Export Business Plan Guide

Beltraide
making business happen

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Introduction

Developing an Export Business Plan is beneficial for those companies that are exporting or have considered the idea of entering foreign markets. This guide outlines various business procedures that must be considered before engaging in the exporting process.

It consists of 3 general steps:

a. Situational Analysis
b. Market Analysis
c. Financial Analysis

This guide can help you to assess your readiness to export, and to address the benefits, and the risks of engaging in the process.

SECTION 01: SITUATIONAL ANALYSIS

Company Overview

01.01 Define your company mission. *Example: We exist to offer affordable cleaning detergent, while maintaining a high standard of product quality.*

01.02 What are your objectives to export? *Example: expand sales by 20%, increase production capacity by 20%, increase staff by 10 people.*

01.03 Briefly outline the list of products or services that your company offers. Kindly also provide the corresponding key product/service attributes, such as its size, quality certification, labeling format, and cost per unit.

01.04 What makes your product or service different than those on the local market? *Example: competitive price at 10% cheaper, special customer experience.*

01.05 Which of the products or services listed has the best export potential? And why?

Availability of Resources

Current production capacity analysis (*Production capacity is the size of the production as measured by the number of units being produced for a given time frame)*

01.06 Enter **existing production** (quantity; # of units being produced per week)

01.07 Enter **maximum production** (Quantity; # of units that can actually be produced per week)

Computing the percentage of under-production (Production being less than what can actually be produced) or overproduction (production being more than what can actually be produced)

Procedure: Underproduction or Overproduction percentage = $\frac{\textbf{Existing Production}}{\textbf{Maximum Production}}$

01.08 Underproduction or Overproduction percentage: — = %

How will you respond to an increase in demand? Examples of strategies: Hire more staff, which type of staff (skilled, semi-skilled, trained, professionals), purchase additional machinery to mass produce, expand production/operational facility, etc.)

01.09 Please write responses below

Current Financial Analysis

01.10 Current Cash flow (Total amount of cash received from sales monthly or yearly)

= $

01.11 How much credit is being financed at the moment? For example: number and total of loans; who financed such loans? Options: Commercial banks, micro-financing institutions (DFC, Small Farmers Development Bank), credit unions, family members etc.)

01.12 What is your relationship with the financing bodies? (Select the option most applicable to answer the question)

Excellent	Very Good	Good	Satisfactory	Poor

01.13 Do you have extra-financing to support increase in demand?
(Select the option most applicable to answer the question)

Yes	Some	No

01.14 Do you have access to that financing/will the financing bodies facilitate such? (Select the option most applicable to answer the question)

Yes	Some	No

Human Resource analysis (your employee's skills and experience)

01.15 How many employees are presently employed by your company? (Divide by departments- for example: Management& Administration, production & Operation, Accounting, Marketing & Sales, Logistics, Maintenance & Security)

01.16 Overview of education/skill sets of employed staff. (List the number of employees under each option)

Doctoral Degree	Master Degree	Bachelor Degree	Associates Degree	High School	Primary School	None (Highlight skill sets if no academic certificate is held)

01.17 What trainings have the staff obtained that can contribute to the exporting process? And how many members of your staff have obtained such trainings? *Example: Marketing & Sales, Exporting-logistics, Forecasting and financial management, Budgeting etc.*

01.18 Should no training be in place, do you have the budget/ financing to do so?

Yes	Some	No

01.19 Have you identified who and how many from within your current staff has the most potential or the needed factors to assist in the implementation of exporting?

SWOT Analysis

Strengths	Weakness
Opportunities	Threats

Kindly complete the above boxes in the SWOT Analysis Chart in reference to the following terms.

- **Strengths**: list at least three competitive factors that your selected product/service (with export potential) is able to surpass your competitors on the local market.
- **Weaknesses:** List at least three weaknesses that you found in your selected product/service (with export potential).
- **Opportunities:** What opportunities (at least three), in reference to your selected product/service, do you foresee on the target export market?
- **Threats:** List at least three major issues or obstacles that can potentially hold you back from exporting.

01.20 How do you think the *competitive factors* identified will assist you to succeed in the export market?

01.21 How do you intend to address the listed *weaknesses* that you found in your selected product/service (with export potential)?

01.22 How do you intend to address the identified *issues* or *obstacles* that can potentially undermine the export process?

SECTION 02: MARKET ANALYSIS

Market Research

Market research can provide important information to help you to understand the export market. As one of the first steps in the export process, market research can help you to determine if an opportunity exists for your business.

Market Information

02.02 What is the average price for your type of product/service in the targeted market?

02.03 Is the average price sufficient to cover costs? See breakeven template.

02.04 Does the selected target market have sufficient demands for your product/service? Is it already being met by the in-place competitors?

02.05 Overview of the market size - indicate the availability of local manufacturers, agents, distributors and suppliers.

