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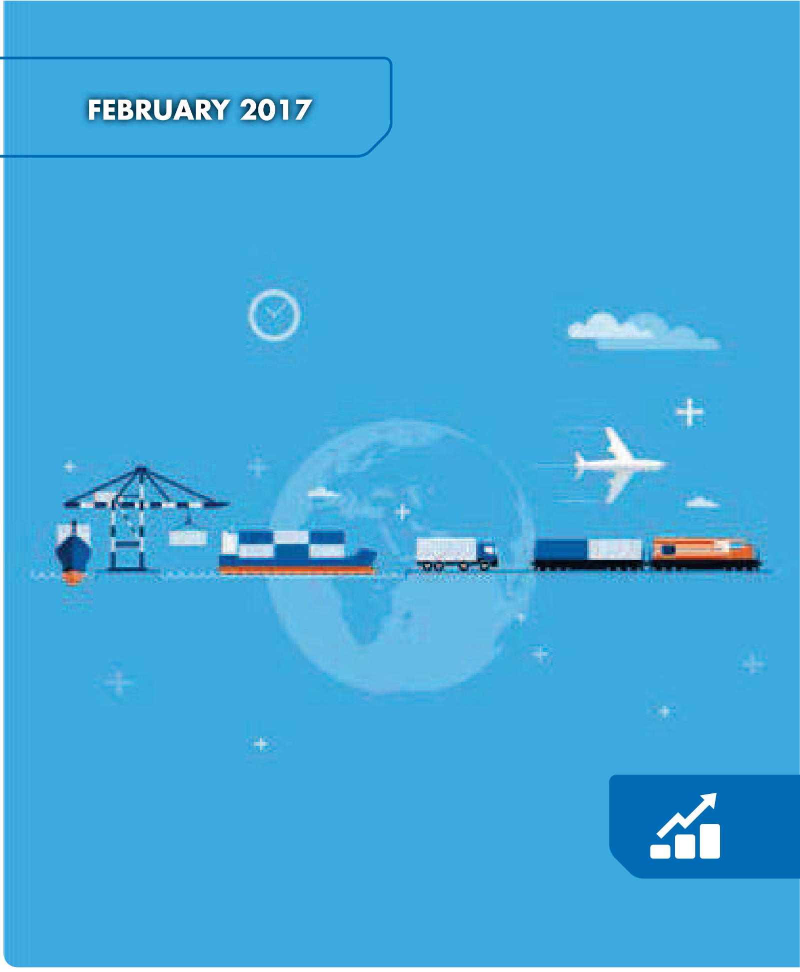

Exporting for small businesses

Selling goods and services overseas for beginners.

Internationalising your client base can be an intimidating prospect for small business owners with no experience of trading overseas.

Depending on your sector and your export destinations, deciding to sell products and services abroad can increase your expenditure, consume your time, and introduce new regulatory and administrative complexities.

Additionally, the decision taken by the British people to leave the EU has caused uncertainty for UK businesses trading in EU member states. It is understandable why an aspiring exporter might be slightly hesitant about committing to expand overseas.

Yet the appetite for exporting may not all be negative. Research published by the Federation of Small Businesses in 2016 shows that 21% of small businesses are considering exporting, a proportion of businesses that matches those that are already exporting.

As more details of the government's Brexit-related plans emerge, such as the prime minister's recent comments that she does not want the UK to remain part of the Common Commercial Policy, businesses will be better able to judge whether engaging in an exporting strategy is right for them.

Europe is one of many possible markets for British businesses. With careful planning, sensible decision-making and expert assistance, there's no reason why small businesses can't succeed in expanding overseas and reach new levels of prosperity.

So what does a business need to consider before taking its first steps into the global marketplace?

> "Small businesses that export are more likely to survive, grow and innovate."
>
> **Martin McTague,** national policy director, Federation of Small Businesses.

Preparing to export

New markets should be approached with the same care and preparation as the one you first entered into with your fledgling business. The regulatory environment and consumer demographics may be similar or differ in significant ways.

Market research

Choosing an appropriate country to export to should be the first stage in the planning process.

Select a small number of countries you think would be good candidates for your products or services and ask the following questions:

- Is my product/service suitable?
- Is there demand for my product/service?
- Who are my target customers?
- Who are my competitors?

