

Preparing an export plan is a fundamental first step in any export strategy and will help structure your decision-making throughout the entire export process. Developing a simple, practical and flexible plan will help you focus your activities to ensure you achieve defined outcomes.

Preparing an Export Plan

a how to guide

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is this guide for you?

This guide is designed for small to medium-sized businesses that have assessed their readiness to export and are ready to plan their export strategy. It provides practical advice on how to expand and refocus your existing business plan to include international markets, and how to set measurable objectives and timelines for achieving your export goals. The guide also covers:

- how to co-ordinate the market selection process
- using a SWOT analysis to assess your business capabilities and evaluate opportunities in the market
- understanding market entry conditions
- establishing a timeline and putting your plan into action
- an export plan template which you can use for your own business.

The information provided in this guide is general in nature, and is designed to get you thinking further about your export strategy. If you find this document useful, you might want to look at the following New Zealand Trade and Enterprise guides which explore other related areas of exporting in more depth:

- *Are You Ready to Export?*
- *Planning for Success – Developing a Business Plan*
- *Guide to Exporting*
- *Guide to Market Selection*
- *Simple Marketing Plan*
- *Guide to Pricing*
- *Guide to Market Research on Australia/US/China*
- *Guide to Agent and Distributor Selection*

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preparing for export success

After having undertaken a preliminary assessment of your company's export capability, and deciding that your business is ready to export, the next step is to start planning your export strategy. Developing a simple, practical and flexible export plan will help ensure your export business is profitable and sustainable. An export plan:

- identifies what you want to achieve from exporting
- lists what activities you need to undertake to achieve those objectives
- includes mechanisms for reviewing and measuring progress
- helps you remain focused on your goals.

Why Plan

It is common for people to get into exporting because a friend has an opportunity or because of an approach from an overseas customer. These are examples of **reactive exporting**. You are

much more likely to be a successful exporter if you are **proactive** and do your homework first.

Developing an export plan is central to any export strategy. Careful planning will ensure that your company:

- understands market competition
- has the resources to become a viable exporter
- identifies weaknesses and strengths in your business before committing to exporting
- gathers well-researched and accurate information
- has clear export objectives, and a timeline for achieving them.

The export plan should be an extension of your company's business plan, and concentrate on the conditions in your chosen market. If you don't already have a business plan for your New Zealand operations, we recommend you develop one.

For a practical, do-it-yourself kit to developing your own business plan, see the New Zealand Trade and Enterprise guide *Planning for Success* on our website. Other useful resources for ways to develop your business strategy can also be found on the business.govt.nz website.

An export plan template can also be found at the end of this guide. This is intended as a possible framework to help you structure your ideas and information when developing your export plan.

When to Plan

We recommend you draft your first export plan at the point when you decide you want to get into exporting. Other catalysts for drafting an export plan are:

- the market is moving faster than you can deal with
- you want to expand into another export market and know you can do better than last time
- you feel/know you need to export to grow
- you start to recognise gaps in your information
- you see it as a natural extension of your company's business plan
- you recognise there is a process that will help your performance and profitability
- you need something to impress other people with, i.e. to prove to a financial or other agency that you are worthy of some form of assistance.

An export plan is not necessarily a key to export success, but it is one of the elements of successful exporting. Other success factors include:

- market and customer focus
- careful market selection
- good management
- preparedness to commit resources
- good quality control – product and systems

- customisation of product or service to export market needs
- some good luck!

A definition of export success: Where opportunity meets planning.

step 1: expanding your business plan

The business plan developed for your New Zealand operations is a useful template when beginning to think about your export strategy. Expanding your existing plan for exporting involves:

- considering the practical effects of dealing at a distance and across borders (and often time zones)
- recognising factors that could demand significant changes to your product and the way it is prepared and delivered to market
- recognising cultural and language factors in dealing with intermediaries, officials, customers or consumers
- taking a careful look at the costs of planning, researching and market entry
- assessing the cost of staying in and expanding the market once you begin to receive orders
- planning for success as much as for hurdles.

