WHAT IS AN EXPORT BUSINESS PLAN?

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The purpose of the Export Business Plan is to prepare companies, specially middle and small, to enter the international market place or to better organize their existing international business activity. The Plan will serve as step-by-step guide to lead the company through the process of exporting products and services to international markets.

The purpose of the Plan is to address the main issues that arise in the development and implementation of international marketing strategy:

- Assessment of export potential and capabilities.
- Identify target markets.
- Choose the best market entry strategy.
- Selection of most suitable marketing actions.
- Better management of international business operations.
- Evaluate the financial resources, sales goals and profits.

The Export Business Plan is divided into six sections following a time sequence. Each section helps to plan international business strategies and take effective export decisions. The Plan provides worksheets with corresponding explanatory notes so that the user does not have difficulty developing and completing the Plan. It also offers a case study that is used as an example to apply the methodology.

Below we develop briefly the contents of a Export Business Plan in six sections. Complete information on the Export Business Plan methodology with worksheets, explanatory texts and case study can be found on the link [Export Business Plan.]

SECTION 1: EXPORT DIAGNOSTICS

In order to make the most of your company's strengths and improve your weaknesses, the internationalisation plan begins with an analysis of the competitive capacities of the company in relation to the foreign markets in order to achieve profit maximisation. The Export Business Plan analysis leads to an identification of the economic, policies and social trends etc, which may affect the international evolution of the sector where the company plans to develop its activity.

Once the principal strengths, weaknesses, opportunities and threats are identified you must extract some conclusions and at the same time decide which actions you wish to proceed successfully in the foreign markets. These conclusions are double-sided: business strategy and resources.

SECTION 2: MARKET SELECTION

Before initiating the process of market selection, the company should decide whether a concentration or a diversification strategy is better to approach the foreign markets.

- Concentration: a limited number of markets are selected to focus commercial efforts on them and achieve a certain level of penetration.

- Diversification: the company operates in a large number of markets. The growth strategy is based in selling to these markets to achieve a high level of penetration in each one of them.

In the first pre-selection of the markets, it is not suitable to just consider the individual countries. It is advisable to consider them in groups or combinations of countries. Following the initial filter you should select areas or markets which complete the basic criteria and these countries will subsequently be analysed in depth. It is not about selecting the most favourable countries; the most important is to eliminate those countries which do not comply with the basic criteria.

Once that most favorable geographic areas, have been chosen, the next step is to select countries belonging to those geographic areas. Finally, it comes to selecting target countries for the following stages of the Plan (Stage 3: Marker Entry Methods and Stage 4: International Offer).

Export Business Plan Methodology

SECTION 1: EXPORT DIAGNOSTICS
1.1 Internal analysis (company)
1.2 External analysis (industry)
1.3 International SWOT analysis
1.4 Export Diagnostics

SECTION 2: MARKET SELECTION
2.1 Concentration/Diversification
2.2 Country grouping
2.3 Selection of most favourable countries
2.4 Selection of target markets

SECTION 3: MARKET ENTRY METHODS
3.1 Alternative market entry methods
3.2 Selection of market entry methods
3.3 Profile of the ideal client/agent/distributor/ partner
3.4 Negotiation conditions

SECTION 4: INTERNATIONAL OFFER
4.1 Selection of range of products
4.2 Standardization/adaptation of the product
4.3 Setting international prices
4.5 Preparation of the offer

SECTION 5: INTERNATIONAL PROMOTION STRATEGY
5.1 Brand
5.2 Positioning and promotional message
5.3 Communication tools
5.4 Communication budget

SECTION 6: ECONOMIC PLAN
6.1 Sales targets
6.2 International operating account
6.3 Economic plan

SECTION 3: MARKET ENTRY METHODS

The entry form chosen for foreign markets will be critical decision in the Export Plan. The main alternatives to market products abroad are:

- Direct exports.
- Commercial Agent.
- Importer/Distributor.
- Trading companies.
- Piggyback agreement.
- Franchise agreement.
- Licence agreement.
- Joint venture agreement.
- Sales Branch.