Geographic

02.07 What are the overall economic trends?

02.08 What are the regulations including quarantine, labeling standards, standards and consumer protection rules, duties, taxes?

02.09 What are the demographics of the country like in terms of gender, age, location, income, population?

02.10 Are there any trade agreements between Belize and the target country? If any, please specify.

Industry Research

Import and Export

02.11 From which countries are products of a similar nature being imported?

02.12 Is there any import quota (limit) on the product that you are interested in exporting?

02.13 Is there any tariff on the product that you are interested in exporting? If yes, please indicate the tariff duty.

Market size/ Market Share/ Analysis of Competitors

02.14 Who are your main competitors in this industry?

Kindly indicate in the table below, the name of the company; their percentage of the Market share; the types of products that they produce; and if they are a local producer, or just a company exporting into the market.

Company Name	Domestic Producer/ Exporter	Products Produced

02.15 What would consider as being your major competitive advantage(s)? (Price, features of your product, product quality)

Distribution Channel/ Logistics

02.16 How will you distribute your products to your customers, will you engage a distributor, send company representatives, or through the use of direct sales?

02.17 Which shipping agent(s) have you identified to transport your products?

02.18 Have you thought about a payment plan with the distributor, in terms of how much should be paid prior to shipping and the time frame for payment to be made?

02.19 Have you considered the shipping logistics?

I. Who will incur the freight charges?

II. What type of storage facility will you have in place?
III. What are the necessary requirements to sell your product in the market of interest? (warehouse conditions, special equipment, the use of technology and communications)
IV. What type of containers will be used for shipping?
V. The cost of shipping to the market of interest?
VI. At what point will the importer take full responsibility for the products?
VII. If the products are damaged whilst shipping who will take responsibility?

02.20 Are the importers and exporters registered companies, and licensed?

Analysis of Customers

Geographic Concentration

02.21 Which location in your target country can you find a high demand for your products?

Marketing Mix

Price

02.22 How do you calculate the price of each product? (e.g. fix cost + variable cost + profit = price) see glossary

02.23 What factors have you considered in setting your price? (Labeling, materials…)

02.24 What are your discount policies?

02.25 If you have a low price strategy, how do you expect to meet required sales volume?

Product

02.26 What changes/modifications to the product will be needed to suit the export market?

02.27 Have you assessed the packaging of your product? Have you taken into consideration protection, shape, size etc.?

02.28 What are the projected sales and profitability percentage for the next 12 months? See sales forecast template.

Promotion

02.29 How do you intend to enter the market? (Agent, distributors, joint venture etc.)

02.30 Have you developed a marketing strategy? Have you evaluated the modes of advertising?

02.31 Based on target market selection, which is the promotional media to be used for product launch and after? Explain? (TV, billboard, newspaper, website etc.)

02.32 What will be your message concept to your consumer?

02.33 What will be the Sales and Customer service structure for your target market?

02.34 What local trade shows in the target country will you attend?

02.35 Complete a schedule of marketing actions with budget associated and implementation schedule for the first

SECTION 03: FINANCIAL ANALYSIS

Introduction

Financial analysis is an important part of export planning. If financial analysis is not done, how will you know when and if you will be profitable.

When performing a financial analysis it is important to be realistic with your numbers. You do not want to use the "best case scenario" for all your projections. Instead you should weigh all the variables and use moderate numbers.

Doing a Sales Forecast

When doing your financial projection the sales forecast is the starting point. Your forecast should be realistic, achievable, and sufficient to make a profit.

1. What do you think your sales will be over one year?
2. What is the sales price throughout that period?

You can use table 1 to calculate your sales forecasting or follow the following steps.

Step 1: Fill the unit Sold. What will be your sales for the next year?

Step 2: Fill the sales price line**.** For what price you will sell the unit at the export market?

Step 3: Calculate the total sales by multiplying units sold by sales price per unit.

Note: If you have multiple products you will need to calculate sale forecast for each product.

Table 1: Sales Forecast Template

SALES FORECAST			
	Year	**Year**	**Year**
Units Sold			
Sales Price per Unit			
Total Sales			

Calculating Cost of Goods Sold

Determining your cost of producing your product is important in order to know how much to charge to your customer. It also helps to determine if the selling price covers the cost of making the good and exporting. Allow yourself a realistic profit or markup.

1. What are the expenses at your factory to produce your product?
2. What are your expenses that you will have to do in order to get your product to your client?

Table 2: Cost of Goods Sold Template

PROJECTED COST OF GOODS SOLD			
	Year	**Year**	**Year**
Units Sold			
Production Cost			
Raw Material			
Labor			
Direct Utilities			
Packaging			
Labeling			
Freight			
Cargo Insurance			
Tariffs			
Other Expenses			
Total Production Cost			
Total Cost of Goods Sold			

Doing a projected cash flow

The cash flow report is essential to determining if your domestic sales and current cash and finance situation will support launching an export product. When preparing a cash flow for your anticipated export activity, you can prepare a condensed version of the cash flow statement.

