21 exporting tips

Tips and advice from exporting experts

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INTRODUCTION

While it may not seem like an easy time to be an exporter - the dollar is high and many of our biggest trading partners are still struggling - smart companies should be looking to take advatange of the global recovery by pushing into new overseas markets.

In fact, Australian exporters have a rare opportunity. Most local companies are in better shape than competitors from the Northern Hemisphere, and the strong Australian dollar means brave exporters have the chance to make offshore acquisitions at very good prices.

If you're considering a move into exporting, or are already operating overseas, we've compiled 20 tips from exporters and exporting experts to help take your business to the next level.

From advice on registering your trademark, writing an export plan, figuring out what tax breaks you're eligible for to building a great website, providing safe payment options and bargaining a better distribution deal, the following tips will help any successful business go global.

James Thomson
Editor, SmartCompany

TIP 1:

REGISTER YOUR TRADEMARK

What do Jetstar, Lenny, Ugg and Three Rivers Wine all have in common? They all forgot to check that they could safely use their names in overseas markets.

Many small business owners don't realise the importance of protecting their names and logos by registering trademarks in Australia. An even greater number make the mistake of registering trademarks locally but not looking at the bigger picture and ensuring that they are protected in their exporting ventures.

If you don't, someone else may register your name first – or worse, you may inadvertently breach someone else's trademark.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 2:

HEDGE YOUR BETS

In a world of fluctuating exchange rates, some exporters choose to undertake "hedging" in their contracts to mitigate against changes in the exchange rate. That is they may agree at a fixed exchange rate, or a fixed price into the future, or they may take out insurance against exchange rate risk. Some exporters also carry accounts in US dollars or Japanese yen as a "natural hedge".

According to research by Austrade and DHL, around 24% of large and 25% of medium-sized exporters engage in some form of hedging (compared to only 5% of small exporters and 4% of micros). So if you're a medium-sized exporter, hedging is clearly an option.

- Tim Harcourt, Austrade chief economist

TIP 3:

WRITE AN EXPORT PLAN

Before launching into drafting of legal documents, exporters need to produce an export plan. This plan should include all the things a normal business or strategic plan would include such as a SWOT analysis, cashflow projections, profit projections – but even more importantly, in export, a pricing strategy and even a disaster recovery strategy in case your manufacturer goes on strike or goes broke.

The exporter needs to consider the pros and cons of the type of relationship to be entered into with the importer and what each parties' rights and obligations will be under that type of relationship.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 4:

ESTABLISH A CHEAP FOOTHOLD OVERSEAS

The strong Australian dollar isn't exactly helping Australian exports at present, but there is one advantage - it increases the buying power of Australian companies looking to establish a foothold overseas by making an acquisition.

In many ways it's a perfect time to do this, particularly in North America, Britain or Europe, where business valuations have fallen sharply, leases are cheap and many markets are starting to show some signs of recovery.

Local companies that have been well managed in the last four or five years are relatively cashed up. What they weren't able to acquire five years ago because it was too expensive, they are now able to buy. This is an opportunity that won't be repeated for some time.

- Ian Murray, executive director of the Australian Institute of Export

TIP 5:

CHECK OUT YOUR REGION

As part of our commitment to exporting our services we decided to allocate one week out of every five over a two-year period to travelling to the Asian region in order to build client relationships and to following up on any leads.

Staff travel to Singapore and Hong Kong to meet with clients and attend to any enquiries. Importantly we also established "virtual" offices in both Singapore and Hong Kong – this further demonstrated our commitment to the region as well providing us with a base to operate from while in Singapore and Hong Kong. Once initial meetings with prospective clients had been held every meeting would be followed up with an email within 48 hours. In addition, clients were provided with requested information within one week.

- Andrew MacDonald, founder of Mieza Consulting

TIP 6:

GET AN EXPORT TAX BREAK

Exporters should investigate to see if they are eligible for the Export Market Development Grant, which provides grants for up to 50% of export promotion expenditures. You're eligible to apply for an EMDG if you've had annual income of not more than $50 million during the grant year and spent at least $10,000 on eligible export promotion activities during the grant year.

