

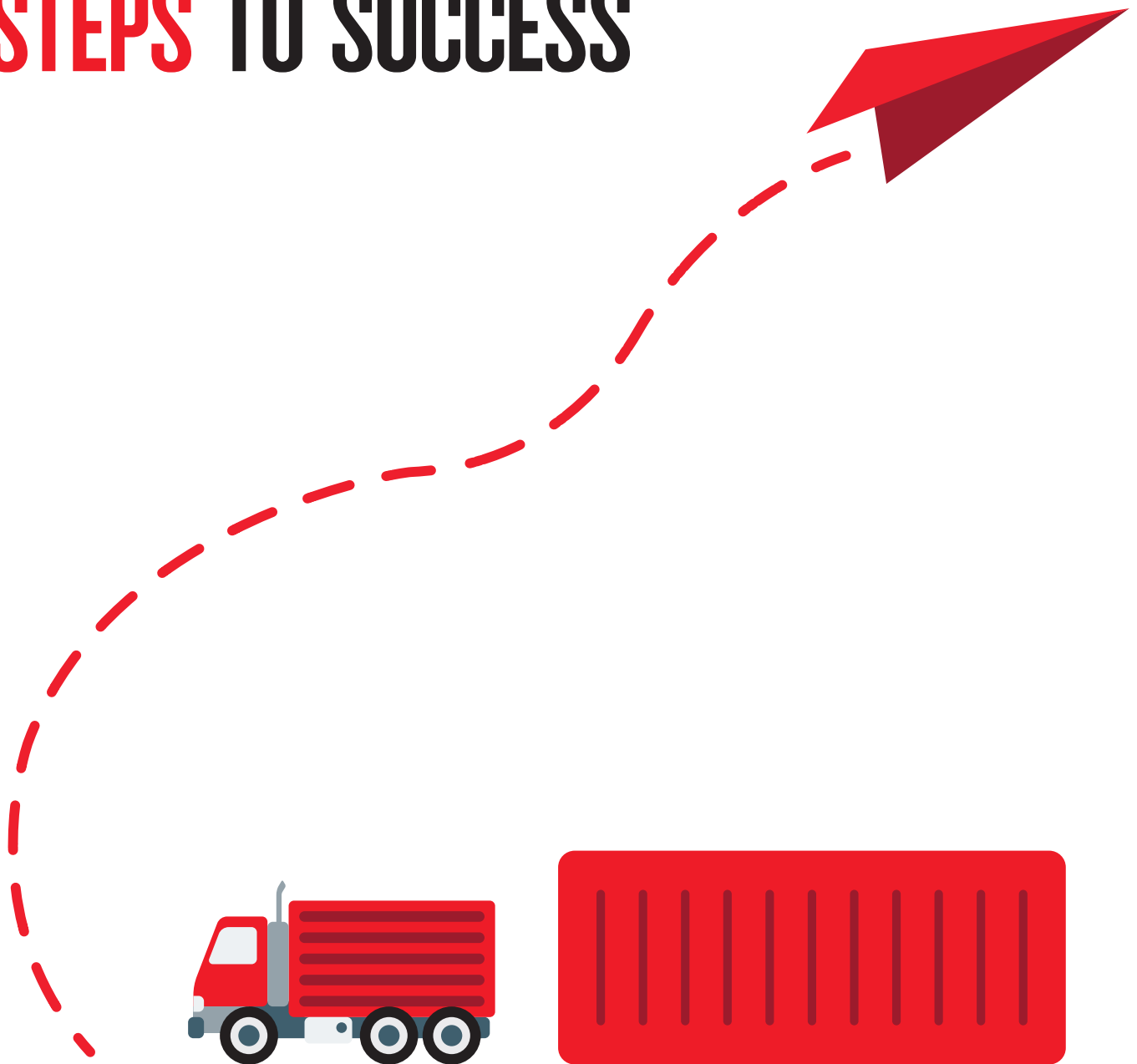
more
than
money



Your guide
**EXPORTING
TO ASIA**

Understanding the
Asia opportunity.

STEPS TO SUCCESS



Whether you're just starting out in exporting or you're already well established, Asia's relatively high growth forecasts make it a viable option for business growth.

Our proximity to Asia and the high quality of Australian products have positioned our exporters well to capitalise on the growth of the Asian economies. With an emerging middle class and evolving dietary and leisure patterns, our Asian neighbours are likely going to demand a more diverse range of products and

services rather than our coal and iron ore. For example, the demand for Australian protein in our beef and dairy products. Tourism, education and professional services have also increased significantly over the years. There are many more opportunities for our exporters and we at NAB are here to help you.

