

Foreign Trade: A guide for small businesses

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From an early age, most people in the Western world are taught about the world as it relates to the individual. First, children learn about families, then their local area, then their city or town. From there, they learn about others living in the same country, like Scots, Welsh and Irish for example and then the world and its continents and the countries within those continents. This method of teaching is meant to provide both context and perspective in the minds of children, but it ultimately shapes the way we approach travel and business later on in life.

Entrepreneurs and small businesses often begin with a narrow focus, selling products or services to specific and limited audiences often just on a local scale. While e-commerce sites enable a much larger market opportunity, it's often not until revenue increases and stabilises and demand grows that expansion regionally and nationally occurs intentionally. And then, for most small businesses and entrepreneurs the expansion stops there. But should it?

The Internet, mobile technology and an increasing international demand for goods and services is creating the perfect storm for small business to take the leap from kitchen table to global enterprise. After all, the potential of overseas markets - through exporting, importing or outsourcing – remains largely untapped. It might be tempting for businesses in the UK to look to America or Canada as fairly safe first steps into the international arena as there is no language barrier. It is however a fact that 95% of customers and 73% of the world's purchasing power lies outside the United States. What's more, as the world's economies struggle to recover from a recession, business growth will continue on an upward trend over the next ten years - 87% of this growth will occur everywhere BUT the U.S.A¹

Moving your business to international markets is no small feat, but it does offer great potential with extraordinary benefits. This Blue Paper will take a look at these benefits, examine how to determine if your business is ready for expansion and explore the basics of what you need to do to get there. If you want to know how to take your business from Peterborough to Prague, keep reading.

Should your business go global?

Let's start by talking a bit more about the specific advantages presented by successfully growing globally, which include:

- Extending the sales life of existing products and services by finding new

¹ "Think International." Virginia SBDC Network. Web. 01 May 2011. <<http://www.virginiasbdc.org/DocumentMaster.aspx?doc=1170>>.



Blue Paper

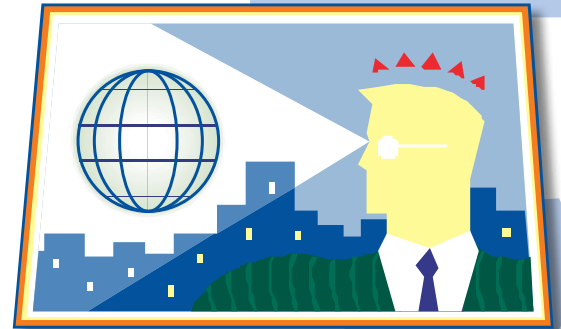
markets to sell them in

- Reducing your dependence on the markets you have already developed
- Levelling out destabilising fluctuations in your markets or demand cycles by tapping markets with different or even countercyclical fluctuations
- Exploiting corporate technology and know-how
- Learning how to compete against foreign companies - a necessary know-how in today's connected business world

Speaking of connectivity, because of how connected cultures and businesses have become in the digital age, expanding business reach to foreign countries is quickly becoming not just an opportunity, but a necessity in some regards. Even if a business is not fully prepared to go global, by welcoming customers from outside their county through targeted, multicultural communications and product packaging, business growth and visibility can be enhanced. As you continue to read this Blue Paper, try and look at global expansion from two angles—the literal (actually opening up shop in a foreign country) and the figurative (expanding your home market to be receptive to foreign buyers, primarily through online tools).

Now, is your business ready or not? Professor Chris Schrage, instructor at the University of Northern Iowa College of Business in the United States says that there are generally four key indicators that a small to medium sized enterprise is ready to launch international efforts²:

1. **Commitment from management** - Business owners and their key executives are willing to take the time and financial commitment of moving to a global market. Schrage also warns that business owners should have a healthy comfort level with risk, because expanding markets can be risky.
2. **Experience** - If a business is not successful in its current home market, it's not likely to do much better elsewhere. While there are always exceptions, plan on this being the rule. Don't undermine your local market to go for an international one.
3. **Adequate cash flow** - Going global is a business investment. As you assess how you will go about entering the global market, estimate the cost of doing so in such a way that allows for growth but also sustainability.

