



# PROFIT

promoting regional opportunities  
for investment and trade

## **Planning internationalisation**

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# Planning internationalisation<sup>1</sup>

## 1. Introduction

As with many other aspects of business, the key to success in international trade and investment is careful preparation and planning. It is possible to gain some export<sup>2</sup> business without any real planning but, assuming you want to develop worthwhile and profitable export business as part of your overall business growth, then it is better that you ensure you are in control rather than leave your future in the lap of the gods.

Planning is about knowing where you want to get to, examining your options and deciding on the most appropriate route to get there, considering the problems you might encounter on the way and how you will deal with them, then determining what needs to be done, when and by whom. Few plans, if any, are absolutely right first time. Unforeseen problems can occur, or some piece of information is found to have been misleading, or an assumption turns out to have been a little wide of the mark. Therefore, monitoring and reviewing of progress needs to be part of the planning process to make sure you can spot the problems early and make whatever adjustments are necessary to keep heading in the right direction.

In many ways, planning export development activity is very similar to the normal business planning process with which you should already be familiar. However, export development raises new issues that a typical business planning exercise would not necessarily cover. It also requires more extensive consideration of particular issues because of important differences between operating in your home markets and serving export markets.

## 2. Export marketing is different

The UK based Chartered Institute of Marketing offers the following definition of marketing: *“the management process responsible for identifying, anticipating and satisfying customer requirements profitably”*. This definition looks like it could just as easily be applied to export markets as to home markets and indeed it can. On the surface then, there seems to be very little difference between the two. In both cases there is a clear need for research and analysis to interpret what is happening in the marketplace, spot trends, identify potential

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<sup>1</sup> This factsheet is based on material originally published in *Exporting for the First Time* by Graham Smith & Paul Sampson and edited by Colin Weatherspoon & David Irwin, copyright Project North East, 1996, and used with permission.

<sup>2</sup> This factsheet tends to talk about ‘export’ and ‘exporters’ as shorthand for businesses that intend to engage in international trade or investment, on the basis that the business intends to sell something in an international market.

customers and understand what they want. Satisfying those customers depends on developing appropriate products and services, producing them efficiently, getting the pricing right, promoting and selling effectively, and making sure the distribution systems are in place to deliver the product or service on time to the right place.

Nonetheless, there are notable differences that any aspiring exporter needs to consider when planning. The important differences mainly stem from two factors — the distance from home base to market and the fact that a new export market is, by its very nature, a step into the unknown.

### **3. Distance**

An obvious issue arising from the distance factor is the distribution cost. Transporting goods to export markets is obviously more expensive than the cost of delivering to home markets. Service businesses do not escape from this issue since the distribution issue becomes one of servicing the market. That translates into additional costs for travel when dealing with clients in other countries and shipping any necessary equipment or other items involved in delivering the service. You will need to take account of these costs when determining pricing and profit margins.

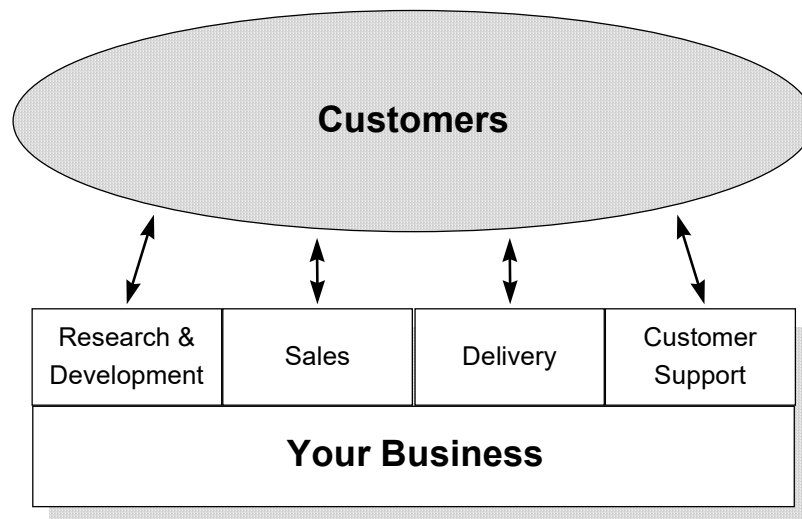
Delivery cost may not be the only distribution issue you will face. Once you have decided on a target market, you may find there are new rules and regulations on handling and import control with which you will have to cope. There will also be the extra administrative paperwork to handle which may have implications for staff resources.

