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Exporting



The Active Business Series

Exporting

For small and medium sized businesses the prospect of operating in overseas markets can seem daunting, but the Government is actively encouraging them to explore the possibility, and provides various levels of assistance and support to those that do.

With Europe alone offering access to over 450 million customers there are clearly many opportunities for enterprising businesses; but the export trade is not right for every business and should be entered into only after careful research and preparation.

This short guide highlights some of the areas you will need to consider. If you would like more information please give us a call. We are always happy to advise and assist.

The export advantage

According to the Government agency, UK Trade and Investment, companies that export benefit from:

- **Increased** productivity
- **Higher** levels of growth than achievable domestically
- **Greater** resilience of revenues and profits
- **Greater** economies of scale than achievable domestically
- **Increased** commercial lifespan of products and services
- **Better** returns on their investment in R&D
- **Improved** financial performance



Did you know ?

- Businesses gain on average a **34%** productivity uplift when they begin exporting
- Businesses that export are **11.4%** more likely to survive than those that do not

Know your markets

Some businesses enter the export market in response to approaches from potential overseas customers, agencies or distributors, while others decide proactively to seek new markets outside the UK. In either case it is important to research your potential markets and prospects thoroughly. UK Trade and Investment can assist greatly in this area, providing help with market research, sales leads, and much else.

Language is always a concern. With English being a universal business language, businesses often report that whereas not knowing the local language might not be a barrier to entry, it can be a barrier to growth in a foreign market. Reliance on an intermediary in negotiations or in researching opportunities in the marketplace is not likely to be as effective as direct involvement. Again, help is available in this area.

It is also important to be aware of cultural and linguistic factors that might affect your product positioning, marketing, packaging, etc. There are too many unfortunate examples of brand names and marketing concepts that do not travel well and prove to be embarrassing or ineffective in other languages or other cultural contexts!

Establish the right sales presence

One of the most important decisions you will need to make is how to organise your overseas sales presence. Possible options include:

- Sell directly - e.g. through the Internet, at trade shows, etc
- Sell to a distributor who sells your products locally
- Use a sales agent who sells on your behalf or finds potential customers for you on a commission basis
- Set up a joint venture with a locally based business
- Establish a local office managed directly by your business

Each of these has different financial, legal, and tax implications, and which one is best suited to your purposes will depend on a number of factors including the nature of your products, the target country, your resources, etc.

Get the financials right

Cashflow

Payment terms in many European countries are usually longer than in the UK. To start with, you might want to consider using a factoring or invoice discounting service to help with your cashflow

Average invoice settlement time

- UK - 49 days
- France - 65 days
- Spain - 73 days
- Italy - 83 days

Credit Management

Small businesses might find this difficult, especially in a foreign language. Again, it might be worth outsourcing to a professional collections agency, particularly in the early days.

It is also a good idea to insure against overseas customers defaulting on payments. Depending on the type of export, the Export Credits Guarantee Department might help. Otherwise you will need to use a commercial provider.

Currency

If you are trading with European businesses you will need to decide whether to invoice in Sterling or Euros and agree who will pay the conversion charges. If you are trading in other currencies you might want to consider some form of currency protection, which can usually be obtained from banks. In any event, you will need to take currency fluctuations into account in your cashflow projections.

Taxes

The rules governing VAT on exports within the EU are quite complex and we recommend you seek professional advice to ensure you are in full compliance with all regulations. If you are planning to set up offices or station staff overseas you will need to consider carefully the tax implications for you and your employees.

Terms

We strongly recommend written agreements that spell out matters such as credit terms, delivery obligations, and payment processes according to English Law. International Commercial Terms (incoterms.org) are very helpful for writing international terms of business.

Customs

You are responsible for customs procedures in this country and your customer in their country. It is essential to have the right paperwork at all times. Most companies use a specialist freight forwarder to handle this. You will also need to check if your exports require a license. Bear in mind that as soon as your goods enter another country they become subject to that country's laws.

Intellectual Property (IP)

Patents and trademarks are protected only in the country of origin, so you will need to be sure to protect your IP in other countries.



Obviously we cannot cover everything in this brief guide. If you would like to know more or explore the possibility of your business trading overseas, please contact us to arrange a meeting.

Be on top of tax & legal matters

Keys to success

In our experience there are three main keys to success in exporting:

- 1 A well researched export plan
- 2 A balanced use of internal and external resources
- 3 A commitment to the long term