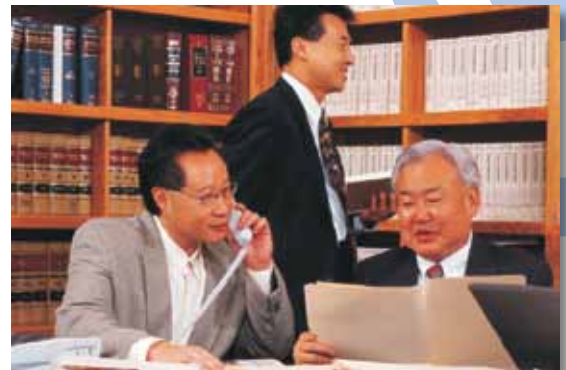


² "Professor Chris Schrage." University of Northern Iowa. Web. 08 May 2011. <<http://www.uni.edu/~schrage/>>.

4. **Capacity and capability** - Businesses entering the global market should be able to cope with increased demand for their products or services, the need for shorter production periods and the ability to modify products, services and marketing efforts to different markets, cultures and languages. Businesses may also need to consider new employees or contractors who can deliver multilingual customer service.

In addition to these indicators, Schrage also recommends asking the following questions to gauge your readiness for a global market³:

- Who are your end-users? Are the aspects of their buying behaviour, interests, needs, etc. universal or geographically limited?
- Why should users choose your product or service over others?
- What is your company's competitive advantage - locally and abroad?
- What is the most effective distribution channel for your product - online, wholesale, retail, through brokers, etc?
- What role does a company play in the value chain?
- What value-added activities do you perform?
- What is the overall assessment of the industry and the potential for profit?
- How will you evaluate success or failure?
- How far can you stretch your resources?



The answers to each of these questions, she says, will help you gain a better sense of the bigger picture and the viability of any plan to dip your toe into international waters. Some of these answers you won't know or understand until you've selected a potential market to move into, but that's okay. We'll get there.

A note from the legal team⁴

Not ours - yours! One last consideration when deciding whether or not to go global, is that it's important to know the ground rules for doing business in another country or for processing international business transactions, such as online sales. Taking your small business international in the literal sense is a complicated process and it's governed not only by domestic and European laws, but the laws of other countries too. If you're considering doing business internationally, be certain to check the basic laws below and seek help from an

³ "Professor Chris Schrage." University of Northern Iowa. Web. 08 May 2011. <<http://www.uni.edu/~schrage/>>.

⁴ "Taking Your Small Business International - Lawyers.com." Business Law Attorney, Lawyer, Attorneys, Lawyers and Legal Research Information - Lawyers.com. Web. 09 May 2011. <<http://business-law.lawyers.com/small-business-law/Taking-Your-Small-Business-International.html>>.

experienced international business lawyer with some experience of cross-border Intellectual Property rights.

The official government body responsible for granting Intellectual Property (IP) rights in the UK is the Intellectual Property Office⁵ who can provide advice and information on the main types of IP: patents, trade marks, design and copyright. As well as generic advice on all IP matters, the IPO site has useful links to downloadable free documents, such as The Supply Chain Toolkit, as well as IP lawyers, the Alliance against IP Theft and the Anti-Counterfeiting Group.

First things first: International business and imports and exports

It's easy to think that importing and exporting are just the opposite sides of the same coin in international trade, but that's really a dangerous oversimplification.

Exporting is when you send your goods or services to another country. An export licence may be needed for certain types of goods, including some chemicals, software, electronic devices and computer components when sending beyond the European Union.

You're responsible for determining whether you'll need an export licence.