Table 3: Cost Statement of Cash Flows Template

PROJECTED STATEMENT OF CASH FLOWS		
	Monthly	Yearly
Operating Cash Flow In:		
Start up cash available		
Projected Sales		
Total inflow of cash		
Operating Cash Flow Out:		
Payment to suppliers for materials		
Direct Labor		
Shipping Expense		
Other variable costs (electricity)		
Selling expenses (marketing/advertising, etc.)		
Financing costs		
Equipment purchase		
Taxes paid		
Fixed (overhead) expenses		
Total outflow of cash		
Cash Balance		

Doing a Break-Even Analysis

The break even analysis will tell you the break-even point. The break-even point tells you how much sales you need to have to cover your costs. One of the reasons the break even analysis is important is because it is one of the tools you will use to determine how much you should charge for your product or service. To calculate the break-even point you need to identify your fixed and variable costs.

Table 4: Break Even Analysis Template

PROJECTED BREAK-EVEN ANALYSIS		
Costs	**Fixed**	**Variable**
Raw Materials		
Direct Labor		
Indirect Labor		
Supplies		
Repair and Maintenance		
Advertising		
Shipping expense		
Accounting and legal fees		
Rent		
Utilities (phone, electricity, gas, etc.)		
Interest		
Depreciation		
Other expenses		
Total		
BREAK EVEN POINT = FIXED COSTS + VARIABLE COSTS		
Break Even Point =		

Doing a Balance Sheet

In exporting as in any other business transaction, it is important to know the financial position of the company at any given point in time. The company's financial position is of extreme importance to the shareholders, employees, and even financial institutions that may provide you with the financing needed to engage in exporting. It allows anyone who reads the balance sheet, for example, a creditor, to see what the company owns and owes as of the date indicated in the heading.

Table 5: Balance sheet Template

PROJECTED BALANCE SHEET	
	$
ASSETS	
Current Assets	
Cash at hand	
Cash in bank	
Inventory (Stock)	
Accounts receivables (trade debtors)	
Other	
Total Current Assets	
Fixed Assets	
Land	
Buildings	
Plant & equipment	
Fixtures & fittings	
Vehicles	
Other	
Total Fixed Assets	
Total Assets	

LIABILITIES & OWNER'S EQUITY	
Current Liabilities	
Accounts payable (trade creditors)	
Short-term loans	
Interest payable	
Taxes payable	
Accrued salaries & wages	
Other current liabilities	
Total Current Liabilities	
Long-term Liabilities	
Long-term loans	
Other long-term liabilities	
Total long-term liabilities	
Owner's Equity	
Owner's Investment	
Retained earnings	
Total owner's equity	
Total Liabilities & Owner's Equity	

Doing a Profit & Loss Statement

The projected profit and loss statement, also known as an income statement, will calculate your projected net profit or net loss before and after taxes. The document shows the difference between your income and expense and it tells you if your business will be profitable or not.

Table 6: Profit and Loss Template

PROJECTED PROFIT AND LOSS STATEMENT	
	$
Sales	
Cost/Goods Sold (COGS)	
Gross Profit	
Operating Expenses	
Salary (office & overhead)	
Income Tax	
G.S.T.	
Social Security	
Outside Services	
Supplies (off and operation)	
Repairs/Maintenance	
Advertising	
Car, Delivery and Travel	
Accounting and Legal	
Rent	
Telephone	
Utilities	
Insurance	
Taxes (real estate, etc.)	
Interest	
Depreciation	
Freight	
Other expense (specify)	
Total Expenses	
Net Profit before Tax	

Income Taxes	
Net Profit after Tax	
Owner Draw/Dividends	
Adjusted to Retained Earnings	

Getting Paid

Methods of Payment

How will you ensure that you receive payment with your buyer being in another country or on the other side of the world? As the exporter, you can decide to grant your customer an open account credit, or request payment on delivery by signing a letter of credit or payment in advance. Below are some methods of payment available:

Comparing Payment Methods

Method	Usual Time of Payment	Goods Available to Buyer	Exporter Risk	Importer Risk
Cash in Advance	Before shipment	After payment	None, if products are in inventory or production begins after payment is received	Relies upon the exporter to ship goods
Letter of Credit	After shipment when documents complying with the LC are presented	After payment	Very little or none, depending on the terms of the LC	Relies upon the exporter to ship goods described in documents
Documentary collection – Sight Draft	After shipment, but before documents are released	After payment	If draft unpaid, must dispose of goods	Relies upon the exporter to ship goods described in documents
Documentary collection – Time Draft	On maturity of draft	Before payment	Relies on the buyer to pay draft; no control of goods	Almost none