Greater distance also means that it takes longer to get to the customers. Sales visits and customer care activity are likely to create a need for you and/or your senior management to be away for extended periods. This may have implications for the way the business is managed on a day-to-day basis and will certainly call for a great deal of teamwork and commitment from all concerned.

Perhaps one of the most important issues that the distance factor raises is the way in which your business interacts with customers. A common organisational structure for dealing with home market customers is shown in Figure 1. This portrays a firm with the main functions that deal with customers being part of, and directly controlled within, the business.

Figure 1: Typical home market approach

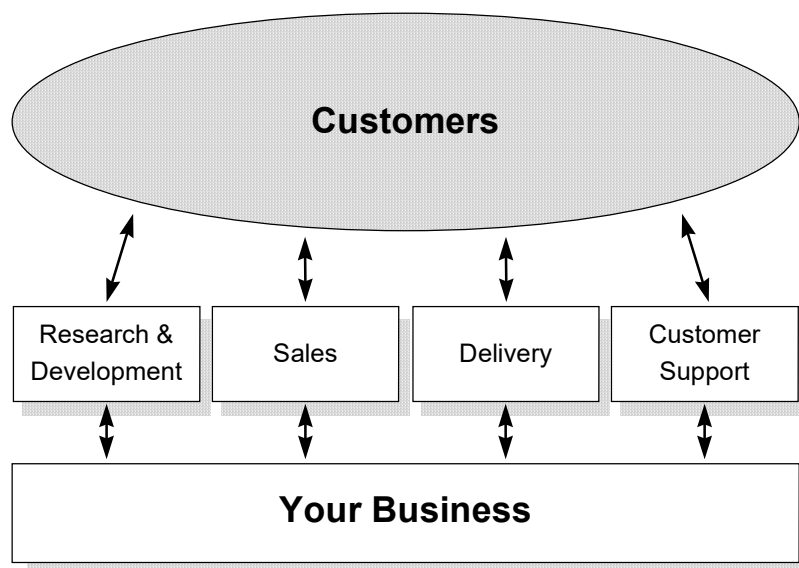
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For many firms looking at exporting for the first time, retaining this type of arrangement may not be viable. You may need to think about using one or more third parties for some of these functions resulting in a structure possibly like that shown in Figure 2.

Figure 2: A possible export market approach

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It may not be necessary to use third parties based in the specific market for all the customer relation functions. You may wish to think about other options such as selling to distributors who buy from you and sell to their customers or setting up a presence in the export market — either directly or with a joint venture partner based in that country. Whatever approach ultimately proves to be right for your business will depend on the outcome of careful investigation and consideration of the various options at an early planning stage.

## 4. The unknown

New markets represent unfamiliar territory and none more than export markets. When dealing with home markets we often rely a great deal on a “gut feel” for what we think will sell and what will not, which marketing techniques will work and how best to present our sales message and product. This is largely possible because the customers are often the same people we see every day — at work or in the shopping centre or at the sports club. Furthermore, we are likely to be very familiar with the competition, read about them in the trade press, had plenty of opportunity to check out their products, and may have even worked for them sometime in the past. Unfortunately, we do not have those advantages of familiarity, experience and years of accumulated knowledge when looking at a new export market.