You will not immediately know the answers or be able to include real figures in your plan, but you will have begun to think about your direction, a timetable and your next actions.

Remember, if you don't already have a business plan for your New Zealand operations, we strongly recommend you develop one before starting to plan your export strategy. Your plan will also be crucial if you need financing, because financial institutions won't lend to a business that hasn't developed one.

step 2: doing a SWOT analysis

A useful way to summarise the large amount of information you have collected during the market selection process is to use a SWOT analysis. It will help you to isolate the strong and weak areas within your business, while exposing any opportunities or threats that may exist in your chosen markets.

This analysis will help you form short and long term strategies, and draw attention to areas of your business that need improving, or strengths which can help you further develop your business.

To apply your own SWOT analysis, start by creating a heading for each category – 'Strengths', 'Weaknesses', 'Opportunities', and 'Threats'. Under each of these, write a list of five relevant aspects of your business and external market environment. Strengths and weaknesses apply to internal aspects of your business; opportunities and threats relate to external research.

The internal analysis of your business (strengths and weaknesses) should include:

- products and product range
- market / segment share
- staff and management skills
- production capacity
- research and development
- level of borrowed funds.

Your final analysis should help you develop short and long term business goals and action plans, and help guide your market selection process.

For further advice on developing a SWOT analysis, see the New Zealand Trade and Enterprise *Guide to Market Selection* at our website www.nzte.govt.nz. For other helpful business strategies, the business.govt.nz website is also a useful resource.

step 3: market selection

Now that you have a clear idea of your company's key capabilities, strengths and weaknesses, the next step is to start evaluating opportunities in potential export markets. This will involve screening a broad range of countries in order to arrive at a short list of three to five most suitable markets for your product or service.

To select the right market, you will need clear and accurate information about the various political, economic and cultural factors that will potentially affect your operations in your chosen market. Some factors to consider include:

- geographical factors
 - country, state, region, time zones, urban/rural location logistical considerations e.g. freight and distribution channels
- economic, political, and legal environmental factors
 - regulations including quarantine, labelling standards, standards and consumer protection rules, duties, taxes
- demographic factors
 - age, gender, income, family structure, occupation, cultural beliefs
 - competition analysis major competitors, similar products, key brands
- market characteristics
 - market size, availability of local manufacturers, agents, distributors and suppliers.

Market Research

Understanding a market's key characteristics requires gathering a broad range of primary and secondary research, much of which you can source without cost from the internet.

Secondary research, such as periodicals, studies, market reports and surveys, can be found

through government websites, international organisations, and commercial market intelligence firms. New Zealand Trade and Enterprise also provides market intelligence and analysis including Country Briefs and Sector Profiles which are available on www.nzte.govt.nz.

Primary research – facts, statistics, trends, population figures, regulations, product compliance standards – are often available online without cost from national statistics/census agencies, international organisations (e.g. UN, WTO), customs agencies etc. Examining a country's import and export statistics over a period of several years, for example, will help you determine whether the market for a particular product is growing or shrinking.

New Zealand Trade and Enterprise has produced a number of guides available on www.nzte.govt.nz that take you step-by-step through the market research process, providing useful tips and links to a wide range of online resources. For further information, see the guides to market research on specific countries, including Australia, US, and China.

Choosing the Right Market

Having gathered research on your potential markets, you can then start to narrow down the broad list of possible markets to the two or three most suitable for your product or service. At this point, you can undertake more intensive market research, and complete the second half of your SWOT analysis (opportunities and threats), feeding the evaluation of the opportunities and threats offered by the market into your planning. On the basis of this analysis you should be able to gauge the gap between your current capability and the capability you would need to be able to successfully enter the market.

Companies taking this approach may use a matrix in which various factors essential to success are evaluated and ranked. A simple matrix, along with practical advice on market selection, is available in the New Zealand Trade and Enterprise *Guide to Market Selection* on www.nzte.govt.nz.

