

CAPITALISING ON NEW MARKETS

A GUIDE TO EXPORTING OVERSEAS

One of the UK's largest independent
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NAVIGATING NEW MARKETS ABROAD

How to get your business export-ready

The ever changing political, economic and digital landscape provides a wealth of opportunities for small and medium sized enterprises (SMEs). For those exporting abroad, there are several markets, and billions of clients globally who may be interested in your products and services, making exports a real asset.

The growing export confidence among UK SMEs is demonstrated in Bibby Financial Services' latest SME Confidence Tracker. Our results show that one in ten are planning to invest in their exporting capability over the coming months with 58% of SMEs planning to expand their business in 2017.

The digital economy now means SMEs can reach target markets abroad more effectively to grow sales. With increased engagement enabling customers to order goods via the internet and mobile devices, exporting is now a viable option. Our guide provides insights that will help you navigate in new markets and get your business export-ready.



*SME Confidence Tracker Q4 2016

**SME Confidence Tracker Q2 2017

1

WHAT TO CONSIDER BEFORE EXPANDING OVERSEAS

Operating beyond your domestic market can be a different experience, from culture to currency, competition to regulation. First and foremost, some preliminary work must be done in order to increase your chances of success. All of these things will have an impact on how you grow and operate your business. A good source to get you started is the free online planning tool for small businesses that 'Open to Export' offers. In addition, Export Britain's online resource by the British Chambers of Commerce links UK exporters to support and business groups both in the UK and around the world.

- Create an export plan – it will enable you to evaluate the potential benefits and risks.
- Don't aim too high, too quickly – be realistic and prove that export can be profitable before you make any serious investment.
- Budget for market development as international markets can take time to develop.

2

IS MY BUSINESS FINANCIALLY STABLE WITH THE RIGHT SKILLSET?

One of the first issues to consider is to make sure your domestic business is stable and has the financial capacity to export before pursuing overseas markets.

- Expansion requires a start-up period, so you need to expect to lose money initially.
- As well as enough capital to make the initial investment, have a long-term financial plan in place.
- Assign one or two senior employees to your international effort – as a minimum, someone accountable for export sales and someone who will recruit local talent.

3

WHERE SHOULD I EXPORT TO?

In order to maximise your success, start with one or two countries and choose markets that have growth potential and a customer need.

- Operating across different countries can help protect against an over reliance on a small number of markets as well as minimising the impact of economic or political changes.
- Research who the competitors are, any language issues and explore payment terms.
- Check that your product or service is legally exportable and determine if you will be able to satisfy an increase in demand.
- Understand what is appropriate as some countries expect companies to adapt to the local culture, so you may need to customise your product or service to meet local customers' needs.