The Government helps exporters in a number of ways, including

- The UK Trade & Investment site⁶ has a wealth of information and advice to support to UK-based companies wishing to grow their business overseas. With 2,400 staff and a presence in 96 countries, UKTI can assist you on every step of the exporting journey.
- The British Chambers of Commerce⁷ provide a worldwide network offering links to British bi-lateral and International chambers to provide UK exporters with connections and contacts in new markets.
- In some instances, the department of UK Export Finance⁸ can help British exporters by insuring UK exporters against non-payment by their overseas customers; helping overseas customers buy goods and services from UK companies by guaranteeing bank loans and finance



⁵ <http://www.ipso.gov.uk/>

⁶ <http://www.ukti.gov.uk/export/howwehelp.html>

⁷ <http://www.britishchambers.org.uk/business/trading-internationally/>

⁸ <http://www.ukexportfinance.gov.uk/>

packages and insuring UK investors in overseas markets against political risks.

And what's more you'll need to ensure whether the other country has any restrictions and red-tape in respect of your products such as an import quota.

Importing is when you bring goods or services into the U.K. and sell them. For the most part, HM Revenue & Customs⁹ work with the UK Border Agency to enforce the laws on importing and there is plenty of advice available from their website.

The onus is on the importer to comply with any laws regarding imports. Customs makes the necessary resources available - to a point - and the law requires that the importer takes advantage of them. Ignorance of the law - is no excuse.

In the UK, you have to pay taxes or "duties" on goods you import from outside the EU. Duties vary depending on the type of product. Detailed information can be found online¹⁰.

Then, there's those international contracts

Contracts for the international sale of goods are not that different from those for selling goods domestically. In the absence of a treaty, foreign countries respect each other's court decisions, if at all, only as a matter of courtesy. Since contracting parties should anticipate the possibility of disputes, the parties should include provisions in their contracts controlling things like which country's law should apply in the event of a dispute. Unless you take appropriate safeguards in the contract, litigation against a customer or supplier overseas may prove costly, time-consuming and ultimately futile.



Manufacturers often sell goods overseas through agents and distributors. An agent tends to be commission-based, and works essentially as a broker. The manufacturer sets prices and terms. A distributor, on the other hand, actually buys the goods from the manufacturer, and can therefore set its own prices and terms locally.

Whether you sell your goods internationally through an agent or a distributor (or if you're the agent or broker), the rights and responsibilities of the parties should

⁹ http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&pageLabel=pageImport_Home

¹⁰ http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&pageLabel=pageImport_Home

be clearly set out in writing, including things like:

- The identities of all parties.
- The duration of the agreement. Countries may limit the ability of a party to end an agent or distributor agreement.
- The agent or distributor's territory and any exclusivity arrangements.
- The products or services to be sold, and the prices to be charged for them.

Choosing your market

Also known as market research. Before expanding to a global market, small businesses should consider not just if and why, but how. In the same way that you would conduct research for a business or marketing plan that involves market research and multiple SWOT analyses, so you should too when considering going global.

"The most important thing when considering international expansion of your business is figuring out which country or market is the best fit," says Steve Strauss, business expert and USA Today columnist.¹¹

Strauss adds that, if exporting, for example, you want a market that will be open and hospitable to what you plan to sell. Or, if looking for a factory to develop a product, you need to consider laws, language, fees and distribution costs.

Amex Open Forum blogger, Ann Field, points out that in this stage many small businesses limit their expansion options based on relationships with local distributors. Duncan McCampbell, an international business consultant, says that this is not the best idea. "The best way to go about expanding globally is to have a method for vetting countries, choosing one or two, and making a very deliberate effort to find partners in those places."¹²

With this in mind, here are a few tips for getting started on your research in order to choose the best market:

- Obtain trade statistics that indicate which countries import products similar to yours.



¹¹ Strauss, Steve. "5 Steps to Taking Your Business Global - USATODAY.com." News, Travel, Weather, Entertainment, Sports, Technology, U.S. & World - USATODAY.com. 13 Sept. 2010. Web. 08 May 2011. <http://www.usatoday.com/money/smallbusiness/columnist/strauss/2010-09-12-going-global_N.htm>.
¹² Field, Anne. "7 Tips For Taking Your Business International." Business Insider. 18 Nov. 2010. Web. 10 May 2011. <<http://www.businessinsider.com/7-tips-to-help-your-business-take-on-the-world-2010-11>>.