STEP 1

IDENTIFY WHICH COUNTRY TO TARGET



If you're not sure where to export, identify potential targets in as much detail as you can. Gather information for each country on:

- The relevant regulations and entry requirements.
- Any product liability.
- Freight and logistics considerations and required export documentation.
- How you'll be paid for your exported products or services.
- The risks involved in operating.
- The likely demand.
- What they are prepared to pay.

Begin by looking for countries where entry to the market will be easier and your potential competitive advantage can be sustained.

Choose a low-risk target market first to allow you to check and develop the export potential of your business.

For example, Singapore and Australia enjoy a close relationship, where business is normally conducted in English and in a straightforward manner.

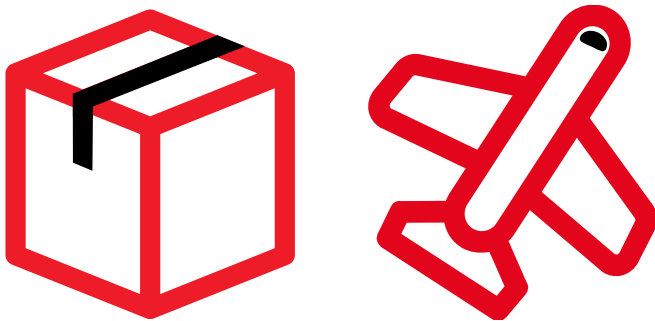
DID YOU KNOW?

China is Australia's top two way trade partner, with over \$93 billion dollars per annum in exports. Japan is second with over \$38 billion, and the USA in third with \$20 billion.¹



STEP 2

SELECT A BUSINESS CHANNEL



There are a number of options when it comes to physically exporting your product or service to your target market.

Select the one that is the easiest to execute. Your decision will also depend on the nature of your end customer; are they consumers (buying one item at a time), or businesses (who will order in volume and re-sell/use in their processes)?

Agents and distributors

They buy your product or service and on-sell it for you. An agent may have exclusive distributor or wholesaler agreements giving you fast access to customers.

You would usually employ an agent on commission to represent your business in your target export market.

Some features of using an agent are that you:

- Pay the costs incurred by the agent.
- Import your goods and hold any stock.

Using an agent can open your business up to certain distributors or wholesalers that may only purchase products through the agent.

Distributors normally purchase your products directly and on-sell them to their customers. They'll add margins or may even set their own prices.

Some features of using a distributor are that they:

- Will import and hold your products in stock.
- May provide after sales service for customers.
- Will prefer to buy products that offer them high margins or are easier to sell.

Whether you choose to work with an agent or a distributor, you'll want to be able to build a positive relationship that offers strong market representation for your business's products or services.

Whoever you work with make sure you:

- Visit the market to personally meet them and assess market conditions.
- Ask what other product lines they represent, to avoid any conflicts of interest.
- Research the background, reputation and stability of your potential agent or distributor.
- Get legal advice on any agreements.

Include a trial or pilot period, and minimum sales volume clauses so you can find an alternative if the agent doesn't sell as much as they claimed.

STEP 2

SELECT A BUSINESS CHANNEL (CONTINUED)



Sell direct

Visit the country (yourself or sales managers) and approach/target specific customers (tends to only work business to business). You control the whole process, but need to factor in selling costs (travel) and then support costs (maintenance, repairs, damage, customer queries and complaints).

Sell online

Selling overseas directly via the Internet allows you to test the waters without making a major investment in country.

It also means you can avoid third party mark-ups and lets you maintain direct control over your marketing. However, it's still important to ask;

- Will your target customers buy online?
- Can you support your product or service online?

As your website is your online store, you will need to put significant time and cost into creating a user-friendly, appealing, transactional site for seamless customer service.

TIP

Check out [our ecommerce solutions](#) when setting up your online store.

