

Export Essentials

A brief guide to growing your business internationally



Wherever you want to take your business next, it's good to know you're on the right track.

Whether you're thinking about doing business internationally, or you're a seasoned exporter considering new markets, it's important to have the essentials in place to give you the best opportunity for success.

The stakes are high, and doing things the right way at the start can save you valuable time and money in the long run.

To help you get started, we've taken some of the best bits from our Export Essentials Guides and put them into one handy resource, so you can get a quick picture of what you need to think about for success in international markets.

To get more detail on any of these topics, check out the relevant Export Essentials Guides or register for one of our Export Essentials Workshops near you.



Contents



SECTION 1

Value Proposition and Market Fit

Once you've identified a potential market, you need to make sure there's a real opportunity for your product or service. That starts with understanding your value proposition and testing it to establish a market fit.



Your value proposition is a statement of the unique benefits that customers get from your product or service which they can't get anywhere else. This is the fundamental thing that your customers are actually paying for.

Shorter is better with value propositions. You should be able to explain what a customer will get from buying your product or service in a single statement.

Getting the most from your value proposition

Your value proposition is a very powerful selling tool. Once you've defined what it is, put it to work across all of your marketing efforts internationally.

Make sure it's at the heart of your sales campaigns, and up front and centre in your sales and marketing collateral – including your website and social media channels.

The more consistent you are with using your value proposition, the faster your potential customers will get the message.

Confirm your market fit

Once you know your value proposition, you're ready to confirm whether there's a market fit between what you're offering and what potential export customers want.

Not all markets are like New Zealand, and customers can differ from country to country, city to city, or even suburb to suburb. You might find you have to modify what you offer to fit the market, or that there isn't an opportunity for what you offer at all.

Tip: good value propositions make great sales pitches. Decision-makers want to know what they will get out of your product or service, rather than its technical features.

Knowing your customers

One of the most important steps in confirming market fit is talking to and understanding your customers.

Once you've determined that there's a potential market for your product or service, you'll need to answer some key questions about your potential customers before entering the market:

- How much will they pay?
- How do they buy?
- Who and where do they buy from?
- Who influences their buying decisions?

These are just some of the things you'll need to think about to understand your value proposition and market fit.

For more on this topic, check out the Export Essentials Guide – Value Proposition & Market Fit



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understanding-your-value-
proposition](https://nzte.govt.nz/export-assistance/export-essentials-guides/understanding-your-value-proposition)

SECTION 2

Market Research

Market research helps you make better international business decisions right from the start – and reduces the risk of expensive mistakes.



Market research will help you decide which markets will get you the best returns for your investment, and which ones you should tackle first. It takes a lot of uncertainty out of your decisions, because you'll have a complete picture of how a new market works before you commit money and resources.

There's no point spending large on an overseas trip before you know some kind of opportunity exists.

Do your secondary research first

The first step in researching any new market is to gather basic information. You'll need to find out all about import duties, regulations, distribution channels, competition, market size and potential growth, demographics, and local production.

This will enable you to assess opportunities in the market, and work out what it will cost to go after them.

Four stages of effective research

Staging your secondary research is the best way to save time and effort, and make sure you're spending time on the research that's most likely to pay off.

Instead of doing everything at once, split the job up into four stages, treating each one as a go or no-go point for the next stage:

- 1. Entry barriers** – can you enter the market?
- 2. Market attractiveness** – is it a good place for doing business?
- 3. Market opportunity** – is there a real opportunity for what you offer?
- 4. Paths to market** – do you have a suitable way to reach customers?

Tip: Before heading overseas, focus on a shortlist of markets with the most potential, tackle your research step by step, and rank the most promising options.

Build your shortlist

Once you've worked through all the research stages for several possible markets, you can start to build a shortlist and work out which market will be your top priority.

You should come out of the process with a front-runner market. If everything looks good, it's time to get on a plane and get to know the market first hand.

Primary research – exploring the market first-hand

The best way to get a feel for what's happening is to get your boots on the ground and go for a visit. This will also give you a chance to check out the competition, their pricing and distribution channels, and how you're going to compete with them.

You should be a lot better informed by the time you head home from your initial market visit – so take note of what you still need to do before launching your export venture and taking the next step in your export plans.

These are just some of the things you'll need to think about when researching markets.

For more on this topic, check out the Export Essentials Guide – Market Research



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SECTION 3

Channel Partners

Selling your product or service in a new market means you'll need to consider a range of channel options based on your business needs.