- Perform a thorough review of the available market research reports in the countries and industries in question to determine market openness, common practices, tariffs and taxes, distribution channels and other important considerations.
- Identify five to ten large and fast-growing markets for the firm's product(s). Analyse them over the past three to five years for market growth in good and bad times.
- Identify some smaller but fast-emerging markets where there may be fewer competitors.
- Target three to five of the most statistically promising markets for further assessment:
 - Examine consumption and production of competitive products, as well as overall demographic and economic trends in the target country.
 - Ascertain the sources of competition, including the extent of domestic industry production and the major foreign countries your firm would be competing against.
 - Analyse factors affecting marketing and use of the product in each market, such as end-user sectors, channels of distribution, cultural idiosyncrasies, language and business practices.
 - Identify any foreign barriers for the product being imported into the country and identify any export controls.
 - Determine whether your product is price competitive after you've factored in packaging, shipping, marketing, sales commissions, taxes and tariffs and other associated costs.



After you've selected an international market or two, you'll have the foundation to target new consumers or to identify distributors. In the case of identifying distributors, experts like Strauss and Field both agree that travel at this point is essential.

"We all know that business is about relationships, and that is even truer when it comes to going global. Personal contacts can make all the difference," says Strauss. "Emails and telephone calls can only take you so far. Websites can be

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deceiving. That factory in China may not be quite as nice as their pictures indicate. You must meet in person.”¹³

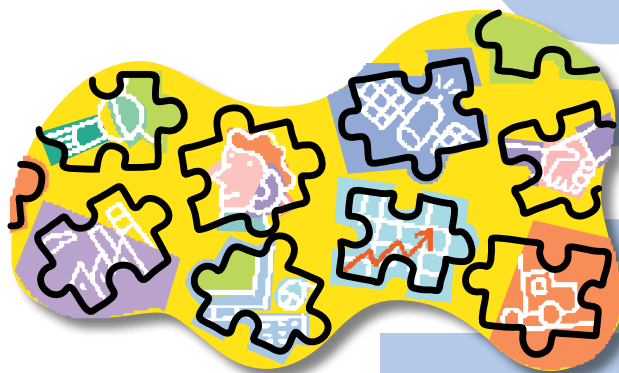
Launching your brand in the global space

After deciding which market to move into and figuring out the logistics of expanding your business globally, it's time to consider how to market on that international level. There are many things to consider, including language barriers, websites, culturally conscious design, the significance of certain colours, the product name and more.

Acclara, a US based company that works on localising websites offer these tips to get started:

Top 10 tips for your international brand launch¹⁴

- 1. Research the markets that hold the most potential for your brand.**
Seems obvious enough doesn't it? Maybe - but it's easy to take for granted that some of the fastest growing economies such as India and China are a sure bet for your brand. A little research however might indicate that Eastern Europe would be more fertile ground for your initial launch. Surveys are an excellent way to get a pulse for the local population. You could also consider hiring an international marketing specialist to conduct an attitude and usage study in order to gauge the purchasing decisions of consumers in your target countries.
- 2. Get to know your target customer in these markets.** What language(s) do they speak? What are their likes and dislikes? What are their cultural beliefs and customs? Who are the influencers? What are their hobbies? Where do they shop? How do they shop?
- 3. Establish your international brand voice.** You have your local brand voice. Is your 'voice' casual, formal or somewhere in between? Determine what you want your international voice to be and if you would like or need the tone to vary from country to country as a function of local communication norms.
- 4. Conduct a global brand assessment**



¹³ Strauss, Steve. "5 Steps to Taking Your Business Global - USATODAY.com." News, Travel, Weather, Entertainment, Sports, Technology, U.S. & World - USATODAY.com. 13 Sept. 2010. Web. 08 May 2011. <http://www.usatoday.com/money/smallbusiness/columnist/strauss/2010-09-12-going-global_N.htm>.