Source: www.sba.gov

IMPLEMENTATION SCHEDULE

Management of Timeline
Export Action Points

Status of Completed Action:
Status of Incomplete Action:

List of Actions to be Implemented	Planned		Actual		% Completed	# of Weeks starting:						1-Oct-12								
	Start Date	# of Weeks	Start Date	# of Weeks		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

GLOSSARY

Balance Sheet Statement – The balance sheet shows how much a company owns (assets) and how much it owes (debts) at a specific point in time

Breakeven Point – The point where business sales will cover business expenses

Capital – The financial resources a company has available for use

Cash Flow Statement – The cash flow statement reports the inflow and outflow of cash made by the company over a specific period of time. It shows the sources from which cash was generated and how it has been spent.

Cost of Exporting – The costs associated with exporting a product(s)

Cost of Goods Sold (COGS) – The direct costs attributable to the production of goods. This amount includes the cost of materials and direct labor.

Costs of Production (Direct) - the costs incurred in the production of your product/service. For example: purchase of raw material, shipping, insurance, custom duties, packaging, direct labor, direct utilities, etc.

Costs of production (variable) -Also known as indirect or overhead costs. These are costs that are incurred in the running of the business and are paid regardless of sales. For example: phone, rent, administrative salaries, loan interest, legal and accounting feels, etc.

Depreciation – A method of allocating the cost of an asset over its useful life for assets whose expected life is greater than one year.

Expenses (fixed) - a cost that does not change with an increase or decrease in production. These costs have to be paid by a company, independent of any business activity. For example rent, administrative salaries, insurance, office supplies etc.

Expenses (variable) – These costs vary with the level of production volume. They rise and fall as production increases or decreases. For example, direct labor, raw materials, packaging

Financial statements – A report a company produce to show their current financial status. Three of the main financial statements are: 1) Balance Sheet 2) Income statement 3) cash flow statement

Gross profit Percentage – A widely used profitability ratios. It represents how much of sales revenue is spent on providing the goods or services. The result of the gross profit percentage indicates what is left from sales revenue for the operating costs and profit. It can be calculated as Sales revenue divided by COGS

<u>Income statement</u> – The income statement shows how much money a company has made (or lost) over a specific time period.

<u>Payment methods</u>

- **<u>Cash in Advance</u> -** This is the most secure method of payment. It can be done through: wire transfer, International Bank Cheque (Bank draft), or credit card. Goods are shipped only after payment is received.

- **Letters of Credit (LCs) or Documentary Credit -** is a letter from a bank on behalf of the buyer that payment will be made to the seller, once all conditions of the buyer-seller agreement have been met. This should be requested before commencing production. There are three common types of letters of credit.

  - ✓ **Irrevocable:** The terms can only be modified by the bank after obtaining approval from both the buyer and seller.
  - ✓ **Revocable:** Either party can request the bank to change the terms without requesting approval from the other party.
  - ✓ **Confirmed:** Confirmed by your bank for additional security.

  With a **Documentary letter of credit**, payment is based on documents and not on the terms of sale or the physical condition of the products. The documentary letter of credit will list the documents that the exporter must present, like a Bill of Lading, invoice, draft or insurance policy.

- **Documentary Collection or Draft -** This payment method allows you to ship the product to your buyer before receiving payment; however, the documents (packing list and Bill of Lading) along with a draft or bill of exchange are sent to the collecting bank with instructions for payment. Once the buyer has made payment, the bank will issue the documents. The bank then forwards the money to your account. Types of documentary collections or drafts are:

  - ✓ **Sight draft (document against payment – D/P**): You as the exporter will retain control over the goods until payment has been made. Once payment is received, the items are released to the buyer.
  - ✓ **Time draft (document against acceptance – D/A):** Credit is given to the buyer and payment is expected within a stated time in the future. For example, payment must be made 30 days after acceptance.
  - ✓ **Date Draft:** The date of payment is specified. *For example, the shipment left the home country on September 30, transit time is one week, and payment is due on October 28.*

- **Open Account -** The goods are shipped and delivered to the buyer before payment is due. *For example, payment is expected within 30, 60 or 90 days, depending on the agreement made.*

- **Consignment Sales -** The products are shipped to a distributor who will sell them in the foreign market on behalf of the exporter. The ownership of the goods remains with the exporter until these are sold.

Profit Margin – Measures how much out of every dollar of sales a company actually keeps in earnings. It is a ratio of profitability calculated as net income divided by revenues

Mark up – the amount added to the sales price to account for profit on the sale.

Sales forecast – the process of estimating future sales, based on historical sales data, analysis of market surveys and trends, or other verifiable information.

Tariffs – A tax or duty paid on a particular class of import or exports