It might seem obvious, but it's important: make sure you've researched the market. You can't choose the right channels without understanding the market and knowing your potential customers.

Knowing how they buy, where, and when is essential, so you can tell which channels are worth considering for your business – and which ones will be a waste of time and effort.

Many exporters rely on the knowledge of agents or distributors, but you need to have a good understanding of the market too.

Common channel options

Choosing the right channel to market will come down to the size of your company and its resources – and in particular your cash reserves. Different markets may also need different approaches, so if you're looking at going into multiple markets, you may need to mix and match your options.

Agents and distributors

By far the most common channel options for New Zealand exporters targeting a new market. With an agent, you technically “own” the customers and can generally control who your agent sells to. With a distributor, the customers are buying from the distributor and not you, so you don't have direct control over pricing or where your products are sold.

Overseas offices

Setting up an overseas office means you can act as your own importer or distributor in-market.

Direct selling

Depending on your product or service, you may be able to sell directly to customers in-market (this is usually via online sales).

Licensing

Licensing involves your products, services or technology being made available for production or replication by another company.

Franchising

Franchising involves licensing your entire business format. You give each licensee all the information they need to run an exact copy of your business, in return for a royalty based on a percentage of their sales.

Royalties

Royalties involve selling your intellectual property to someone else to manufacture a product on your behalf or incorporate your products into something else they're already manufacturing.

Tip: If your channel partner holds all the knowledge about your market and customers, they effectively own your export business – and you'll lose a lot of control over your future growth.

Looking for channel partners

If you decide to work through an in-market channel partner, start by putting together a list of potential candidates. This could include distributors, importers, brokers, or local producers of similar products. Look extra closely at companies that specialise in the market you're targeting.

Build a partner shortlist

Take your time. Finding the right people to represent your business in a new market is critical to your success. Choosing the wrong people will cost you.

Do your due diligence

As well as protecting your business, due diligence demonstrates that you're serious about the market, prepared to spend time and money doing things right, and committed to making your channel partner relationship successful.

Appointing a channel partner

When you appoint a channel partner, you're generally entering a legally binding agreement. Make sure you consult a legal advisor with knowledge of the market you are dealing in.

These are just some of the things you'll need to think about when selecting a channel partner that is right for you.

For more on this topic, check out the
Export Essentials Guide – Channel
Partners



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partner-options](https://nzte.govt.nz/export-assistance/export-essentials-guides/understanding-your-channel-partner-options)

SECTION 4

In-market Competitors

To succeed in any export market, you need to know your local competitors in detail – who they are, what they offer, and where there are gaps in the market that you can fill.



When you're working out who your competitors will be, try to keep an open mind. Remember, you're competing with any product or service that end customers use to solve the same problem. In export markets these can be totally different to what you would expect in New Zealand.

The more you know about your competition, the easier it will be to make sure your product or service will actually work in the target market. Try benchmarking your business against competitors to work out how you should position yourself.

Understanding your competitive advantage also makes it easier to communicate it to potential customers.

Building a list of competitors

One of your first steps is to understand what your competitors offer and where the gap in the market is – that's where your opportunity lies.

Read through your competitors' websites carefully to see what they're up to and how they present themselves.

Getting closer on the ground

Once you've gotten as much information as you can from research, use your first market visit to get deeper insights and really get close to your competitors.

Walk the shows

Make a list of key trade shows, exhibitions and conferences, and go along as a visitor. Visit your competitors' stands, check out their offerings and their marketing materials, and watch how they deal with potential customers (and who comes to visit).

Take a look in-store

If you sell consumer products, make some time to visit local retailers who sell similar products (or possible substitutes) to yours. You can learn a lot from where a product sits in-store, and what else is stocked nearby.

Tip: A list of competitors is just part of your market research when tackling a new market – so make sure you have the full story before you get on the plane to take a look.

Visit your competitors

While visiting the market, you might also be able to visit your competitors directly to find out exactly who you are up against.

Can you work with your competition?

If you're faced with a strong competitor that will be hard to tackle directly, it's worth thinking about the possibility of working with them rather than against them. You might be able to achieve greater market penetration at less cost by finding an arrangement that will benefit you both.

Making the most of your networks

Other businesses and exporters can offer valuable insights into the level of competition in your target market. Start with your existing contacts, including business associates and legal or banking advisors, and ask them for recommendations of people to talk to.

These are just some of the things you'll need when thinking about your in-market competitors.