¹⁴ "Top 10 Tips for Your International Launch." Translation Services | Localization | Acclara. Web. 10 May 2011. <<http://www.acclara.com/newsletter/international-brand-development-top-tips>>.

study. To avoid losing your business in translation, learn from the pitfalls of other brands. Triangle Manufacturing, the top producer in the United States of Lazy Susan bearings, for example had to create alternate language for its most popular product. In creating an international website, the company discovered that “Lazy Susan” didn’t translate directly into Portuguese to refer to cabinetry, instead it simply referred to a woman named Susan who didn’t do anything. Or take the telecoms company, Orange, which many people in Ireland argue takes a religious connotation that is unfavourable to Irish Catholics¹⁵. Conduct due diligence to make sure your brand names and slogans translate accurately and positively. If they don’t, consider a name change for the global launch. Also, take a look at your logo and visuals and consider how the colours, shapes and font choices (typography) will be perceived in other cultures. Could any of the shapes in your brand elements be confused with cultural symbols? Try to see your brand identity through the eyes of a local.

- If necessary, work with a designer or your marketing department to refresh your brand in the context of the new global stage where your products will have a multicultural following.
- Keep one logo for all countries but vary your slogan if necessary.
- Leave your brand name in English if the words are not crucial to the message your brand communicates.

5. **With knowledge from your global brand assessment study, adapt your brand guidelines for use overseas,** or develop a completely new international manual with a verbal style guide and brand guidelines for visuals. In brand communications, consistency is the key, no matter what the country is - so set boundaries for communication between your employees and consumers or clients that are in line with your company culture. Do give some thought as to how you will enforce or protect these guidelines if working with local partners.
6. **Translate your company values for your international employees,** including your mission statement and core values. By doing this, your employees will understand how to represent you appropriately in their



¹⁵ “Translations That Are Marketing Mistakes.” *Internationalization (I18n), Localization (L10n), Standards, and Amusements*. Web. 23 May 2011. <<http://www.i18nguy.com/translations.html>>.

respective countries. They will also feel responsible for the company's image and therefore share in building the brand internationally.

- 7. Localise your search engine marketing components, website and marketing collateral** to the new language markets. Pay attention to imagery in all mediums such as photos, videos and Flash. Select inoffensive content and be respectful of sensitive male/female relationships in different cultures. Decide which content on your website will be translated and which will remain in English (i.e. your corporate blog). And don't forget about multilingual SEM - consider doing this even *before* website localisation begins. Remember that marketing translation - collateral, advertising campaigns and the like - is often fairly tricky due to clichés and clever idioms, so account for extra time and resources to have this done properly.



- 8. Monitor your global brand online** to measure attitudes and the impact of your initiatives. Use social media to connect with consumers and ask their opinions. Allow for two-way communications and establish a dialogue. Be responsive when customers post comments and recommendations. Try to compile a list of testimonials and accolades in each language market to post on your website. Your consultant can help with international social media monitoring and translation of these communications so that you stay on top of what is being said about you.
- 9. Give your corporation a local face.** Interview staff members on topics of local interest and post the interview on your website with a photo of the interviewee. Demonstrate an understanding and appreciation for the local culture in all that you do. Make local customer service accessible and easy. Put your local address/contact info on the website. List local events you are participating in. Write locale-relevant press releases in the local language and release them on your website and on in-country online wire services. Keep your content fresh and dynamic.
- 10. Review.** Your marketing department, along with your localisation partner should conduct a quarterly review of your international brand messages, collateral materials and language-related business practices

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in each market. This is to make sure that they remain consistent with your brand voice and that your communication is focused. Continually seek client, supplier and employee feedback regarding how your brand delivers on its promises and the evolution of your brand's image.

Go forth and conquer

Making the leap from what we know and what is familiar to us and our business successes can be a difficult one - one that goes against the very nature of how we have been educated about our relationship to the world. But, with knowledge on how and when to take your business global and an awareness of the laws, pitfalls and opportunities, you're already one step ahead of everyone else. Hopefully, this Blue Paper has provided you with the introduction you need to grab a map and leap!



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