much of the work for selecting your primary target market(s) has already been completed. However, before we continue on to other sections, it will be necessary to narrow your search down to one or two markets that will be current focus of your marketing efforts and strategy.

1. After completing the target market grid in the previous section, please list below the order in which your 5 target markets ranked (from highest rank to lowest):

Rank	Country	Rating Total
1		
2		
3		
4		
5		

2. Are you comfortable with doing business in the countries ranked 1 & 2? Why or why not?

3. If not, are any of the markets listed above preferable, even though they may not hold the highest potential? Based on your research, do you think these markets would be worth targeting?

4. Based on the above questions, list below your top two target markets:

5. Are your top two target markets near one another? Are they on the same continent?

--

6. Are your top two target markets similar in business culture, distribution practices, customer preferences, standards and regulations?

--

7. Are your top two target markets serviced by the same major industry trade show?

--

If you answered “no” to questions 5,6, or 7, your international marketing efforts may become diluted, due to differences in your target markets. Therefore, you may want to consider one of the following options:

- ❑ Concentrate initial efforts on developing opportunities in your top ranked market only
- ❑ Concentrate initial efforts on developing opportunities in your top ranked market, along with another one of your top five markets that is promising and more similar to your top ranked market

If you answered, “yes” to questions 5,6 and 7, your top two target markets should become your primary target markets.

8. Based on the outcome of the above questions, list below your primary target mark(s)

Product / Service Selection For Primary Target Markets(s)

1. What kind of export controls are placed on selling the company's product to the primary target market(s)? Is there a validated export license required to export the product to the primary target market(s) or can the product be exported under a NLR (no license required) provision? If product needs a validated license, will licensing requirements hinder export efforts? (for export licensing information, contact the U.S. Department of Commerce's Bureau of Export Administration at 202-482-4811).

--

2. Are there government regulations or standards in the primary target market (e.g., requirements on material contents, labeling requirements, electric current cycles and voltage, environmental standards, CE marking requirements, ISO compliance)? Can the company easily fulfill these standards or regulations?

--

3. Will geographic or climate differences affect product functions (e.g. humidity, heat, cold)?

--

4. What buyer preferences must be acknowledged in this new buyer group (e.g. product size, packaging, color) that will influence buying decisions?

--

**PRODUCT / SERVICE PRICING
FOR
PRIMARY TARGET MARKET**

1. Is the market demand elastic (a change in price results in a drastic change in demand for the product) or inelastic (product can tolerate price changes without drastically affecting demand)?

2. What kind of discounts (trade, cash, and quantity) or allowances (advertising, trade-off) are commonly given for similar products in the primary target market(s)?

3. What are warranty and servicing standards in the primary target markets? Will the company need to include an estimate for this in pricing?

4. Is currency fluctuation an issue in the primary target market(s)? Will customers in the target market be able to afford the product if the US dollar appreciates relative to the local currency? If the company plans to sell in the native currency of the target market, will the company allow for currency fluctuation in the price or add the cost of buying a forward contract from a bank into the price?

5. What are the direct materials and labor costs involved in producing the product or service for export to the primary target markets(s)?

6. What are the company's overhead costs less charges not attributable to export operations (e.g., domestic marketing & legal costs, etc)? What is the prorated amount of overhead chargeable to exports of the product or service to your primary target market(s)?

7. What are the costs for the out-of-pocket export –related expenses listed below for your primary target market(s):

Expense	Cost	Expense	Cost
travel		taxes	
catalogs, videos, etc		rent	
promotional material		insurance	
export advertising		interest	
commissions		market research	
transportation		credit checks	
packing materials		translation	
legal costs		product modification/ standards compliance	
office supplies		freight forwarders fees	
patent, trademark, copyright, registration		trade shows and int'l marketing costs	
communications		banking fees	

8. Does the company want to allow for a price margin for unforeseen costs, risks or mistakes? If so, what will the margin be?

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9. After computing the various export-related costs listed above, what are the rough high and low ends of the price range you can use in your primary target market(s)?

Product

Low Price

High Price

Choosing a method of market entry In your Primary target markets

Note: This section of the plan is intended to help you decide which method of market entry is right for your company. If you are unfamiliar with the various methods of market entry, we suggest you refer to Start Thinking Export! First.