If you're a first time applicant, you may combine two consecutive financial years' expenses in the first EMDG claim to meet the $10,000 threshold. Companies with international subsidiaries involved in export market activity can be eligible, but the Australian entity must have paid for the expenses directly and show them in their financial statements. The lodgment date for the grant is 30 November and businesses should use tax-time to start preparing expenditure and trip reports, and other relevant information.

- Marc Peskett, partner, MPR Group

TIP 7:

CONSIDER APPOINTING AN AGENT

If you do not have much knowledge or experience of the territory you wish to exploit in your exporting ventures, you may consider appointing an agent to canvass sales for your product in the territory.

Unlike the relationships with distributors or licensees, which are principal and principal relationships or "independent contractor" relationships, the relationship between you and your agent will be much like the relationship you have with your employees here in Australia. You are responsible for their actions as they are acting on your behalf. The agent will canvass sales from either wholesalers or directly from retailers but the orders will come directly to you.

You will then pay the agent commission based on the sales. Agency arrangements work well in the fashion industry and in industries where merchandising in store is important, such as homewares, giftware, etc.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 8:

STICK THROUGH THE HARD TIMES

Companies prepared to export when times are tough will be best placed to profit when overseas markets turn. Foreign trading partners are also likely to remember those companies that stuck in there through thick and thin.

I think that came through in the Asian financial crisis - it's all about relationships. If you remain in there, you will probably be rewarded by your business partners because you stuck around when times were tough.

- Tim Harcourt, Austrade chief economist

TIP 9:

MAKE YOUR EXPORT WEBSITE ACCESSIBLE

Users today expect their web experience to be timely and intuitive. The usability of your website is important and will shape user perceptions of your business. A "clunky" shopping cart experience will colour the users' perception of your company and put your product/service in a negative light.

It is also important to make sure you should have no hidden costs when providing pricing information on your website. Make sure you disclose all information regarding warranty, returns policy and liabilities.

For markets where English is not the main language, you don't necessarily need to translate your whole website. Consider translating key pages (home page, product/service information, contact details) into the language of the user. Don't rely on computer translations: accuracy and cultural understanding is critical.

- Edwin Kuller, Austrade e-business adviser

TIP 10:

GO WHERE YOUR CUSTOMERS ARE

When we decided to open an office in Silicon Valley last February - in the middle of the worst financial crisis in 70 years - every customer and competitor questioned the move. They all said I was crazy - every single person, bar the board. But the decision was a mathematical calculation. Around 15% of our clients were in the US and because the Australian dollar was at US60c, that suddenly became 20%.

In a downturn, the key thing to do is to get close to your customers - and you can't do that from Australia. So it's not the time to be defensive. We saw it was more of a risk not to be there... and that's paid off for us really well compared to our competitors who went into their shells. We haven't laid off anyone, and we actually have six or seven positions open at the moment.

- Robert Castaneda, founder of Customware

TIP 11:

USE SAFE PAYMENT OPTIONS

Selling to clients in the same state, country, time zone and in the same language is hard enough. But exporting to foreign countries adds a whole new level of complexity to the mix such as currency fluctuation, shipping delays and non-payment. In fact, non-payment is one of the biggest fears for exporters.

Unfortunately for exporters, recent changes in world trade conditions have made managing cashflows more difficult. Increased competition between suppliers has meant that overseas buyers are now regularly able to demand, and obtain, "open account terms". These terms mean that shipments are paid for only when they arrive at the buyer's location – with no reliable guarantee of end payment.

So the following payment options can be used to safeguard your exports and still remain competitive: wire transfer, letter of credit, export debtor finance or credit card. Also, be clear on the terms of the transaction – such as the date by which you will ship the goods, the ports through which you'll be shipping, etc. Make sure you meet those terms because even a small delay or change could give the buyer a legal justification not to pay you.

- Rob Lamers, chief executive of Oxford Funding

TIP 12:

RESEARCH YOUR DISTRIBUTOR OR AGENT

Contact other companies they distribute for (especially Australian companies) and ask questions about them. Do they work hard, do they pay on time? It amazes me that this embarrasses people, but most people will happily share stories about their business, especially horror stories!

