

Entering a new market



export
finance
australia

Exploring opportunities beyond Australian shores

In an increasingly connected world, many Australian businesses are looking to expand beyond domestic borders and into new markets to take advantage of the many benefits of diversification.

This eBook has been created as a guide to support the process of entering new markets and diversifying your business.

This eBook will help you understand:

- › how to determine whether to expand into a new market Pg. 3
- › the benefits of expanding into a new market Pg. 4
- › things to consider when developing your export strategy Pg. 5
- › preparing and managing your financial resources Pg. 8
- › how to choose and access international markets Pg. 12
- › resources and support available to help you. Pg. 15



“Export Finance Australia’s support over the last few years has been critical. Without its help, we would not be where we are today. We would not have had the financial backing or the support to enter the European and Canadian markets because of the time lag with payments.”

Mark Ashenden

Co-founder and Executive Director
Seed Terminator

Accessing a world of new opportunities

Entering a new market is not only selling your goods or services in a new country. It can also be changing your product, using alternative suppliers or adopting different materials to appeal to a broader target audience.

Deciding whether to expand into a new market

Before you decide to expand into a new market

It's important to weigh up the pros and cons. This means assessing your:

- › management, commitment and capacity
- › export experience
- › financial resources
- › market demand and entry
- › timeframes.

Building on your existing business model

There are a number of ways to enter a new market, including:

- › offering similar products or services to appeal to new customers
- › providing new and unrelated products or services to existing customers
- › creating a new product line or service to appeal to new customers.

Offering new products or services can enable you to access new customers, from new markets with different needs and tastes.

Similarly, diversifying your business could also be as simple as changing providers in your supply chain.

In today's market, consumers are increasingly interested in aligning their purchasing power with businesses that match their values. This may include using suppliers that focus on:

- › sustainability
- › equality
- › diversity and inclusion
- › quality
- › cost.

Benefits of expanding into a new market

Here are some key reasons to consider diversifying your business.

Boost your sales

Expanding internationally opens up new and lucrative markets for Australian businesses, with a pool of millions of potential customers in other countries. By accessing a wider customer base for your product or service offering, you could generate more business and increase sales. Exporting is also an opportunity to make your production chain more efficient to create long-term savings.

Diversify your offering

In addition to selling your current product or service to a new customer base, international expansion presents an opportunity to diversify your offering. By researching the specific market, you can invest in and launch new products and services targeted to these customers. For example, you might decide to sell seasonal goods all year round in different hemispheres.

Build resilience

Keeping your business in a domestic market not only limits your growth potential, but it also increases your exposure to local market changes. However, by taking your business to multiple markets, you can diversify your revenue streams, helping reduce your dependency on a single market. This means that if the domestic market experiences a slowdown, the global market could cushion your business against the financial impacts.

Get a competitive edge

If you're finding it challenging to compete in a saturated domestic market, you can find new opportunities internationally, giving you access to new customers in a market where your competitors don't operate. Exporting can also teach you different ways of doing business, to help you stand out from the crowd.

Refining your export strategy

When considering a new market, it's important to ensure that your export strategy reflects the changes you need to make to your business model, covering these key components:



The market

What country or region are you targeting?

- › Think about the size of the market, its structure, demographics and outlook to determine whether demand will be strong enough for your product or service to build a solid customer base.
- › Look at any trade agreements or tariffs in place and consider how these might affect your product.
- › It's also important to consider any political or other risks that might derail an otherwise sound export plan.



Customers

Identify and target your ideal customer.

- › Ask yourself why your existing customers choose your product or service over your competitors' and what influences their buying decisions. This will help you work out how best to respond to your customers' needs.
- › Remember differing cultural and economic factors will influence how your target customer responds. Don't assume that any new customers you target will be the same as your existing customers.



Competition

Assess how similar products are already performing in the market.

- › Some markets will be easier to enter than others based on the level of existing competition, so it's important to do this research.
- › For each competitor, identify their strengths, weaknesses, distribution strategy and price point to see where your product or service can fill the gaps.



Products and services

Understand the challenges or issues that your new customers might face.

- › Identify what solution you can provide to overcome them. This may mean adapting your product or service to the market.
- › You also need to consider how you'll brand and market your product to help it cut through in a new export location.



Supply chain

Know how you're going to get your product to market.

- › How much will it cost, how long will it take and how will you manage the process to get it to market? Many first-time exporters don't factor in the time and resources that need to be dedicated to shipping and customs.
- › You should also consider the distribution arrangements for your target country. Will you go direct, act through a broker or wholesaler, or rely on local contacts to help you access the customers you need?



Regulatory requirements

Understand regulatory and compliance requirements.

- › Every foreign market has its own regulatory and compliance requirements, including consumer protection rules, product standards, liability insurance, warranties and licences. Some markets also have specific requirements for how you package, label and market your product.
- › You should also check that your intellectual property is properly protected in your target market, to reduce the risk of a competitor stealing your concept or brand.



