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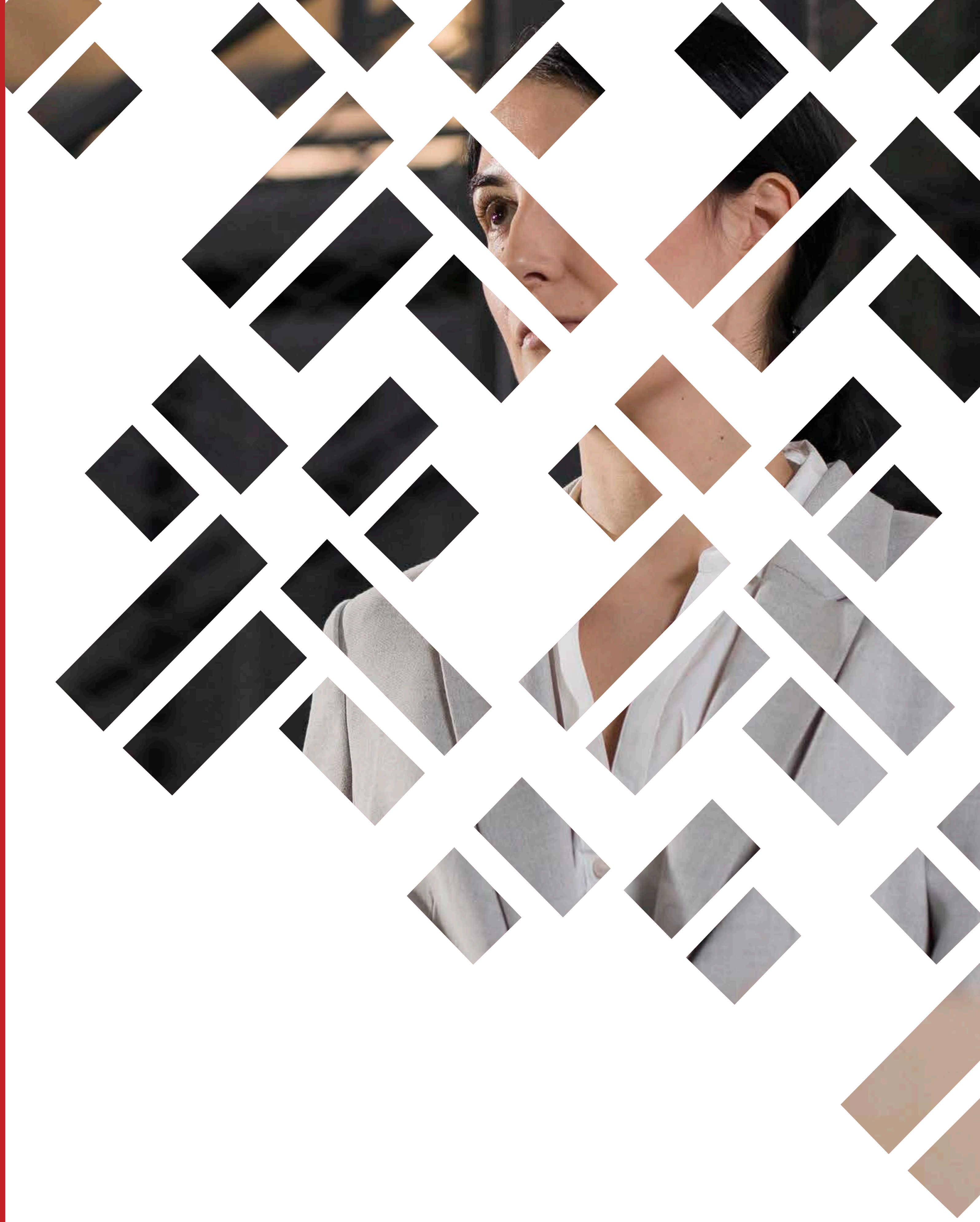
SHETRADES MENA GUIDEBOOK TRAINING MATERIALS

HOW TO EXPORT GUIDE:
PREPARING TO EXPORT



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PREPARING TO EXPORT

Benefits of Exporting

Exporting offers a company numerous benefits and opportunities in a global marketplace. The massive restructuring of political boundaries, the opening of new consumer markets, historic trade agreements, abolition of quotas, and the World Trade Organization (WTO) have created unprecedented opportunities for businesses to export. There has never been a more opportune time for UAE firms to capitalise on these market shifts and to export. Following are some of the reasons why firms may wish to export:

- Increase in sales and profits: If a firm is performing well domestically, expansion into foreign markets is likely to improve its profits.