1. Does the company have the financial reserves to adequately research, travel to, and promote the product in the target market?

2. Does the company want or need to maintain control over sales, customer service and customer credit?

3. Does the company have a sufficient resource matrix of internal/external staff and consultants to penetrate the target market (completed earlier in plan)?

4. What is the standard distribution practice in the primary target market(s)? How do the company's U.S. competitors sell in the primary target market(s)?

5. Does the company want the ability to change price, terms and conditions?

6. How important is the protection of proprietary methods, trademarks, and intellectual property rights?

7. Does the company want to enjoy the development of personnel export skills, customer service and networking skills that come with direct exporting?

8. Does the company want to enjoy an international business image that will ultimately come with a direct export method?

9. Once export-related costs and tariffs are added to the product's price, is the price still competitive? What about after agent/distributor markups are added? If not, is licensing, joint venture or investment and option? (Note – for first time exporters, direct or indirect exporting is usually the best option vs. licensing, joint venture or investment. If direct or indirect exporting is not feasible, it may be advisable to select a different primary target market)

10. Based on the answers to questions above, which distribution channel will you use to get your product into your primary target market(s)?

Method	Advantage / Disadvantage
Export Management Co.	
Export Trading	
Direct	
Agent (commissioned)	
Distributor	
VAR / OEM	
Licensing Partner	
Joint Venture	
Direct Investment	
Direct Retail	

SELECTION OF PROSPECTIVE DISTRIBUTION PARTNERS AND PROMOTION IN YOUR PRIMARY TARGET MARKET(S)

Since most companies choose direct methods of exporting (listed at end of previous section – usually agent, distributor or value-added reseller), this section will focus on identifying and selecting direct distribution partners and promoting your product within methods of exporting, the Massachusetts Export Center can provide assistance in helping you identify indirect exporting partners.

1. What types of products or services will the company's ideal distribution partner already sell?

2. With what types of customers will the company's ideal distribution partner have an established sales relationship?

3. What kinds of servicing or after-sale support capabilities should the ideal distribution partner have?

4. What kinds of promotional activities do the company's U.S. and overseas competitors use in the primary target market(s)?

5. What kinds of promotional activities would the ideal distribution partner already employ within the primary target market?

6. Is the standard relationship with distribution partners in the primary target markets through exclusive or non-exclusive contracts (do most companies have one distribution partner to cover the entire country or more than one partner within the country covering key metropolitan markets)? If exclusive, what kind of regional sales channels must the ideal partner have? If non-exclusive, within what areas must the company find distribution partners?

7. Check off the methods of promotion and identification the company will use:

- | Use? | Method of Promotion / Partner Identification |
|-------------|--|
| | Government-generated listings of prospective partners (Mass Export Center, US Export Assistance Center) |
| | Customized listings and itineraries prepared by government offices overseas |
| | Placement of classified ads in industry trade journals in primary target markets |
| | Survey of target market end-users - who sells to them |
| | Survey of US complementary product providers - who do their partners overseas? |
| | Overseas branches or affiliates of your international law firm or bank |
| | Visit the major industry trade show that services your primary target markets |
| | Trade missions traveling to your primary target market |
| | Referrals from US & overseas industry contacts (trade associations, USDOC industry desks, trade journal editors, etc.) |
| | Seminars and demonstrations |
| | Referrals from business organizations and chamber of commerce (foreign chambers in the US, American chambers abroad, etc.) |

TERMS AND PROCEEDURES

1. Should the company use a freight forwarder for export shipments? (for referrals to freight forwarders within Massachusetts, contact the Mass Export Center)

2. Given the product, costs and the primary target markets, which form of transportation makes the most sense?

3. Is the merchandise packaged and labeled correctly so that it arrives in good condition?

4. Is the shipment documented correctly to meet US and foreign government regulations?

5. Who is going to pay the shipping cost? What is the proper Incoterm that identifies the shipping agreement negotiated (e.g. FOB, C&F, CIF)? Contact the Mass Export Center or your freight forwarder for definitions of Incoterms.