As a guide, while mature markets such as the US, Australia, UK and EU remain attractive prospects for New Zealand exporters, do not ignore emerging regions such as Asia, Latin America and Eastern Europe: these markets all potentially offer excellent medium to long term export opportunities.

Step 4: market entry

Having completed the market selection process and chosen your target market, the next step is to plan your entry strategy.

There are a number of options for entering your chosen market. Most New Zealand exporters initially choose to work through agents or distributors. In the longer term, however, you may consider other options, such as taking more direct control of your market, more direct selling or promotion, or seeking alliances or agreements.

For further assistance on deciding your market entry method, New Zealand Trade and Enterprise have produced a range of guides for exporters, which are available on our website www.nzte.govt.nz. These include:

- *Guide to Exporting* – a comprehensive guide to planning your export strategy,

including a section on entry strategies

- *Guide to Agent and Distributor Selection* – highlights the differences between agents and distributors, and how to select the best representative for you and your product.

Market Entry Issues

Undertake market research to find out about market entry issues, including:

- duties, quota limits, import licensing
- regulatory issues e.g. labelling, packaging, testing and certification requirements
- the competition and price competitiveness
- distribution networks
- who you could partner with to enter the market.

Rather than visiting the market, it is cheaper to do this initial research from New Zealand using the internet, New Zealand Trade and Enterprise, talking to colleagues and other business sources.

Exploratory Visit

If your initial research indicates a potentially profitable market for your product or service, make an exploratory visit to the market to undertake further research. Talk to potential buyers, find out everything you can about the competition, the rules and the distribution channels. Note the style of packaging and labelling of similar products. What is the size of the market? Could you cope with the demand if you picked up a reasonable share of the market?

Timing your visit to coincide with a trade fair in the market that you could attend as a non-exhibiting visitor is often a valuable way to gain some on the ground information. Talking with sales people on the type of product people want will provide you with valuable information on the market, in addition to getting an idea of how your competitors are pricing and positioning their product in the market.

Develop a Market Entry Strategy

Look at how you will “launch the product”. Possibilities could include trade fairs (a common entry point), TV advertising, letterbox drops, scientific papers, or other media responses. Will you have a website to support your agent or distributor? Have you considered direct mail, point of sale brochures and in-store displays? For example, if you are a food or beverage exporter, supermarket promotion and sampling stalls can be an effective way of marketing your product. To address these issues, and to design a marketing and branding strategy specific to your market, you will need to develop a marketing plan.

To help you formulate your marketing strategy, you can find an easy to follow information on the business.govt.nz website, which explore marketing strategies in more depth. You might also want to refer to chapter two of the New Zealand Trade and Enterprise business planning guide *Planning for Success – Developing a Business Plan*, which covers a range of export marketing issues in detail.

In-Market Representation

Ideally, you need people in the market to oversee the introduction of your product. They could be your staff, but it is often more viable to appoint an agent or distributor with an existing network. New Zealand Trade and Enterprise produces a useful *Guide to Agent and Distributor Selection* on our website which compares both types of in-market representation, the type of agreement you should enter into, and ways to build a successful win-win relationship.

Budgeting and Sales Projections

Once you have completed these steps, you should be able to develop an accurate budget covering costs and your sales projections based on discussions with your agent or retailer and possibly other sources in the market. This is often where you need to consult widely with other parties to make sure you have accurate information, for example:

- freight forwarders for costs and freight times
- banks, essential for forward exchange, Letters of Credit, cooperating banks (does your bank have a corresponding relationship with major credible banks in the countries you are looking to export to?)
- customs for clearance/inspection costs
- insurance brokers for product recall, liability and freight insurance (you may not want or need all three)
- marketing experts to advise on the best entry strategies and likely costs.

You should also factor in your own absence from New Zealand during the market entry phase, both in terms of costs while you are away, and in managing your business while you are offshore.