Ensure that the importer has similar business values to you. Ensure the importer has experience in the market.

Get the importer to sign a confidentiality agreement before sending them samples. And ensure that your local arrangements, especially for manufacturing, are as watertight as possible, prior to making any promises to fulfill orders.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 13:

GET IT IN WRITING

The distribution agreement is by far the most popular agreement in exporting. This is where the exporter arranges manufacture of the goods and appoints a distributor in a certain territory to market and sell the goods. It is similar to a wholesale transaction locally. This appointment may be exclusive or not.

The distributor buys the goods from the exporter and then has the responsibility to on-sell the goods to retailers.

Licensing agreements can range from selling someone a licence to completely exploit your intellectual property – so they design, manufacture, market and sell the product and you claim royalties – to selling someone a licence simply to manufacture or do any one of the things detailed above.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 14:

BARGAIN A BETTER DISTRIBUTION DEAL

Here's a mistake I see time and time again: New exporters giving away exclusivity at the drop of a hat because they believe that they may not find another interested importer and really just want to get the goods over there.

Every importer is going to ask you to be an exclusive distributor of your goods in their territory.

But a word of warning – exporting is like being at a Hong Kong night market – you have to bargain!

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 15:

DON'T RULE OUT FRANCHISING

The Wiggles model for "going global" was the franchising model rather than traditional exporting and importing.

According to Austrade/Sensis research, around 9% of small- and medium-sized enterprises (SMEs) who go global choose the franchising option.

However, anecdotal evidence seems to suggest that franchising may be a popular "market entry" strategy for many Australian businesses in the future. We're already seeing some trends in this direction.

For example, take Boost Juice in Mexico, Bakers Delight in Canada and food and beverage brands like Gloria Jean's and Cookie Man in India.

Bakers Delight is doing well in Canada and the Wiggles model for "going global" was the franchising model.

- Tim Harcourt, Austrade chief economist

TIP 16:

MAKE SURE YOU GET PAID

The easiest way to ensure payment is by asking for it upfront before you start to manufacture, but obviously this does not always work. One payment option is by letter of credit or documentary credit.

Documentary credit has two meanings – it refers to the actual document of undertaking issued by the bank at the request of an applicant (the buyer) to pay the seller a sum of money under specified conditions. Second, it refers to an arrangement for effecting payment in a transaction under which the bank acts as an intermediary between the seller and the buyer as a provider of finance to the buyer or a guarantee to the seller.

The tricky thing with documentary credits is that to enforce them is a matter of strict liability. If conditions of the documentary credit are not satisfied, the bank will not pay. This is where freight forwarders come in.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 17:

WRITE A WIN-WIN AGENT CONTRACT

Normally, clients are tempted to just bombard future agents with a list of demands before they have had the chance to gauge the values and experience of the agent. This can scare the agent off.

These are the things one client did well:

He and the agent came to a loose agreement in relation to the terms of the agency. You should never commit to anything in those initial overseas meetings because many get trapped by making promises they can't keep when caught up in the romanticism of an overseas jaunt!

The client then asked the agent for a copy of any existing agency agreements they had in place with sellers.

Armed with his wish list, he was then able to compare his list with the "norm" in the agent's mind. He decided on some additions and changes and they talked them through. Making reference to an agreement the agent was accustomed to helped soften the blow of introducing minimum sales targets. My client also asked the agent to give him the minimums and they took it from there.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 18:

MAKE SURE YOU COVER THE BIG MARKETS

We have quite a kind of dispersed sales force. For example, in the United States we have people in California, New York and Florida and so rather than having one big office with a whole bunch of people in it, we have people dispersed closer to where the customers are. It's worked well for us.

I think places like the United States you do have a three hour time difference and there's definitely value in meeting face-to-face with big customer prospects and so on. So by dispersing the work force in that way we're able to work around the time zones better and also be closer to our customer base.

- Rahmon Coupe, co-founder of YourAmigo

TIP 19:

LIMIT YOUR RISK

Risk in an international sale is higher than in a domestic sale because the sale involves parties from different countries, using various means of transportation, plus the sale is also exposed to many political risks such as civil unrest, military coups or natural risks like floods or hurricanes.