6. Can the product be exported to the target market(s) under an NLR provision (No License Required) or will the shipment require a validated export

7. Check off the following export documents as you determine whether you understand them and need them for exporting to your primary target

market(s). The Massachusetts Export Center's guide entitled Exporting: Documentation, Logistics and Banking can help explain these documents:

Export Documentation Grid

Document

Shipper's Export Declaration
Shipper's Letter of Instructions
Commercial Invoice
Bill of Lading
Air Waybills
Packing List
Certificate of Origin (to be stamped by Chamber of Commerce?)
Consular Invoice
Inspection Certificate
Dock and Warehouse Receipts
Insurance Certificate
Validated Export License

8. Does the company's bank have an international department? If not, what bank will the company use for international transactions? (The Mass Export Center can provide referrals to international banks in Massachusetts.)

9. What payment method(s) are acceptable options for the primary target markets? Which of these payment methods are the most attractive to both the company and the buyer? (e.g. cash in advance, letter of credit, documentary collection, and open account)?

10. Are the company's "acceptable" payment terms generally "acceptable" to the foreign buyers in the company's target markets? If open account is

prevalent, has the company explored the option of credit insurance to cover foreign sales made on the account?

11. If necessary, will the company be open to loosening payment terms as the relationship with the distribution partner develops (e.g., begin on a letter of credit or cash in advance basis and over time move toward an open account basis?)

12. What currency will export sales be paid in? Is this acceptable to the company's buyer?

13. If the company will be selling in the local currency of the target market, has the company investigated purchasing a forward contract from a bank?

International Business Plan Workbook

Section VII

Export Budgeting

EXPORT BUDGET

- An export budget is crucial to properly planning international business activities. You must earmark sufficient funds to carry out your initial investigations and make the financial commitment to implement your plan. Budgeting enough funds to properly explore and access international markets will demonstrate your real commitment to pursuing company growth through trade opportunities and will have direct impact on your export success. Below are some components of the export budget:

- Forecasting sales of your product is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Remember that sales forecasts show the expected time the sale is made. Actual cash flow will be impacted by delivery date and payment terms.

- The cost of goods sold internationally is partially determined by priced strategies and terms of sale. To ascertain the costs associated with the different terms of sale, it will be necessary to consult an international freight forwarder. For example, a typical term of sale offered by a US exporter is cost, insurance and freight (CIF) port of destination. Your price includes all the costs to move your product to the port of destination. A typical cost worksheet will include some of the following factors. These costs are in addition to the material and labor used in the manufacture and the marketing of your product.

export packing	container loading	inland freight	truck/rail unloading
ocean freight	terminal charges	handling	wharfage
bunker surcharge	forwarding	documentation	consular legalization
cargo insurance	bank fees	courier mail	communications

- To determine overhead costs for your export products, you should be certain to include costs that pertain only to international marketing efforts. For example, costs for domestic advertising of service that do not pertain to the international market should not be included. Some of these expenses will be first year start-up costs, and others will occur every year.

Export Budget Worksheet

SALES FORECAST

1. Fill in the units-sold line for markets 1 and 2 for each year on the following worksheet.
2. Fill in the sales price per unit for products sold in markets 1 and 2.

3. Calculate the total sales for each of the different markets (units sold x sales prices per unit).
4. Calculate the sales (all markets) for each market – add down the columns.
5. Calculate the five-year total sales for each market – add across the rows.

Sales Forecasts – First Five Years

	Year 1	Year 2	Year 3	Year 4	Year 5
Market 1					
Units Sold					
Price Per Unit					
Total Sales					
Market 2					
Units Sold					
Price Per Unit					
Total Sales					
Total Sales					
All Markets					

COST OF GOODS SOLD

1. Fill in the units-sold line for markets 1 and 2 for each year.
2. Fill in the cost per unit for products sold in markets 1 and 2
3. Calculate the total cost for each of the products (units sold x cost per unit).

4. Calculate the cost of goods sold – all products for each year – add down the columns.
5. Calculate the five-year cost of goods for each market – add across the rows.

Cost of Goods Sold – First Five Years

	Year 1	Year 2	Year 3	Year 4	Year 5
Market 1					
Units Sold					
Cost per Unit					
Total Cost					
Market 2					
Units Sold					
Cost per Unit					
Total Cost					
Cost of Goods Sold					
All markets					

INTERNATIONAL OVERHEAD EXPENSES

1. Review the expenses listed in the following table. These are expenses that will be incurred because of your international business.
2. There may be other expense categories not listed – list them under “other Expenses”.