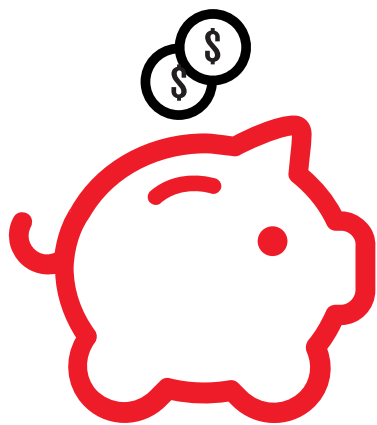
Additional options

Also consider:

- Open a branch of your business in your target country. You'll have increased control and efficiency, and you'll be able to communicate directly with your customers with local employees.
- Set up a strategic alliance or joint venture with a business that's already operating in your chosen country.
- Franchise your business. This method particularly suits fast food chains, retail chains and service firms.

STEP 3

DETERMINE IF YOU CAN MAKE A PROFIT



Every export opportunity needs to generate enough profit to cover your costs and reward you for the risk you've taken.

It's likely that

- Exporting will cost more than you thought.
- Sales and revenue will take longer to generate than you planned.
- Customers may be slower to place orders than you expected.

It's important to be aware of the impact the Australian dollar has on exports as it rises and falls. In theory, a lower dollar helps Australian exporters (and adds to output) because our goods are cheaper for foreigners.

TIP

Here at NAB, our [Trade & Working Capital team](#) are here to assist you in managing the complexities of entering the international marketplace.

Conduct a cash flow forecast

You'll want to ensure that you can fund the initial capital needed for your export set-up costs, and identify any cash stress points over a 12 or 24 month forecast period.

If you haven't any past data when estimating, use your assessment of your competitors and their market share, the local customers and what they're likely to buy, and what marketing and promotions you're conducting to drive sales.

Develop a pricing strategy

Your pricing policy should take into account competitor prices for your types of products or services, to assess the current price levels expected.

Your final price should reflect your actual costs, plus the estimated costs involved in delivering, promoting and supporting your activities in your export market. Make sure you can add a viable margin.

Conduct a break-even analysis

Work out when you'll generate enough revenue in sales to cover all your costs. Is this sales activity possible? Triple check that you can sell enough and that the business is viable.

TIP

Here at NAB, we've got calculators, guides and templates to help you.

- Cash flow forecast guide and template
- Sales forecast guide and template
- Break-even guide and template

STEP 4

NETWORKS



Develop your networks by starting with contacts you already have, such as business colleagues who already export.

Ask them for recommendations of people to talk to who export to your selected country.

Check if any of your suppliers may have other clients already exporting that you could approach for information about markets and competitors.

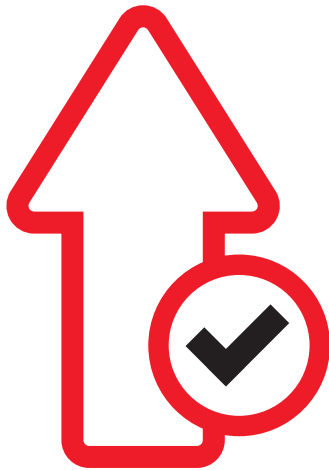
Actively seek out opportunities to talk to other exporters who are members of export industry organisations or Chambers of Commerce.

Many associations can supply valuable research specific to your industry, much of which is based on 'hands-on' information collected from their members over the years.

- The Export Council of Australia has a long history of supporting Australian international business and is a great place to start. Becoming a member means you'll benefit from program development and services that focus on building the capacity and capability of companies to help them engage further in international trade.
- The Australian Chamber of Commerce & Industry is a co-presenter of the Australian Export Awards. Members can attend this event, which is a great way to make contact with Australian's most successful exporters.
- The Small Business Association of Australia provides support and help for small businesses in the international marketplace, with contacts in India, China and Japan. They have also joined forces with Export61, an Australian based business with the means and the contacts to help you connect with international buyers.

STEP 5

CONFIRM DEMAND



It's imperative you take the time to visit your intended export market and get to know what the situation is like on the ground for similar businesses selling comparable products or service.

If you can, time your trip to coincide with trade shows or conferences that will open up valuable contacts.

Test the market by selling on a limited basis via your website, by attending and exhibiting at trade shows, or selling through a third party.

It's then important to generate feedback from test sales and fine-tune and tailor your products before the actual launch. The research you've conducted will give you a good idea of what will generate the most sales.

STEP 6

HELP AND SUPPORT



There are a number of government grants and subsidies available to Australian exporters. Research to see if any apply to you.