Prospective customers in your export market are unlikely to watch the same TV programmes, read the same newspapers or enjoy the same pastimes. Despite our “shrinking world” there are still important cultural differences which exist between different countries and these can have a major effect on all aspects of exporting activity — understanding what motivates customers and why they buy what they buy, coping with differences in business practices, meeting local rules and regulations and so on. It’s possible that you will have never heard of many of your potential competitors in the export market and the way the market operates might be totally different to that with which you are familiar. So, any aspiring exporter must view careful and thorough market research as a vital part of the planning process if potentially expensive mistakes are to be avoided. This is well illustrated by the UK car manufacturer, Vauxhall, introducing a new model – which they called the Nova – and a decision to sell under that name in all European countries. This became a problem since in Spanish, “No va” means “won’t go”!

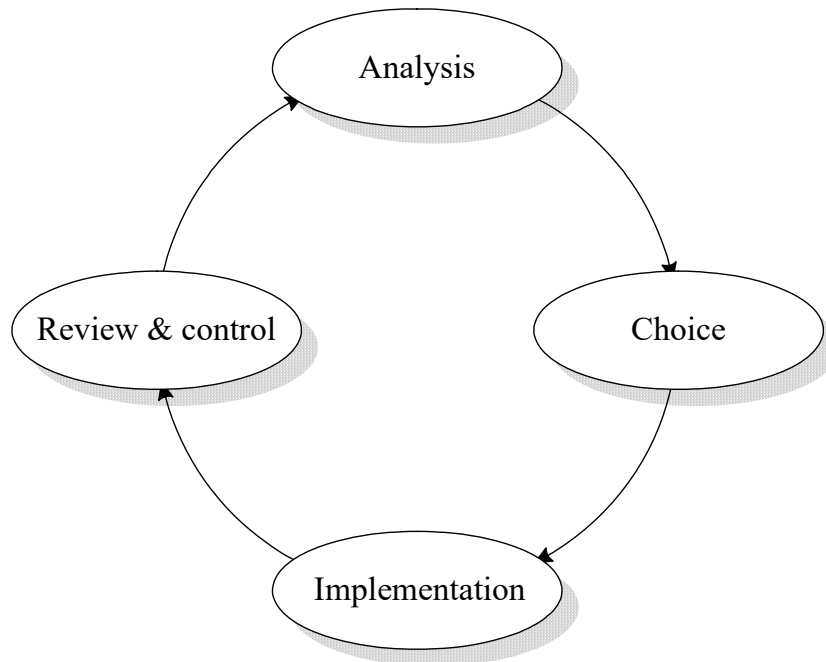
## 5. The planning process

Hopefully, you will now have recognised that there is a great deal to think about and a lot of planning and preparation to do before you get close to obtaining those first orders from your new export market.

A key principle of planning is that it is cyclical. It is not something you do once, then put it aside and get on with the job. Planning is much more effective if you decide on your overall goals and the basic approach to achieving them — the direction you want to take and an outline route — then divide the overall approach into manageable stages with clear objectives for the outcome of each stage — milestones to mark your progress towards your overall goals. You can then work through a planning cycle for each stage, covering it in more detail, and retain the flexibility to use the emerging outcomes of one stage to contribute to the planning of the next stage.

Figure 3: The planning cycle

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The four steps in the planning cycle are shown in Figure 3. As with most circles there is no real beginning or end. The 'last' step of the previous cycle, review and control, provides the starting point for the analysis step of the next cycle. Analysis is about gathering and interpreting information to enable you to determine your options. Choice is concerned with assessing those options, deciding which is the preferred option and determining what action needs to be taken to progress with that choice. Having put the plan into action, the last step in the cycle is to review progress against your initial objectives and firm up on what needs to be done in the next cycle.