Communication

Define your communication challenges and how you will overcome them.

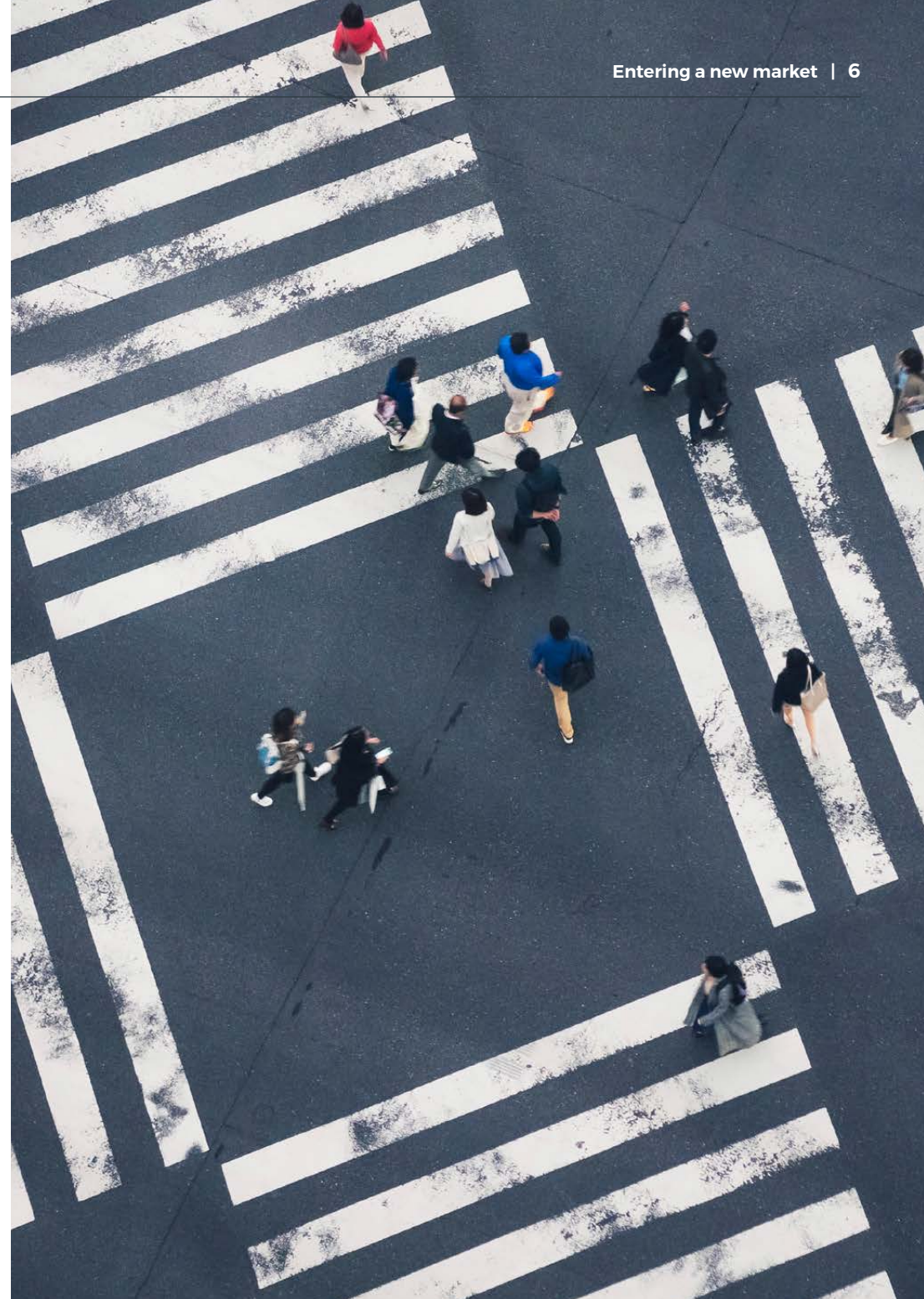
- › If a different language is spoken in the market you are exploring, you need to consider how you will communicate. It may be worth having a local representative or a team.
- › It's also important to factor in any religious or cultural factors that you need to be aware of and adapt to, to ensure you don't unwittingly offend the customers you're seeking to attract.



Contacts

Nurture any contacts you have in your destination market.

- › Breaking into a new market can be difficult without support. So, leverage any local contacts you have for their local knowledge to help navigate cultural and regulatory differences, and provide introductions.



CUSTOMER CASE STUDY

Focusing on global growth: Manildra Group

Manildra Group is a family-owned Australian business that produces grain-based consumer products and industrial goods, including wheat flour, gluten and proteins, starches, syrups, ethanol, stock feed, fats and oils for Australian and international markets.