- The Export Market Development Grants (EMDG) scheme is a key Australian Government financial assistance program, administered by Austrade. It supports a wide range of industry sectors and products, including inbound tourism and the export of intellectual property and know-how outside Australia. With EMDG you can claim for expenses incurred in your exporting venture.
- Facilitation and concession schemes. They include allowing the exporting of goods at free or concessional rates. For example, deferment of duty payments and tariff concessions.
- Tradex scheme. This scheme provides an upfront exemption from customs duty and GST on eligible goods imported and then exported within one year or other approved period.
- Scholarships for women in export, such as the Beryl Wilson Scholarship. This is open to women in their final year of a Masters in international business or related field. There's also the CEW Austrade Women in Export Scholarship, which is designed to recognise the skills of Australian businesswomen.
- The Business.gov.au website lists a number of options for export help and grants, and has a Grants & Assistance search tool.
- The Australian Government website has a section on Trade, Import and Export that outlines support and assistance for exporters.

STEP 6

HELP AND SUPPORT (CONTINUED)

Free trade agreements (FTAs)

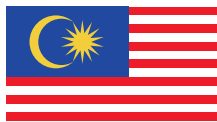
Free trade agreements are deals between two or more countries to reduce barriers such as tariffs and trade quotas, which protect a country's local markets and industries by limiting external competition. Australia has free trade agreements with a number of countries, including many in the Asian market:

Thailand



This FTA means Thailand has relaxed a number of its restrictive conditions, and will eventually lead to the elimination of tariffs across all sectors. Thailand continues to offer an attractive business environment among the high-growth Southeast Asian countries and is rated third in the region for ease of doing business in the World Bank's Ease of Doing Business index in 2016.

Malaysia



Malaysia will soon eliminate tariffs on 99% of goods imported from Australia. Australian industries to benefit include milk, cars, processed foods, plastics, chemicals and a range of manufactured products, wine, iron and steel, and rice.

Singapore



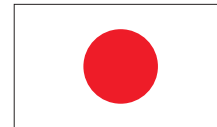
This FTA offers greater opportunities in goods and services to a wide range of Australian exporters, further strengthens trade and investment links, eliminates Singapore's tariffs and provides cheaper inputs for Australian businesses on a range of products. Singapore has a strong and sophisticated economy and the major regional hub for multinational businesses operating in Asia.

South Korea



South Korea is Australia's third largest export market, largely due to the country's dependence on imported energy, resources and agriculture, and Australia's fourth largest two-way trading partner. The level of investment between Australia and South Korea has grown significantly over the past decade.

Japan



The Japanese market is characterised by consumers with high levels of disposable income and companies with a strong global orientation and willingness to invest in sustainable, long-term products and services.

China



China is Australia's largest trading partner and Australia is China's seventh largest trading partner with two-way trade valued at over \$A155 billion in 2016.

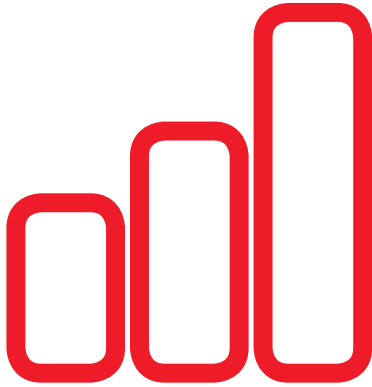
Exporting goods or services to a country with an FTA in place with Australia means you should have fewer obstacles to overcome in reaching an overseas market, such as lower costs (no or reduced customs duties and export tariffs) and less red tape.

TIP

Check out our [article on Asian Free Trade Agreements](#) and what they mean for Australian businesses.

STEP 7

CONFIRM FINANCE



Be realistic when you estimate how much money you'll need for your export venture. Be sure to include a number of months of working capital to cover overheads for this early exporting period.

Talk to anyone you know who's exported to your target market (or anywhere for that matter) so that you can get an idea of the costs of shipping, labelling and handling. Ask your accountant, financial advisor or export consultant to check your figures.

Raising capital

Every business is different when it comes to the best ways to secure funding. Whether it's borrowing from a bank or other lenders, approaching investors or using funds from within the business, select the option that is the most financially viable.

If you borrow funds the lender will most likely want to see an export plan, detailing what the funds are for, and a repayment schedule.

TIP

Talk to us about our [range of international finance solutions](#), so we can help to grow your business overseas.

TIP

Here at NAB, our [Trade & Working Capital team](#) are here to assist you in managing the complexities of entering the international marketplace.

STEP 8

CHECK YOU ARE COMPLIANT



All countries have rules, laws and regulations around exporting, and it's important that you become familiar with them so you can avoid delays or costly penalties.