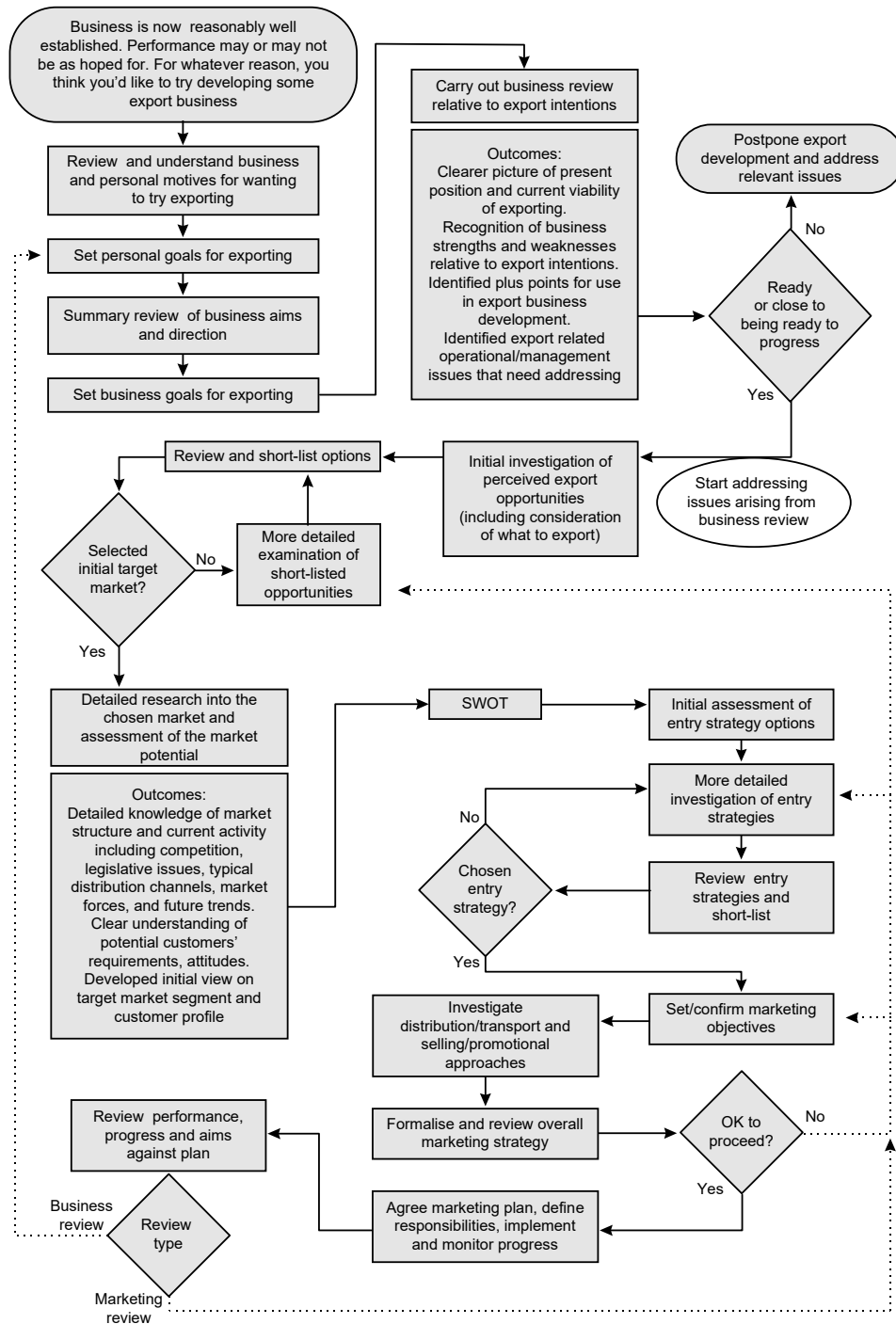
Thinking in terms of what needs to be done to develop export business, the above model provides a basis for defining the main stages in the overall export planning process. They are:

- Review the present position of the business relative to the exporting intentions and decide where the most appropriate export opportunities might be.
- Make a detailed investigation of the chosen export market to obtain a clear idea of the market entry options.
- Determine which is the most appropriate approach to entering the export market and establish the plan of action.
- Implement the marketing plan to achieve the pre-determined objectives.
- Review progress, instigating any necessary adjustments to keep progressing in the desired direction.

# 6. A framework for planning

The chart shown in Figure 4 expands on the main stages noted above and, taking account of the earlier comments on important issues for export planning, sets out a general framework for undertaking planned export development activity.