- Gain global market share: By exporting, a firm will learn from its competitors-their strategies and what they have done to gain a share in foreign markets.

- Reduce the level of dependence on existing domestic markets: By expanding into foreign markets, a firm will increase its marketing base, and reduce its dependence on local customers.

- Offset market fluctuations: By tapping global markets, firms are no longer held captive by economic changes, varying consumer demand, and seasonal fluctuations within the domestic economy.

- To make use of excess production capacity: Exporting can increase the utilisation of production capacity and length of production runs, thereby reducing average unit costs, and achieving economies of scale.

- Enhance competitiveness: Exporting enhances a firm's and a country's competitive outlook. While the firm will benefit from exposure to new technologies, methods and processes; the country will benefit from an improved balance of trade.

- Find excellent no-cost or low-cost experts in export. For many firms, the decision not to export is based on the fear of the unknown. Export promotion organizations such as Dubai Export Development Corporation have been established to assist firms that are contemplated venturing into export markets.

The Exporting Process

Any exporter stands a much greater chance of success if as a first step they start thinking about their objectives in terms of

- What products to export
- Where to Export
- How to Export

Lack of a definite set of goals or objectives will lead to dissipation of efforts in wrong direction and a waste of resources. The objectives need to be realistic, should take into account the existing situation of the market, the exporter's position in the market and competition. The objectives should neither be too ambitious nor too modest. The objectives should not be modified constantly if the same is not attained in target period. But efforts should be intensified or resources should be redirected effectively to attain an objective in time.

Once the export goals and objectives have been formulated the exporter needs to understand the export process namely: the feasibility analysis; planning foreign market entry; and implementation. The stages are outlined below:

Stage #1: Export Feasibility Study

- Analyse domestic performance.
- Assess the firm's capacities.
- Consider the demographics, social, political, and economic factors of target markets.
- Confer with international trade experts (e.g. in the fields of marketing, finance, legal, and logistics).
- Select target markets.

Stage #2: Planning foreign market entry planning

- Conduct market research into the industry sector.
- Evaluate market research.
- Decide how the product will be marketed.
- Comply with target country licensing, standards and certification requirements.
- Apply for the necessary patent, trademark, and copyright protection.
- Identify taxes, tariffs, duties, quotas, or other non-tariff trade barriers.
- Establish pricing strategy.
- Seek financing.

Stage #3: Implementation

- Determine methods of distribution.
- Implement marketing plan.
- Choose sales representatives, or sales methods.
- Negotiate sales contract.
- Produce finished product.
- Obtain insurance cover.
- Complete the required paperwork.
- Package and label the product.
- Ship the product.

The Export Traps

The following are some avoidable traps that can become problematic for exporters when writing the international plan.

Seek no-cost or low-cost advice. Firms that are new to exporting or are expanding into an unfamiliar foreign market often do not obtain qualified export counselling before developing their international business plan. Public and private sector professionals and organizations are available throughout the UAE to help firms clearly define their export goals, objectives, and a foreign marketing and finance.

Obtain management commitment. Before researching and writing the plan, the person responsible for developing the foreign market strategy must make sure that top management is firmly committed to the project. That person will then be better equipped to negotiate with foreign and financial partners to overcome the initial difficulties and financial requirements of exporting. All parts of the firm, from management to finance, marketing, production and training, must understand and appreciate the firm's export expansion plans. Detailed CVs of all senior staff should be included in the international business plan.

Conduct market resarch. Many international business plans are weak in terms of market research. Market research should confirm the exporter's instinct that a product will be acceptable, and sell in a particular market. Confirmation is sought through research carried out on small focus groups with respect to the design, size, colour, and all other characteristics of the product, or by sending product samples, or by generally understanding the unique preferences of potential foreign customers.

Determine the export price. Pricing a product is the most important factor affecting financial projections in the international business plan. Many first-time, or infrequent exporters do not consider the various non-domestic costs that can contribute to the per unit price. Among the special elements to consider when exporting are, the percentage mark-up, sales commissions, freight forwarder processing and documentation fees, financing costs, letter of credit processing fee, export packing charges, labelling and marking, inland freight charges, unloading at the terminal, insurance, translation of product materials, credit terms, payment schedules, payment currencies, insurance, commission rates, warehousing costs, after-sales servicing responsibilities, and costs of replacing damaged goods, etc. Each of these costs should be taken account of in the financial projections, and budget.