Gather as much information as you can about your sector's performance, your competition and any cultural differences that might impact how you do business.

Conducting a SWOT analysis (strengths, weaknesses, opportunities, threats) is a good way of focusing your research and developing a holistic view of where you stand and what your strategy could be.

After you've identified the most appropriate country to export to, you need to think about what

59 Abbeygate Street
Bury St Edmunds IP33 1LB
01284 704260 ask@jacobsallen.co.uk
www.jacobsallen.co.uk

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factors may impact your operations in a foreign country. These may include:

- legal and regulatory systems
- finance
- language
- culture.

The more knowledge you have about your target country, the easier the first steps will be.

Not only will you understand your new compliance and administrative duties, but sensitivity to cultural differences can help you forge stronger relations with local people and build trust among your customers.

Export plans

Creating your first export plan is not dissimilar to writing a business plan.

It allows you to clearly understand your objectives, create an effective strategy and highlight the resources (financial or otherwise) you need to realise your ambitions.

Your plan should include:

- analysis of the potential benefits and risks of expanding overseas
- strategies for managing the logistical and regulatory challenges that exporting will present
- marketing strategy that outlines how you will find new clients overseas, and the countries or markets that you will target
- an awareness of potential changes you need to make to your operations in order to do business effectively in new markets
- financial plans and a breakdown of other resources you will need to begin.

We can help you plan for the future of your business.

Finance

Exporting can be an expensive venture and many small businesses looking to export for the first time will need to raise finance to support the initial costs, extend buyer credit or stabilise cashflow.

Here are some of the options:

UK Export Finance

Government finance through UK Export Finance (UKEF) is available for both long-term exporters and newcomers. Businesses of all sizes operating in all sectors are eligible.

UKEF assists exporters by:

- providing competitive loan terms to foreign customers
- insurance against losses caused by customer default
- making it easier for exporters to access the finance they need.

Bank finance

Some high street banks provide export finance loans that can help you pay for the costs of materials, labour and distribution. These loans can also help to guard against the possibility of late payment, and maintain a stable cashflow.

Always compare terms offered by competing banks before taking out bank finance.

Peer-to-peer lending

Peer-to-peer (P2P) platforms directly connect businesses that want to expand their operations with investors online.

P2P websites typically charge less for their services than a bank, making this new form of lending cheaper for the borrower. Always seek professional advice before agreeing loan terms.

Things to consider

Which country?

Doing your research on the country you want to export to is crucial before making any decisions.

The level of consumer demand for your goods and services, your business's cultural compatibility, the country's current economic climate, and its tax and regulatory system are all important factors to consider.

Be aware of the differences between trading within the EU and exporting to a non-EU country. Exports outside of the EU typically involve new compliance duties (such as applying for an EORI number from the UK government).

Who are your customers?

Although globalisation has normalised many aspects of doing business internationally, there remain cultural differences. It is important that you are aware of any differences in business practice or etiquette before engaging with prospective customers overseas.

If you are going to be selling business-to-business services it is important to try and understand business etiquette in your new market. In business meetings in Japan, for example, there are very specific protocols that even foreigners are expected to have some knowledge of.

If your business is customer facing, there may be some ways of interacting with the public which are frowned upon.

Additionally, it's essential that you're sure that your customers will pay for your goods and services. If you're concerned about your overseas customers' ability to pay you can ask your bank for an Export Letter of Credit or a pre-payment to ensure that you are paid.

What is your product?

Certain goods and services may require that you obtain a license or adhere to certain rules before trading internationally. It's imperative that you understand the destination country's import rules before selling.

How will you sell?

You have a number of options when it comes to selling your goods/services in overseas markets:

- **selling to a distributor:** selling to a local distributor eliminates the need to find the customers yourself
- **working with a sales agent:** you can pay sales agents commission for either selling products on your behalf or finding you new customers
- **joint ventures:** teaming up with an established business in your target country can provide you with valuable knowledge of the country's markets and government regulations
- **opening an office:** this is a beneficial albeit expensive option for those who want complete control over their overseas operations.

We can help you devise a strategy for expanding overseas.