Figure 4: Export development framework



You will have no doubt noted that the chart starts at the point of clarifying personal motives for wanting to develop into export markets, examining the overall growth objectives for the business, and considering how exporting might fit in with those objectives. This is important for very small businesses though will be less important for businesses that have already started to grow and perhaps have expanded to the point where they have a management team in addition to the founder.

The next step is to conduct a thorough review of the present position of your business in relation to your export intentions. You need to consider fully the implications of becoming an exporting business, interpret your findings and make a realistic assessment of how ready the business is to take on this major challenge. If the answer turns out to be “not yet” then you would be well advised to postpone progress down the exporting route until the areas in need of attention, identified from the review, have been addressed. However, if you are happy that the time is right then the next step is to begin to evaluate your export opportunities.

You may be convinced that there are many opportunities in many different countries but trying to service too many markets can lead to major problems. It makes much more sense to concentrate on establishing yourself in one initial market so that you can be sure of retaining control and not over-stretching resources. Once that part of the business is generating income then you can afford to move on to the next new challenge. At this point you should also be starting to crystallise your idea of precisely what you expect to be exporting.

After you have made your initial assessment and selected a promising market opportunity you need to begin your detailed investigation and gather as much relevant information as possible. A companion factsheet [add fs name] will help you focus your efforts on the important areas your research needs to cover, provide pointers to useful sources of information and offer advice on interpreting your findings.

Having completely satisfied yourself that you are about to become the biggest and most successful exporter of all time, it's time to decide exactly how you are going to do it. This is the point at which you define your market entry strategy — your statement of intent together with an outline of the approach you will take. Many of those new to exporting tend to limit initial consideration to either direct selling into the market or the possible use of agents or distributors, though there is a much wider range of options [add fs name].

When you are sure you have got the basic strategy right you begin to move into the implementation phase. The first task is to confirm your marketing objectives, formalise your marketing plan and set review dates to measure progress against your defined objectives. These should be set out in a marketing plan [add fs name].

At this point you are likely to have resolved most of the customer, product and basic pricing issues as part of your previous research. Typically, at this point, the remaining concerns are



to do with the finer points of delivery mechanisms and costs, deciding on effective methods of selling and promotion and the terms to be used for doing business.

Of course, all this would not be possible if there was insufficient finance to cover the development costs and provide enough working capital to fund the anticipated growth [add fs name].

## 7. Timescales

One question which may have arisen in contemplating the above is: “How long does all this take?” That is a very difficult question to answer. It is not unknown for a company to race through the development process and be winning its first export orders within six months. Some companies have found that, because of their particular circumstances, it was well over 18 months before they were ready to begin initial discussions with prospective customers. Clearly, it can vary enormously but probably the best advice is to be committed to achieving significant progress within the first 9 - 12 months, but not to expect miracles.

## 8. Conclusion

Deciding to develop into export markets can be viewed as starting up a new business all over again. It requires at least as much careful thought and preparation as you applied when you first started — if not a great deal more. This time round there is probably more at stake. On the other hand, it can open a whole new market increasing your turnover and spreading your risks.

Planning is a vital ingredient for success in exporting and, in turn, a key contributor to effective planning is having good reliable information to enable you to decide where you want to go and how you can get there. We hope you find the development framework covered in this chapter, and the advice, guidance and practical information provided in the rest of this book, gives you a good base to work from but most of it will be up to you. You will need a great deal of commitment and determination and be prepared to do a lot of hard work but the results can be extremely worthwhile.

Exporting for the first time represents a big step into the unknown. Some aspects may seem a little frightening at first but overall it also represents a new, exciting and challenging opportunity that can be very rewarding and a lot of fun.

Use the table on the next page to summarise all your planning requirements and use it as a checklist as you progress.

NB Would welcome ideas on additional content for the table!!

**Figure 5: Summary of planning requirements**

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**Requirements**



Selected a market

Clarified product or service to offer for sale

Considered and selected market entry strategy

Identified potential partner businesses

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