FIND OUT MORE

You can find out more about growing your sales at www.bibbyfs.co.uk/export

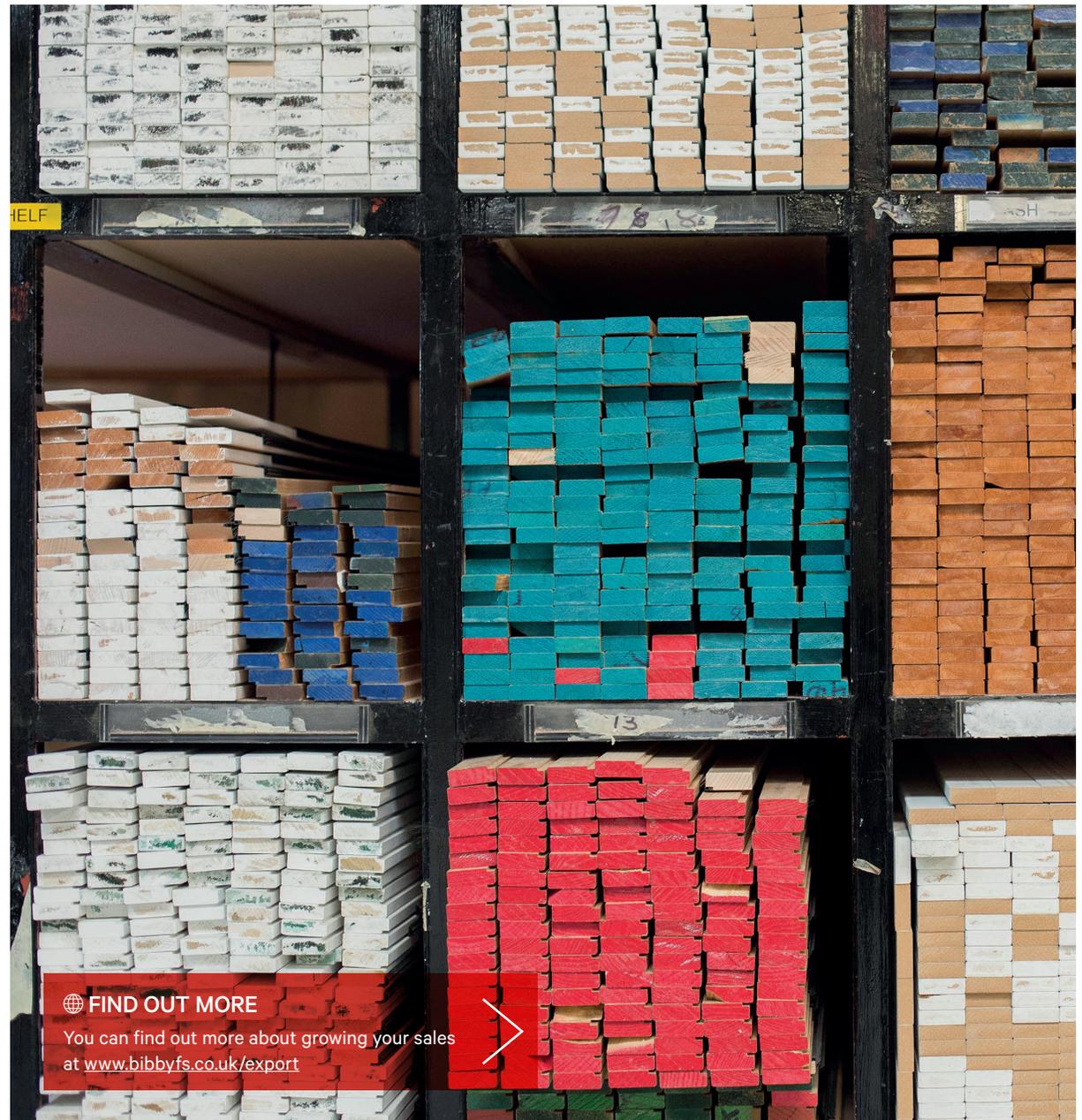


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WHAT REGULATIONS DO I NEED TO CONSIDER?

Expanding beyond your domestic market can mean lots of extra paperwork. With a variety of regulations surrounding exports, it is important to know what is required before you expand abroad:

- Exporting in a country which has a Free Trade Agreement with the UK can help companies to save time and money by simplifying regulations and lowering the costs associated with exporting.
- Gain the necessary knowledge on international documentation – getting it right is essential if customs penalties and delays are to be avoided.
- [International Commercial Terms](#) (Incoterms) specify the rights and obligations of each of the parties that enter into a contract for the delivery of goods sold.
- [Certificates of Origin](#) are a commercial or customs clearance requirement in some countries to evidence the origin of goods.
- [Letters of credit](#) offer a guarantee to the seller that they will be paid, and the buyer can be sure that no payment will be made until they receive the goods.
- [Freight forwarders](#) can help you to comply with export documentation and shipping requirements. Many exporters use a freight forwarder to act as their shipping agent to help transport goods. Always ensure that you have a confirmed sale and contract agreement before bringing them onboard.
- Classify all goods so any import VAT, duty, excise or levies due on them under UK and European law are collected and check if there are any duty reliefs. Commodity codes classify goods for import and export so you can complete declarations and other paperwork. To find the correct commodity code for your product or service visit www.gov.uk/trade-tariff.



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You can find out more about growing your sales at www.bibbyfs.co.uk/export



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5 HOW DO I MINIMISE RISK?

All businesses must balance risk with potential reward whenever making decisions. Think commercially to ease concerns – the perception is worse than reality when it comes to trading abroad. Here are some factors to consider in your planning:

- If you have a lack of international business experience, expertise, resources and contacts, consider a structured approach by using a one-stop shop of experts.
- Decide whether it's best to price your goods or services in the local currency of the country in which you're trading. The decision will depend on individual circumstances and on factors such as how you want to present yourself in that market and how your competitors set their prices.
- Build currency fluctuations into your margins when setting a price. Some currencies are more volatile than others because of unstable economies or inflation. By using a cost-modelling method, you will be able to explore opportunities and threats that shifts in exchange rates may present in international markets. Any movement affecting either currency, could have significant consequences for profit margins.
- If you are trading in a foreign currency, you should protect yourself against foreign exchange risk. One way to hedge against exchange rate movements is to arrange a forward foreign exchange contract. This is an agreement initiated by you to buy or sell a specific amount of foreign currency at a certain rate, on or before a certain date. Forward foreign exchange contracts are a secure and simple way of hedging that protects against any adverse movements in the exchange rate and allows you to set budgets knowing exactly how much the transaction costs.
- Getting the right export funding can help you grow your business. There is a range of specialist finance packages available that can help you export, instead of a bank loan or using existing cash in your business. The key benefits of an export finance solution are certainty of payment, upfront funding improving cashflow, support with payment collection and protection against currency volatility from integrated foreign exchange services.

For more information on how we support those wishing to export or those already selling to overseas markets, visit:
www.bibbyfinancialservices.com/funding/specialist-funding-solutions/export-finance.

SUMMARY

Our guide aims to provide a practical source of help to enable you to export and grow your business with confidence. Being aware of, and understanding, the necessary aspects of exporting are critical to businesses looking to capitalise on new markets.

Exporting isn't simply an add-on to your existing business, it should be part of an overall strategy to develop your business. Whether you're new to exporting or you'd like to export more, with 85 per cent of companies saying exporting has led to a level of growth not otherwise possible, a world of opportunity awaits.

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ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services has been supporting businesses of all sizes since 1982. We are a trusted financial services partner to over 7,000 businesses in the UK and have built a reputation for consistently delivering high levels of client service. We don't just fund your business, we believe in it.



OUR PRODUCTS AND SERVICES

We help businesses unlock working capital for a range of scenarios, including cashflow funding, new equipment purchase, growth and expansion, management buy ins and buy outs, refinancing, corporate restructuring and mergers and acquisitions.

Our range of financing options includes:

- Invoice Discounting
- Factoring
- Lease Finance
- Export Finance
- Stock Finance
- Trade Finance
- Specialist finance for the construction and recruitment sectors
- Foreign Exchange