Once the form of entry is chosen it is advisable to develop the company´s profile –even if you have final clients, intermediaries or partners– through those you will efficiently penetrate the market. The aspects that must be defined in this role are the following: Size of the company; business culture; product range; solvency; international experience; and commercial practices.

SECTION 4: INTERNATIONAL OFFER

At this section of the Plan it comes to choosing products or services offered by the company, mainly those that have more export capacity. Companies who have a very wide range of products should not select products but strategic units that will consist of products that have the same characteristics.

With regards to the product´s policy it is advisable to define the characteristics of each one of their attributes and the necessary adaptations for its sale in foreign markets. There exist two alternatives:

- Standardization: to sell the same product in all foreign markets.
- Adaptation: consists in adapting the main attributes of the products for each market. In a double sense: on one side the legal normative of the country and on the other side the needs of the client in each country.

In this section it should also be designed a pricing strategy for the products in the target countries.

SECTION 5: COMMUNICATION STRATEGY

Section 5 starts verifying if the brand which the company uses in the domestic market adapts appropriately to the foreign markets or if it is advisable to create a new brand.

The tools required to promote the product in foreign markets are basically the same tools employed in the domestic market. You can classify them in two groups: promotion tools and publicity tools. Between the first ones you can choose advertising as a means of communication and publicity through internet while the promotion includes the elaboration of the documentation and promotional videos, the assistance to trade fairs, promotion at the point of sale etc.

The activities of communication imply some necessarily some financial resources which should not be considered as an expense but as an investment. The SME with export vocation, no matter how small the company may be, it should dedicate some amount of the budget to promote their products in foreign markets.

SECTION 6: BUSINESS PLAN

The evaluation of the success of the Export Business Plan should be done in relation to certain objectives, between them, target sales are the most common.

In the international activity these objectives should be accomplished at least with regards to the following three requirements:

- Geographic delimitation: this should be determined for each one of the selected markets.
- Precision: refer to a concrete concept, something which is easily calculated by the exporting company.
- Time: establish a period of time. Plans are generally annual.

The international operating account is the instrument that gathers, in a provisional form, the costs and economic contributions of the contemplated actions in the plan. This determines, the cost to evaluate, the cost of implantation of the plan and the expected economic output (commercial margin and operating balance).

The concepts included in this account are:

- Foreign sales: target sales established for each foreign market.
- Gross margin: the average margin that applies to the foreign sales.
- Structural costs: these are the functioning costs of the department of foreign trade classified by concepts.
- Selling costs: costs which are directly related to the activity of the sales for each one of the established concepts.
- Operating balance: this is the difference between the gross margin and the structure and sales costs.

In conclusion, planning is essential for any business. Before venturing into international markets companies have to draft an Export Business Plan as this document will help them set their goals, effectively allocate their resources and determine which countries offer the most potential for their products as well as how to reach the clients and how to make competitive offers.

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For further information about the Export Business Plan click on: Export Business Plan

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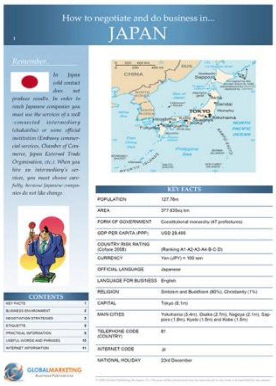

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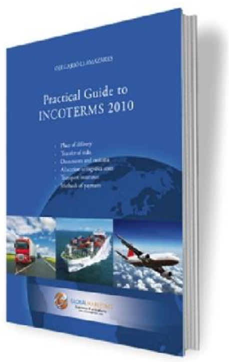

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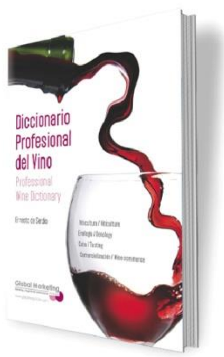

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