Setting Your Price

Once you have your costs, don't forget to add exchange rate risk and reasonable profits for you and those in the distribution channel. This will give you a minimum sell price.

Always look at whether the market can stand a higher price. It is easy to lower a price in a market, but very difficult to increase – so spend time working this out.

There are volume/profit trade-offs to consider. A low price often has lower sales because consumers think the product is too cheap and that there must be something wrong with it.

A high price can give exclusivity, but needs appropriate packaging, branding and delivery of product value and benefits to support the image and positioning. This is often a viable proposition for New Zealand where we cannot sell commodities and need to be positioned at the top end of the market.

Or you could trade in the mid-range and position your product for a high volume of sales. Pricing needs significant thought, and remember, it is often better to aim higher than lower.

For further advice on export pricing, see the New Zealand Trade and Enterprise *Guide to Pricing*.

Profit and Loss Statement

The profit and loss statement below illustrates high start-up costs which can result in the need for an investment for a period of time and the need to plan costs out. It also shows how the unit profits can be lower because others (your distributor) are carrying costs for you in Australia that you might not have in New Zealand.

For further information on export costing, the New Zealand Trade and *Guide to Pricing* on our website covers common pricing terms, how to work out prices based on real costs, and also includes an all-purpose costing table which you can use for comparing prices in the market.

A typical profit and loss statement, based on a sell price of NZ\$6, would look like this:

Year beginning						
	NZ Only, Year 1		NZ & Australia, Year 1		NZ & Australia, Year 2	
	(10,000 Units)		(10,000 NZ, 10,000 Aus)		(10,000 NZ, 25,000 Aus)	
	Cost \$		Cost \$		Cost \$	
Unit Cost	\$2.00		\$2.00		\$1.50	
Production Cost	\$20,000		\$40,000		\$52,500	
Int'l freight	0		\$10,000		\$22,500	
Int'l marketing	0		\$20,000		\$13,000	
Trips to Market	0	6	\$18,000	4	\$7,000	
Total Direct Cost	\$20,000		\$88,000		\$95,000	
Sell Price	\$60,000		\$120,000		\$210,000	
Less Dist Margin of 40%	\$24,000		\$48,000		\$84,000	
Less Direct Costs	\$20,000		\$88,000		\$95,000	
Total Direct Costs & Margin	\$44,000		\$136,000		\$179,000	
Gross Profit	Profit \$16,000		Loss \$16,000		Profit \$31,000	
Unit Profit	+\$1.60		-\$0.80		+\$0.89	

step 5: plan to make it happen

Once you have established the viability and profitability of your export strategy, it is then appropriate to plan the stages out with monthly deadlines and appropriate actions/responsibilities. A plan should be simple, one page and measurable (objective). A typical plan could be:

Month	Activity	Cost*
March	Initial market research (including commissioned research to give an extended product overview)	\$1,500
April	Exploratory visit to market to build on initial research and to ascertain initial response and competition, possible outlets, marketing ideas etc.(return airfare and seven day visit)	\$2,000
May	Further in-depth research of regulations, costs etc. (some commissioned research)	\$ 700
June/July	Look for agent in Australia (trip to Australia)	\$2,000
August	Develop marketing plan with agent and agree sales targets and number of trips to Australia. Bring agent to New Zealand	\$2,500
September	Design packaging/brochures/web site	\$4,000
October	Increase production to cope with demand (figure based on scenario where no major capital investment required)	\$3,000
December	First shipment (figure based on one container load)	\$3,000

Note: *Cost – These are indicative costs only, based on exporting to Australia. These costs would vary considerably, depending on the product or service, the market, the type and amount of research commissioned, the sophistication of the promotional material etc.

Remember that an action plan never remains static: deadlines, budgets, and responsibilities should be open to constant review and refinement as you start to implement your export strategy. An exporter has a greater chance of success if they have a clear action plan, measurable objectives, and the flexibility to respond effectively to new or unexpected events in the market.

step 6: putting your plan into action

Now that you have drawn-up a business plan, completed your market research, and visited the market, it is time to finalise your strategy and execute your action plan. Implementation is a key step to export success: all the work you have done to this point will be of no use if you cannot execute your strategy well.