Manildra Group's Australian market is relatively mature, which has seen its focus shift to investing in growing exports.

To do this, the business needed to upgrade and expand its facilities in Nowra. These facilities house the world's largest wheat starch and gluten plant of its kind, which is operated in conjunction with its world-first high-grade ethanol distillery.

We provided Manildra Group with three guarantees to support the funding of its expansion projects.

Read more about the support we provided [Manildra Group](#).

“

When looking to grow your export business, securing the right financing solution can be very important. If you're just getting started, speak to Export Finance Australia about the ways it can help fund your expansion into new export markets. ”

Peter Stretton

Former CFO, Manildra Group

Operating internationally and managing finances

Whether your business is new to exporting or planning to expand into a new market, effective cash flow management is crucial.

Preparing your finances

When exporting, it is important to get a clear understanding of where your domestic business stands, so you can see what resources you have and identify any gaps.

› Create a cash flow forecast

To make sure you can cover your running costs and decide if you need finance to cover funding gaps.

› Set a budget

To allocate funds to your short and long-term exporting activities, including logistics, staffing, resources, travel and marketing expenses.

› Outline your objectives and action plan

To define your target market, understand costs and timings as well as prepare the right funds for different stages of your export journey.

› Ensure operational readiness

To get the infrastructure and organisational funding in place for domestic and international operations, preventing any unexpected costs.

Creating a positive cash flow

The key to exporting successfully is to understand what financial resources you need to help cover the costs along your export journey. Here are six steps we've identified to help you get on top of your cash flow.

1

Research

Knowledge is the foundation of success. Seek advice from bankers, accountants and advisers to guide you through the process.

2

Forecasting

Create a forecast detailing income and expenses from your current domestic and future export plans. This will enable you to see where you require additional cash flow.

3

Export risk management

Develop a risk assessment plan with potential risks and consequences and how you can manage these to prepare for associated costs.

4

Customer payments

Make sure you have an agreed payment process with your customers, to avoid delayed payments negatively impacting your cash flow.

5

Cash flow gaps

After setting up your forecast, risk management and payment process, identify cash flow gaps to determine whether you have sufficient funds to cover these.

6

Growth

Once you've achieved your export goals, consider whether you have the people, stock and operational capacity to accept additional orders and grow your business further.

Managing export risks

With every opportunity comes some level of risk. The key is to identify and manage risks early on.

These might include:

- › **non-payment risk** – your customers are unable or refuse to pay
- › **currency risk** – the exchange rate moves between the time you negotiate the contract and receive payment
- › **country and transfer risk** – a change of government policy impacts your ability to do business
- › **international laws** – you operate in a new market with laws you don't understand or are not aware of
- › **banking abroad** – dealing with unstable international banks
- › **logistical risks** – your business is disrupted by unreliable shipping or delivery schedules

Handling payments

International payment terms can be longer than Australian cycles, which is why having a strong payment system in place is vital. You should clearly outline your payment process with your customers. For example, let them know you require a part payment upfront and how long they have to pay you.

You also need to agree on how they will make payments, whether by credit card, bank transfer or another type of transfer system. Your bank can advise you on the most appropriate payment system for your situation, taking into account the regulations and costs of each payment method.

Before you sign any contract, get all aspects of the payment process in place and have your forecast ready to ensure stable cash flow.

Growing your business

While it may be tempting to take on a large global contract in a new market without prior planning, you risk being unable to meet your orders if you don't have the time, money or equipment to ramp up your resources. You may want to consider whether you have:

- › enough employees to deliver your goods or services
- › additional equipment to take on extra orders
- › sufficient working capital to set up operational growth
- › a plan to finance logistics and supply chain growth.

Finding financial support

You may need extra finance at various times. Knowing in advance where to go and how to access funding is a key part of preparing for export growth.

› Do-it-yourself finance

You may be able to meet costs from your own reserves without causing cash flow problems or taking on expensive debt. Your existing customers and suppliers could also help you cover any temporary cash flow gaps by rescheduling payments and invoices.

› Talk to your bank

Keep your banks updated on your business plans. They may be able to offer you a secure loan or commercial bill facility when you need extra finance.

› Alternative sources of finance

We may be able to provide alternative support for your export ambitions. We have the expertise to help Australian businesses with their export activities and offer a range of finance solutions.

Our finance solutions are designed to support Australian businesses to grow globally



Loans

Working capital to grow your business.



Bonds

The security to help you take on export contracts.



Guarantees

To secure the finance you need from your bank.

Contact us to discuss our finance solutions

From an online unsecured loan to help with cash flow, to a flexible multi-option facility that could include a longer-term loan and bonds, our experts take the time to understand your needs, so you can focus on growing your business.

Call us on **1800 093 724** or visit our website for more information.