3. Estimate any domestic marketing expense included that is not applicable to international sales.
4. Calculate the total for your international overhead expenses.

International Overhead Expenses

Expenses	Cost Market 1	Cost Market 2	Total year 1
Legal Fees			
Promotional Materials			
Travel			
Communication Costs			
Advertising			
Promo Expenses (e.g., trade shows)			
Other Expenses			
Total Expenses			
Less Domestic Expenses			
Total International Startup Expenses			

PROJECTED INCOME STATEMENT, YEARS 1 THROUGH 5

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each year.

1. Fill in the sales for each year. You already estimated these figures; just recopy them on the worksheet.
2. Fill in the cost of goods sold for each year. You already estimated these figures, just recopy on the worksheet.

3. Calculate the gross margin for each year (sales minus Cost of Goods Sold).
4. Calculate the Total Operating Expenses for each year.
5. Calculate the Net Profit or Net Loss (before income taxes) for each year (Gross Margin minus Total Operating Expenses).

Projected Income Statement – Years 1 through 5

	Year 1	Year 2	Year 3	Year 4	Year 5
International Sales					
Cost of Goods Sold					
Gross Margin					
International Operations					
Legal					
Accounting					
Advertising					
Travel					
Trade Shows					
Promo Materials					
Supplies					
Communication Eq.					
Interest					
Insurance					
Other					
Total Int'l Operating Expenses					

BREAK-EVEN ANALYSIS

The break-even is the level of sales at which your total sales exactly covers your total costs and operating expenses. This level of sales is called the Break-Even Point Sales Level (BEP sales). In other words, at the BEP sales level, you will make a zero profit. If you sell more than the BEP sales level, you will make a net profit. If you sell less than the BEP sales level, you will have a net loss. The worksheet will calculate your BEP sales level for any year of

operations. The steps listed below will assume that you are calculating the BEP sales level for Year 1.

1. Fill in your Total Sales, Total Cost of Goods Sold, and Total Gross Margin for year 1 in the table provided.
2. Calculate the Gross Margin percent using the formula, which is given on the worksheet. The Gross Margin percent tells you what percentage of each dollar of sales results in Gross Margin.
3. Fill in the Total Operating Expenses for Year 1.
4. Calculate the BEP sales level using the formula that is given. Your need to reach this level of sales just to break even.

Note: In addition to a break-even analysis, it is highly recommended that a profit and loss statement be generated for the first few actual international transactions. Since there are a great number of variables relating to costs of goods, real transactions are required to establish actual profitability and minimize the risk of losses.

Step 1:

Total Sales	\$
Total Cost of Goods Sold	\$
Total Gross Margin	\$

Step 2:

Total Gross Margin	\$
Gross Margin Percent	\$
Total Sales	\$

Step 3:

Total Operating Expenses	\$
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Step 4:

Total Operating Expenses	\$
BEP Sales Level	\$
Gross Margin Percent	\$
BEP Sales Level	\$

International Business Plan Workbook

Section VIII:

Implementation Schedule

IMPLEMENTATION SCHEDULE

- The purpose of the implementation schedule is to ensure that key export development tasks are identified and completed. Because exporting involves a number of different staff members within your

company, a number of different outside resources, and takes place over an extended period of time, this aspect of the plan is particularly important. Without having a written implementation schedule, exporting activities can become overwhelming and certain tasks can easily be forgotten. As you progress through both the planning and the export process, you will need to revisit the implementation schedule periodically.

- The first step of developing an implementation schedule involves setting up a timetable for your projects, as well as a follow up section. Periodically review your results measured against the plan and give yourself measurable goals that are both financial and non-financial nature.

Implementation Schedule Worksheet

1. Identify key activities by reviewing other portions of your business plan and compile a list of tasks that are vital to the successful export operation of your business. Be sure to include travel to your chosen market as applicable.

2. Assign responsibility for each activity. For each identified activity, assign one-person primary responsibility for the completion of that activity. Some of the worksheets you have already completed earlier will be of help here.
3. Determine schedule start date for each activity. You should consider how the activity fits into your overall plan as well as the availability of the person responsible.
4. Determine schedule finish date for each activity.

Export Activity/Task	Person	Start Date	Finish Date
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