For more on this topic, check out the **Export Essentials Guide – In-market competitors**



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competitors](https://nzte.govt.nz/export-assistance/export-essentials-guides/understanding-your-in-market-competitors)

SECTION 5

Capability and Capacity

Before you commit to international markets, you need to look at where your business is at in terms of capability and capacity – so you can make sure you're ready for the challenges that come with export growth.



When looking at your capability and capacity, there are three key signals that can tell you that your business is on its way to being export-ready.

- 1. You have access to the resources you need to succeed.** Going international and doing it well takes money. You'll need strong financial resources to fund market research, product or service improvements, travel, international marketing, and much more.
- 2. Your management team is committed to export and has plenty of time to devote to new markets.** Developing international business takes more management time than growing sales at home. You'll need your whole management team involved – not just the CEO or sales manager.
- 3. You've got a strong domestic business.** Most (but not all) successful exporters are already successful at home. A solid local business means you've got well-tested business processes, market validation for your product or service and a source of essential cash flow and working capital to invest in overseas markets.

Capability – people and skills

You need the right people and skills within your business to support your export growth, from your management team to the people who actually deliver your product or service.

Think about your growth plans and what they mean for your business – six months, one year, two years, and further out. Who will you need to bring on board over this time, and where will they be located? What roles will they be doing?

Capacity – systems and resources

When making export sales, you've got to be sure you can deliver on time, on budget, and at the quality level your customers expect.

Big orders or high-value contracts are great, but can stretch your resources to the limit if you're not ready – so don't commit yourself unless you can follow through.

Tip: Ask your suppliers the same questions that you'd ask of your own business. Do they have the capacity, willingness and finances to scale up and deliver reliably?

Ask yourself – can you deliver?

Think carefully about what your business can handle and what you'd need to do to ramp up product or service delivery for international markets.

Considering manufacturing overseas? What benefits might you get from using a supplier that's closer to your export market (or based in it) – and what risks would there be?

These are just some of the things you'll need to think about when committing to international markets.

For more on this topic, check out the **Export Essentials Guide – Capability and Capacity**



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and-capacity](https://nzte.govt.nz/export-assistance/export-essentials-guides/understanding-your-capability-and-capacity)

SECTION 6

International Compliance

Trading rules, product standards and regulations can be very different from country to country. Protect yourself and your business by meeting all the relevant rules before you launch.



Non-compliance in an overseas market won't just slow down your market entry and growth – it can put your whole business at risk. If you don't meet the regulations of the country you're exporting to, you're likely to face delays, extra costs, legal action, or even prosecution if the breach is serious.

Build your compliance checklist

For each product you sell, and each market you're selling it in, build a checklist of all the compliance requirements you'll need to consider and work through it piece by piece.

Finding answers on compliance

International compliance and regulations can be complicated, especially when you might have requirements to meet at national, local and customer level at the same time. Try to learn as much as possible, but don't attempt to do it all yourself – it's always best to work with professionals to help manage the process.

Compliance costs

You might have to spend money on equipment, software or specialist advice to be compliant for your export market, or make some changes to the way you produce your product or service. Make an allowance for these costs when you're putting together your export plan and budget – and make sure you also take taxes and tariffs into account when working out your pricing.

Product standards

It's essential to make sure your product complies with the relevant standards in your chosen market before shipping any goods.

Product safety and quality standards can be very strict and tightly enforced in some markets, especially for categories like food or children's toys. You don't want to be hit with heavy fines or criminal prosecution for selling products that don't meet the standards.

Tip: It's hard to spot some compliance requirements from a distance. In-market professional advice can be invaluable and can save you time and money.

Product and professional liability

Wherever possible, you should have the appropriate insurance for product liability. Product liability settlements can be expensive, particularly in the United States where million-dollar settlements are not unusual.

Packaging and labelling

You might need to use different materials and packaging sizes, or translate some or all of your pack and label information into foreign languages. Check in-market packaging and labelling regulations early on in the process. Requirements vary across different markets.

Bar codes and tracking

Bar coding or product numbering is essential in many export markets. Many big buyers and end users now expect to electronically track products all the way through the supply chain, from ordering through to inventory control and retail.

Marking for transport

Marking regulations apply to transport containers, and vary from country to country. Freight forwarders, shipping companies or airlines can advise on current requirements.

Online compliance

If you sell products or services online, you'll still need to meet compliance requirements, as well as having clear terms and policies in place when dealing with customers online.

These are just some of the things you'll need to think about for international compliance.

For more on this topic, check out the **Export Essentials Guide - International Compliance**



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SECTION 7

The Cost of Exporting

There's no point exporting unless you know you can make a profit – and that means knowing all of the costs involved.