Need a small loan to give your export plans a boost?

Our **Small Business Export Loan** is designed to help businesses get the finance they need for a variety of export-related needs. You can access between \$20,000 to \$350,000 for a wide range of export-related activities such as investing in equipment, promoting your business and even providing services for international visitors.

Apply now on our [website](#).



Determining the right market

One of the most common mistakes exporters make is picking the wrong market for their product or service.

Tips for choosing export markets

Take a strategic approach

Before jumping into the first opportunity that opens, do your research and select the markets where you have the greatest chance of success.

Compare markets

Understand what drives a market and how you can make the most of it, including market size, growth and the competitive environment.

Check market access

Demand isn't the only crucial factor – you also need to know how difficult it will be to do business in that market. Consider whether it would be better to tackle an easier market first.

Do primary research

After desktop research, fill the gaps by surveying consumers and buyers, collecting data, speaking to importers and exporters, or even visiting the market.

Assess your competition

Do a competitor analysis to understand if there's enough demand in the market and whether you can offer something that will give you an advantage.

Respond to customer needs

Consider the demographics within the market including age, gender, income and employment – as well as cultural and religious factors.

Market access

Market access refers to whether a business can sell goods or services across international borders. Each government sets its own trade rules and policies to protect public health, local markets and the economy.

These are called 'market access barriers' and you'll need to know how they can affect you before you start exporting.



Understanding the market

Knowing the rules makes it easier, faster and cheaper to get your product into an international market without running into financial or legal problems. For each market, it is important to look at **laws and regulations**, and **duties, taxes and export documentation**.

Common trade barriers

A tariff is a tax or duty applied to some imported products, which raises the price to make them less competitive compared to domestic products. If tariffs apply, you'll need to factor them into your export pricing.

The Australian Government is working to remove non-tariff barriers to help Australian exporters get their goods into international markets quickly, easily and at a lower cost. You can read more about their **Action Plan** and **access additional resources** on their website.

Free Trade Agreements

A Free Trade Agreement (FTA) is an international treaty that may remove or reduce trade barriers between two or more economies. They may benefit your business by removing or lowering tariffs and reducing regulatory barriers to expand market access for trade.

Australia has several FTAs and is negotiating new agreements regularly – visit the **FTA Portal** to learn more.

Ease of doing business

The World Bank ranks countries each year on their **ease of doing business**.

Markets that are easier to enter have:

- › a link or history of trading to Australia
- › a common business language
- › similar business practices, regulations and laws
- › a familiar banking system.

Markets may be harder to enter because of:

- › size and complexity
- › a high level of regulation
- › very different business practices
- › complex import requirements
- › lack of development.

Competitor analysis

A competitor analysis will help you discover how similar products perform in the market and identify where there are gaps in the market that your product can fill. This helps you work out your chances of success and refine your unique selling point.

Start by scanning for competitors in your product category on e-commerce sites. This will give you a list of competitors so you can look up their websites and see what consumers are saying about them.

Then assess your potential in the market, considering your competitive advantage in terms of:

- › **product** – the key features and benefits
- › **price** – how it compares to similar products
- › **place** – where you'll sell your product
- › **promotion** – communication channels and promotion tools.

“While our reputation and our previous work enabled us to win the first contract, we wouldn't have been able to carry on and do all of the additional work that we've been asked to do if we hadn't had support from Export Finance Australia.”

Leon Stone
Chief Operating Officer
McGregor Coxall

Support available

Want more information?

We've developed a range of export-related **resources**.

Explore more of our resources, including eBooks, articles and country profiles here:

exportfinance.gov.au/resources/



Export Finance Australia

Australia's export credit agency, providing finance solutions to Australian exporters including businesses in an export-related supply chain.

Visit exportfinance.gov.au

Call **1800 093 724**

Email info@exportfinance.gov.au

The Australian Trade and Investment Commission (Austrade)

Austrade helps grow Australia's prosperity by delivering quality trade and investment services to businesses, accelerates growth in Australia's tourism sector and promotes Australia's education to the world. It can link Australian businesses to global export opportunities, provide market and industry insights and make it easier for businesses to go global.

Visit austrade.gov.au

Export Council of Australia (ECA)

ECA is the peak body representing every player in the ecosystem of international trade. It supports Australian businesses and other entities involved in global trade through providing updated information, on-going capacity building, advisory services, creating ecosystems and advocating on behalf of members.

Visit export.org.au

The Department of Foreign Affairs and Trade (DFAT)

DFAT promotes and protects Australia's international interests to support our security and prosperity. One of the ways it does this is by helping Australian businesses, in partnership with other agencies like Austrade and Export Finance Australia.

Visit dfat.gov.au

Discover how Export Finance Australia could help your business take on the world.

To find out more about how we could help your business, go to exportfinance.gov.au or call 1800 093 724.

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Australian Government