Some common success factors when entering a new export market include:

- use of agents/distributors to enter using an existing infrastructure (paid for out of a margin but often lower risk than doing it yourself)
- persistence – it can take two years to get sustainable growth and a return
- good product design and quality – a point of difference is critical
- sound marketing strategy (developed with your partner in the market – your agent or distributor).

It is important to develop one new market at a time – and stay with that market until it works for you. If you have to withdraw for any reason, consider maintaining a lower presence to allow you back into the market when circumstances change. It is rarely worth walking away from your investment.

If you do have to withdraw from a market it is worth reviewing why it didn't work. The reasons could be factors outside your control, for example currency movement, economic or policy changes in the market, natural calamities etc., or it could be your product, market entry strategy etc. It is invaluable to draw on these experiences and learn from your successes and mistakes when re-entering the market or developing another export market.

how New Zealand Trade and Enterprise can help

To assess your readiness to export, we recommend you score yourself using the interactive self-assessment guide at www.nzte.govt.nz/get-ready-to-export.

For businesses that are thinking about export, or that require further export preparation (scores below 70), we recommend the following programmes:

- The fully funded Enterprise Training programme designed to help develop and grow your business, complemented by one-on-one follow-up coaching with the course presenter.
- New Zealand Trade and Enterprise's Capability Building funding. This grant is designed to assist businesses and entrepreneurs to build business capability. Applicants can apply for co-funding for a range of activities including employing a business mentor, or employing the services of an external expert to help develop a business or marketing plan, complete a feasibility study, or conduct international quality standards certification.

Visit www.nzte.govt.nz to find out more about these programmes.

- Additional guides are available at www.nzte.govt.nz/develop-knowledge-and-expertise

For businesses that are well under way in their preparation for export (scores of 70 or more), we recommend any of the above the programmes as well as:

- New Zealand Trade and Enterprise's Market Development funding. This grant can be used for marketing-related expenditure related to entering or promoting a better position in an international market. For more details refer to www.nzte.govt.nz.

Please note market development activity in Australia is ineligible in respect of grants.

For businesses that are advanced in their preparation for export (scores of 90 or more), we recommend any of the above programmes. In addition we may be able to offer services and market intelligence to help you succeed in export, including:

- assistance with market selection and market entry
- valuable business contacts worldwide
- advice on export procedures and regulations
- overseas market research.

For further guidance or clarification please call New Zealand Trade and Enterprise on 0800 555

exporter information tools

888, email us at info@nzte.govt.nz, or visit www.nzte.govt.nz.

Preparing
an Export
Plan

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appendix: export plan template

Company Name:

Summary of Current Activity (including Export Activity and Interests)

Objectives and Goals

- When do you expect to regain your initial investment in export marketing?
- What are your expectations of exporting?
- Why are you pursuing export markets?

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Financial Resources

- How much are you willing to invest in export? – time and resources?
- How will you secure and allocate funds?
- How will you finance your growth?
- How long can you sustain the cost of your export effort before it begins to generate a profit?

Non-Financial Resources

- Does anyone in your company have export experience?
- If not, are you willing to hire new employees with knowledge of exporting?
- Do any of your employees speak foreign languages?
- What staffing levels will be required to meet exporting production goals?

Production Capacity

- Domestic and export capability
- Additional cost
- Seasonal fluctuations

Market Selection

- Potential Markets
- Market Assessment
- Target Markets

Product

- Import Restrictions
- Changes required to product

Pricing

- Market Positioning
- Competitor Analyses
- Pricing Strategy

Market Entry

- Market Entry Strategy
 - Promotional Strategies
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Action Plan

- Activities
- Objectives
- Responsibility
- Deadline
- Budget
- Review
- Further activities resulting

Review and Refine

- New information
 - Results
 - Experience
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