When and how risk passes is normally encompassed in the Incoterm you choose to incorporate in your contract of sale.

If you do not incorporate an Incoterm into your contract of sale and you have stipulated that the laws of Australia govern your contract, then the "sale of goods" legislation of your state will apply to your contract.

You should ensure that you have a solid understanding of the Incoterms you choose to use and ensure that you make reference to the Incoterm in a written contract.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 20:

CONSIDER SHAPE TRADEMARKS

Considering shape trademark registration in addition to a name or logo registration, especially when moving into international markets, affords you the ultimate protection. When considering trademarking for your goods and services, don't forget that what makes your product distinguishable from the others could be the shape, the packaging or the colour.

There are other criteria that you will need to satisfy to obtain a shape or colour registration, namely that the shape or colour must be used as a trademark in its own right.

If using a shape, you need to be able to recognise the goods and services from the shape alone. Toblerone have done a great job of this with the ads showing faces with a triangle sticking out of their cheeks. We know it is Toblerone even without seeing the name.

- Lynda Slavinskis, principal of export consultancy law firm Lynda Slavinskis Lawyers

TIP 21:

USE NETWORKS

Business Club Australia is a free membership-based business matching program that helps to create international business opportunities against the backdrop of major sporting events.

BCA has held over 260 networking events in Australia and overseas. There are around 8,500 members – with some 37% located off shore – and the BCA program has facilitated over $1.7 billion in trade and investment deals since 2000. That certainly shows the economics of networking – or 'the power of schmooze' – works in practice.

- Tim Harcourt, Austrade chief economist

Going Global

One of the reasons that Australian businesses choose to export to foreign markets is to generate additional profits. With the lure of significant extra return on offer, many business owners rush into exporting before they fully understand the complexities that may arise.

One of those complexities involves accurately forecasting cashflows. Even when a business is generating a high volume of sales in their chosen market, a common complaint is that there simply isn't enough cash available when it's needed.

Exporting adds an extra complexity to normal business cashflow, due to time involved in receiving the payment from your customers.

Typically, your cashflow starts when you purchase the raw materials to start production. You then pay all the production costs, transport costs and, finally, you receive the cash back from your customer. Throughout this entire period, you need to support normal business operations, and the longer it takes to get from your initial purchase to the point the customer pays, the harder it is to take advantage of the opportunities that exist within the market place.

For all businesses, a healthy cashflow cycle is the key to long-term sustainability. This is why it's important to develop an accurate cashflow forecast. With a cashflow forecast, an exporter has the ability to track their cash position over the coming year. This provides a level of certainty for the exporter around when there will be surpluses, but also highlights cash shortfalls.

Once you have an idea about what your cash position is likely to be at any given point of time, you can then start to put into place strategies that can maximise your available cash, and minimise the shortfalls that exists in your business.

For example, when you have a cash surplus, you are typically faced with three choices.

Firstly, you can keep that money aside for the next shortfall that comes up. Secondly, you spend that cash. Finally, you could choose to invest that surplus to generate some additional income.

Alternatively, you may have cash shortfalls. Once again, you have three options available. Firstly, you can borrow to cover the shortfall. Secondly, you can source new funds into the business from investors. Finally, you could find simple efficiencies within the business that can reduce the amount of the shortfall that you have. For example, you could look at your debtor management practices and identify ways that you could speed up your debtor payments, like implementing useful technology-based solutions, such as pay gateways, or by adopting a policy of cash up front from your customers.

Whether you have surpluses or shortfalls, having a plan that clearly outlines these provides you with the confidence to make effective financial decisions within your own exporting operation.

To provide exporters with the best information possible, Westpac has developed Going Global.

Going Global is a one day workshop that highlights the challenges faced when trading internationally, such as the added stress on your cash flow.

More importantly, the workshop identifies potential solutions that make your job easier.

During the workshop we'll help you learn how to:

- Identify the business resources required when trading internationally.
- Assess the associated risks.
- Use international payment facilities and understand how these can assist your cashflow.
- Understand and apply Incoterms.
- Develop a series of action plans so learnings can be put to work the next day.