Highlight the firms' capabilities. Price is not the only factor contributing to a buyer's decision to purchase a product or service. Other important factors include management capability, production capacity, quality control system, technical cooperation with foreign firms, and system for handling orders, export experience, financial standing, and links with banks. These points should also be included in the international business plan.

Exporter Registrations

Exporter in order to commence exports the following registrations or procedures need to be completed:

- Trade License- The exporter requires establishing their trade license as per standard classification of Economic Activities from the respective trade license body.
- Certificate of Origin-On obtaining the same, depending on activity of the company mentioned in the License and also the exact products to be exported, Certificate of Origin document will be issued to the person interested in export. He then has to approach Customs for the Customs Code for exports.
- Customs Code-The exporter should contact the Dubai Customs Department to obtain a Customs Code for exports. The documents required to obtain this Customs Code are a copy of trade license and a completed application form (issued at the Customs office counter). Only after obtaining this code can he conduct any export activity.
- Customs Importer/Exporter code-it is a pre-requisite for the shipper to process necessary Customs Bills for which a valid Import/Export code from the Customs Center is required.

Producing an Export Plan

Developing an international business plan requires careful planning and a commitment of time. As with any new business operation, the decision to export must be envisioned with a long-term business investment attitude rather than a short-term profit objective. Before making a commitment to enter into international business agreements, the development of an international business plan is an important and key step for determining a product's readiness for export. A well-prepared plan will assist the business in assessing the potential of a product in international markets; facilitate application for financing and how much it will cost to export a product. The core elements of a business plan include the following:

ELEMENTS AND EXPLANATION

Executive Summary
State what makes the company successful and then list the competitive advantages over domestic and foreign competition;

Present Situation
Identify the company's products with export potential;

Objectives
Define long-term goals and how exporting will help to attain those goals;

Management
Firstly conduct a company analysis in order to ensure that the decision to export is supported by all levels of management and secondly, to decide who will execute what functions;

Description
Answer the question: Why is the product/service unique in an international market?

Market Analysis
Determine what the opportunities in this market are;

Target Customers
Find out the demographic and socio economic profile of the target customer;

Existing Competition
Conduct an inquiry to determine the firm's competitiveness within the industry. In analyzing competition, it is helpful to know what market shares are and what the excepted industry/market trends are;

Focus Group Research
Focus research on a small group of potential customers in order to gain feedback and constructive criticism;

Calculated Risk
Estimate the industry and the firm's performance over a period of three to five years so that the firm may calculate risks accurately:

Marketing Strategy
Determine how customers will be attracted and their interests sustained

Pricing/Profitability
Develop an international pricing strategy;

Selling Tactics
Carry out direct mailing, cold calling, and advertising tactics

Methods of Distribution
Determine where and how to deliver overseas;

Advertising
Consider foreign labelling and packaging requirements literature translations, and customer relations;

Public Relations
Develop a regular and consistent product/service up programme, internal newsletter; write for technical magazine, press releases etc.

Business Relationship
Articulate a plan for developing international business relationships, include culture training. Determining
the type of relations (e.g. agent/distributor, representative, supplier, direct export, etc.);

Manufacturing Plan
Indicate initial volume, expansion requirements, source materials, location of manufacture, etc.

Financial History
List out a five-year Profit and Loss Statement;

Financial Projections
Remain realistic and conservative;

12-Month Budget
Anticipate costs for financial year of exporting;

Cash-Flow Projection
Calculate Cash Receipts vs. Cash Disbursements;

Balance Sheet
Illustrate liquidity and cash position;

Break-Even Analysis
Calculate number of units to sell for break-even,

Source/Use of Funds
Decide from where the funds will be obtained to start or expand export operations;

Use of Proceeds
Decide where profits and loans will be dedicated;

Conclusions
State exporting goals, total capital required profi le, expected schedule and general comments;

Appendix
Add the curriculum vitae of key people involved in the company's export program, as well as key accounts, potential customers, market survey data, drawings, agreements and fi nancial projections to the plan as an appendix.

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