Understanding your cost of exporting means being realistic about your sales forecasts, looking carefully at all your costs, and getting professional financial advice throughout the process.

You need to be able to manage the cost and cash flow burden of your export operations until they start to make money in their own right. There are two key steps to find out if you can make money from exporting:

1. Complete a cash flow forecast
2. Calculate your break-even point

1. Forecasting your cash flow

Exporting can put added pressure on your cash flow, through larger sales and orders, longer payment cycles, and extra up-front investment in export markets.

A good cash flow forecast will help you manage this, and also reveal any gaps in your export planning.

Because starting to export is essentially opening up a new operation, you'll have a number of initial set-up costs, as well as new variable and ongoing costs as part of making sales and doing business overseas.

Assuming you've already developed your product, you'll also need to include initial set-up costs in your calculations, and work out the actual landed cost of your product or service into the target market.

Your selling price

Once you know your costs inside out, you're ready to work out your pricing. This will depend on the type of product and service you're selling, your overall strategy, and the market you're selling into.

Forecasting your sales

Sales forecasting is the hardest part of any export budget – but you can make it a lot easier by putting as much time as you can into researching your export market.

Think carefully about your competitors and their market share, the local customers and what they are likely to buy, and what marketing and promotion you'll be doing to drive sales.

Tip: Freight costs are usually passed on to the customer in your end price, but they're still ongoing costs that need to be included in your cash flow forecasts.

2. Establish your break-even point

Once you've researched your selling price, identified your costs and completed a cash flow forecast, you can calculate your break-even point.

This can often tell you whether exporting to a particular market is viable at all. If you need to sell 500 units a year to break even in a market that can only absorb 200, it's not worth your time or effort. But if the market can potentially take 5,000 units, you're in a much better position.

Sales – the waiting game

Remember that depending on the method you use, each shipment will likely have an upfront freight cost that takes time (possibly months) for you to recover in sales.

Remember, exporting generally takes twice as long and costs twice as much as originally planned. It might be several years before you start to see a financial return from the export part of your business.

These are just some of the things you'll need to think about when understanding your export costs.

For more on this topic, check out the **Export Essentials Guide – Cost of exporting**



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costs](https://nzte.govt.nz/export-assistance/export-essentials-guides/understanding-your-exporting-costs)

SECTION 8

Pricing for Export

There's no room for guesswork on export pricing. Get it right by choosing the right pricing strategy for the market, taking all of your costs into account, and keeping on top of exchange rate risk.



Pricing strategy depends on what you're selling, the value export customers see in your product or service, and the competition you're facing in-market. Too high and you'll lose potential customers. Too low and you'll lose money on every sale.

This might mean you need to use different strategies in different markets, or to change your approach to pricing as your business evolves. There are a range of common pricing strategies that can be used as a starting point for your pricing plans.

- **Cost plus pricing**
- **Competitive pricing**
- **Value-based pricing**
- **Premium pricing**

Top tips for export pricing

1. Set a price that reflects your brand and reputation.
2. Make sure you know all of your costs.
3. Discounts are a cost. Build them into your price calculations.
4. Be consistent across sales channels.
5. Make sure you understand INCOTERMS if you're selling physical products.

Remember that you may need to change from one strategy to another over time - so be careful about where you start off in a market.

Tip: Giving your brand or company a ‘budget’ or ‘value for money’ reputation might help you win business, but it can be hard to switch to higher-margin pricing models later on.

Exchange rates and foreign currency

When you’re quoting prices internationally, you’ll need to deal with foreign currencies and exchange rate risk. Exchange rate risk happens when you give a price to an overseas customer in a foreign currency and it loses value against the New Zealand dollar before you get paid – which means you’ll get fewer New Zealand dollars than you were expecting. This can add up to big losses.

Forward exchange contracts

Forward exchange contracts lock in an agreed foreign exchange rate with your bank on a set date in the future. On that day, you can hand over the foreign currency your buyer has paid, and get an agreed amount of New Zealand dollars from your bank in return – whether or not the daily exchange rate has changed since you set the contract.

What next?

Sorting out export pricing is easier when you break down the job and tackle it one piece at a time. Take some time to think about your pricing strategy, work out your costs, and make sure you leave room for a healthy profit in your final prices.

When choosing the price for your product or service, make sure you get expert advice to pick the right approach for your business and market.

These are just some of the things you’ll need to think about when pricing for export.

