Chapter 1 Starting Export

Introduction

How to Start Export is a fair question that every first time exporter wants to ask. Export in itself is a very wide concept and lot of preparations is required by an exporter before starting an export business.

A key success factor in starting any export company is clear understanding and detail knowledge of products to be exported. In order to be a successful in exporting one must fully research its foreign market rather than try to tackle every market at once. The exporter should approach a market on a priority basis. Overseas design and product must be studies properly and considered carefully. Because there are specific laws dealing with International trade and foreign business, it is imperative that you familiarize yourself with state, federal, and international laws before starting your export business.

Price is also an important factor. So, before starting an export business an exporter must considered the price offered to the buyers. As the selling price depends on sourcing price, try to avoid unnecessary middlemen who only add cost but no value. It helps a lot on cutting the transaction cost and improving the quality of the final products.

However, before we go deep into "How to export ?" let us discuss what an export is and how the Government of Indian has defined it.

In very simple terms, export may be defined as the selling of goods to a foreign country. However, As per Section 2 (e) of the India Foreign Trade Act (1992), the term export may be defined as 'an act of taking out of India any goods by land, sea or air and with proper transaction of money".

Exporting a product is a profitable method that helps to expand the business and reduces the dependence in the local market. It also provides new ideas, management practices, marketing techniques, and ways of competing, which is not possible in the domestic market. Even as an owner of a domestic market, an individual businessman should think about exporting. Research shows that, on average, exporting companies are more profitable than their non-exporting counterparts.

Why Need to Export

There are many good reasons for exporting:

The first and the primary reason for export is to earn foreign exchange. The foreign exchange not only brings profit for the exporter but also improves the economic condition of the country.

Secondly, companies that export their goods are believed to be more reliable than their counterpart domestic companies assuming that exporting company has survive the test in meeting international standards.

Thirdly, free exchange of ideas and cultural knowledge opens up immense business and trade opportunities for a company.

Fourthly, as one starts visiting customers to sell one's goods, he has an opportunity to start exploring for newer customers, state-of-the-art machines and vendors in foreign lands.

Fifthly, by exporting goods, an exporter also becomes safe from offset lack of demand for seasonal products.

Lastly, international trade keeps an exporter more competitive and less vulnerable to the market as the exporter may have a business boom in one sector while simultaneously witnessing a bust in a different sector.

No doubt that in the age of globalization and liberalizations, Export has became of the most lucrative business in India. Government of India is also supporting exporters through various incentives and schemes to promote Indian export for meeting the much needed requirements for importing modern technology and adopting new technology from MNCs through Joint ventures and collaboration.

Chapter 2 Basic Planning For Export.

Introduction

Before starting an export, an individual should evaluate his company's "export readiness". Further planning for export should be done only, if the company's assets are good enough for export.

There are several methods to evaluate the export potential of a company. The most common method is to examine the success of a product in domestic market. It is believed that if the products has survived in the domestic market, there is a good chance that it will also be successful in international market, at least those where similar needs and conditions exist.

One should also evaluate the unique features of a product. If those features are hard to duplicate abroad, then it is likely that you will be successful overseas. A unique product may have little competition and demand for it might be quite high.

Once a businessman decides to sell his products, the next step is to developing a proper export plan. While planning an export strategy, it is always better to develop a simple, practical and flexible export plan for profitable and sustainable export business. As the planners learn more about exporting and your company's competitive position, the export plan will become more detailed and complete.

Objective

The main objective of a typical export plan is to:

- 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.

For a proper export planning following questions need to answered:

1. Which products are selected for export development?
2. What modifications, if any, must be made to adapt them for overseas markets?
3. Which countries are targeted for sales development?
4. In each country, what is the basic customer profile?
5. What marketing and distribution channels should be used to reach customers?
6. What special challenges pertain to each market (competition, cultural differences, import controls, etc.), and what strategy will be used to address them?
7. How will the product's export sale price be determined?
8. What specific operational steps must be taken and when?
9. What will be the time frame for implementing each element of the plan?
10. What personnel and company resources will be dedicated to exporting?
11. What will be the cost in time and money for each element?
12. How will results be evaluated and used to modify the plan?

From the start, the plan should be viewed and written as a management tool, not as a static document. Objectives in the plan should be compared with actual results to measure the success of different strategies. The company should not hesitate to modify the plan and make it more specific as new information and experience are gained.

Some "Do's and Don'ts of Export Planning

DO ensure your key staff members are 'signed on' to the Plan.
DO seek good advice – and test your Export Plan with advisers.
DON'T create a bulky document that remains static.
DO review the Export Plan regularly with your staff and advisers.
DO assign responsibility to staff for individual tasks.
DON'T use unrealistic timelines. Review them regularly – they often slip.
DO create scenarios for changed circumstances – look at the "what ifs" for changes in the market environment from minor to major shifts in settings. e.g. changes of government, new import taxes.
DO develop an integrated timeline that draws together the activities that make up the Export Plan.
DO make sure that you have the human and financial resources necessary to execute the Export Plan.
Ensure existing customers are not neglected