For more on this topic, check out the **Export Essentials Guide – Pricing for export**



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SECTION 9

Export Logistics

How do you get your product to overseas customers on time, in the most efficient and affordable way? You'll need to know your logistics needs, understand the freight and delivery options available, and get professional advice on the right choices for your business.



There's a lot of steps involved in sending a product overseas. Think carefully about your product, your customer, and where your goods need to go – then write down everything you can think of. A professional freight company or customs broker can help you fill in any gaps.

To get you started, here are some things to think about for your logistics:

Your product

You need to consider a range of variables when exporting your product to international markets. If your product is perishable, will it spoil – does it need to be insulated, frozen or chilled? Does it have a limited shelf life? Hazardous or fragile products need special treatment when moved around. The cost of insuring your shipment all the way to the customer also needs to be considered.

Your customer

Understand when your customer needs the product and what quantity they are after. Where do they need the product delivered – a warehouse, a retail store, or direct to consumer?

How do they want the product to arrive – pallet, carton, or individual units? If the product needs to be returned or recalled for any reason, how will you handle this?

Your destination

Consider your product's destination. What's the climate like – is it hot, cold or humid? How long will your products have to wait at the border, and in what conditions? If your product needs to be shipped through other countries on the way, what duties will it attract at the border?

Tip: If you're exporting services or software you still need to think about the costs involved in delivering to customers overseas, including tech support or insurance for professional liability.

Explore your options

You'll need to balance all of your logistics requirements, along with cost, to find the right freight and delivery options for your products. It's a good idea to get professional advice from the start.

Freight forwarders and air express companies provide a wide range of services, allowing exporters to offer door-to-door delivery and minimum delivery periods.

Working with freight forwarders

Getting your product to an export market and through customs can be very challenging, especially when different languages and different cultures are taken into account.

Consulting a freight forwarder or customs broker at an early stage in your logistics planning can help mitigate some of these obstacles.

Tip: Airlines, couriers, air express and air freight consolidators are responding to a trend for fast delivery from New Zealand into major export markets.

Know what's important

There are a range of terms and codes used in exporting which can have cost implications for your business – so it's important to be familiar with them.

For example, INCOTERMS® are a set of common terms used internationally between sellers and buyers. They determine your responsibilities and what you will be paying for as part of the logistics process.

HS codes are also used by more than 190 countries as a basis for their customs tariffs. The HS code for your product determines the duty that's charged when it enters an export market.

These are just some of the things you'll need to think about when getting your export logistics sorted.

For more on this topic, check out the Export Essentials Guide – Export Logistics



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SECTION 10

Funding Your Export Plans

Exporting can put a big financial strain on your business. You need to make sure you can handle the full cost of your export plans – even when you might not make a profit for some time.



Be realistic when budgeting for your export plans. There's nothing worse than being caught out by unexpected costs and having to scramble to find cash wherever you can.

Prepare a comprehensive financial plan for your export venture that takes both short- and long-term forecasts into account, so you'll always have access to enough cash or lines of credit to keep operating.

Making cash flow go further

Your financial advisors may be able to point you towards trade insurance products that can help you to cover payment risks and make your current cash flow easier to manage. This can make a big difference if you're dealing with large orders or contracts that can take months to be paid for.

Common funding options

Even with good financing in place, unless you've got a very profitable business already, you'll probably struggle to fund your export budget from cashflow alone – and you may end up straining your finances or having to slow down your export plans.

Most export businesses fund their activity in two broad ways:

- Debt funding, including loans, leases, overdrafts and terms of trade
- Equity funding, meaning investment capital from outside sources.

Tip: Be ready to spend more money than anticipated to pay for travel, time away from your New Zealand markets, extra staff to cope while you are away, and other unforeseen expenses.

At some stage in your export growth you may have to think about either debt or equity arrangements in order to implement your plans. Before heading down either road, get good financial planning advice as early as possible, to minimise any cashflow and capital difficulties in the future.

Make sure you understand and can explain your company's financial position by putting some financial plans and budgets together to share with prospective investors. Get started on this early, and make sure you know your business inside out before asking others to invest.

To sustain your export drive, it helps to have additional funds at the ready in case you need them.

These are just some of the things you'll need to think about when funding your export plans.

**For more on this topic, check out the
Export Essentials Guide – Funding
your export plans**



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Go further with Export Essentials Workshops

Wherever you want to take your business next, it's good to know you're on the right track.

NZTE's Export Essentials Workshops put you in full control of your export plans, using lessons learnt by New Zealand businesses in markets around the world.

Find out more and register for upcoming workshops at nzte.govt.nz/essentials



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