Will something prevent you from starting? Here's some things you may want to consider:

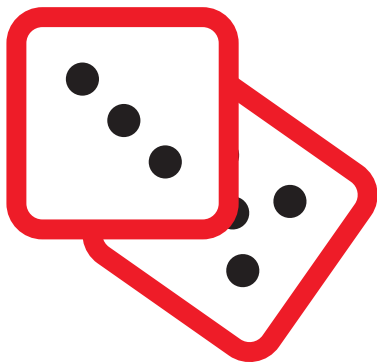
- Get to grips with Incoterms and other export documentation, including packaging and labelling. Each country has different labeling requirements.
- Research how Customs in your target country treat your products or services (or the make-up of the products) you'll be exporting. Ensure you're aware of any potential issues and get local advice on clearing customs if necessary.
- Make sure you meet all applicable compliance regulations – your goods or services may need to be up to a certain standard, safe for consumption, or within set limits.

- It's important to make sure you're clear on what local taxes you'll need to pay, how to declare income tax from your exporting operations, and that you've checked the tax treaties in the country you'll be exporting to. Tax may also affect your offering's pricing and your market prospects.

Exports of goods and services from Australia are generally GST-free. If you're registered for GST, this means you don't include GST in the price of your exports, and you can still claim credits for the GST included in the price of purchases you use to make your exported goods and services. Obtain advice from your Australian accountant or tax adviser.

STEP 9

LOGISTICS, CULTURAL DIFFERENCES AND RISKS



Exporting is not without its challenges, and most of these involve logistical issues. It can help to consider the following:

- There can be a risk of your goods arriving damaged or even getting misplaced. Occasionally, some customers may also want to return your products. Taking out adequate insurance is worth considering to protect your business against such scenarios.
- You'll probably be waiting longer for payments, and this can put a strain on your cash flow. The length of time you have to wait will depend on any contracts written up with buyers in your export market. Shipping terms, currency, and payment methods and terms can be open to negotiation. With the expectation that you'll be selling more and supplying a whole new market of buyers, you'll have to check your capacity and possibly purchase additional assets to meet demand.
- If you're exporting products to other businesses, credit and online transfer options are still good, but it's more likely you'll be using invoicing. One way to protect your business against late and non-payments is by securing payments in advance with your bank. Negotiate which party will take the most risk and sign a contract to obligate both parties. Ensure your product flow is secure by protecting your stock with insurance, agreements, and a reliable freight forwarder and representative in the export country. Work out how you're going to get paid. The most common methods are pre-payment, letters of credit, documentary collection and online payments. You can review our range of payment methods and see if there is one that works for you.
- It's essential that you and your staff are properly educated about the cultural differences you'll encounter in the foreign market. The quickest way to negatively impact your sales is by offending your overseas customers, so spend time educating yourself. Investing in actual visits to your target countries is a great way to do this, and to follow up on leads. Talk to successful exporters for advice and tips.

TIP

We've got a [great article about accepting online payments](#) that's worth checking out

STEP 9

LOGISTICS, CULTURAL DIFFERENCES AND RISKS (CONTINUED)



How to reduce payment fraud

Payment fraud can come in many guises. Businesses need to be wary, not just of fraud risks around how they take payment, but also in how they themselves pay their suppliers. In particular, watch out for:

- Returning products. These involve customers trying to get a refund on a product they didn't actually buy from you. Make sure you have clear refund policies needing proof of purchase to help prevent such incidents.
- Cheques tend to bounce if they're stolen or a customer's account is empty. Avoid accepting cheques if you can. Instead, ask for a credit card with identification or for funds to be banked online.
- Credit card tricks such as ordering multiple products in a short space of time and credit cards that have expired.

- The pay a little, steal a lot trick. This is when a customer places and pays for a very small order for equipment/stock. They then place a very large order which you send. But this is the fraud which you don't suspect as they have previously paid.

TIP

Talk to us about our [range of payment options](#). We can help you set up a payment system that minimises the risk of payment fraud

Export Finance and Insurance Corporation (EFIC)

EFIC is a government entity that helps exporters by providing finance and insurance solutions.

It operates as an export credit agency that partners with banks to guarantee services such as loans, working capital guarantees, lines of credit and insurance. Visit www.efic.gov.au for a complete list of all its services and how it may be able to help your business.

STEP 10

ANALYSE THE COMPETITION

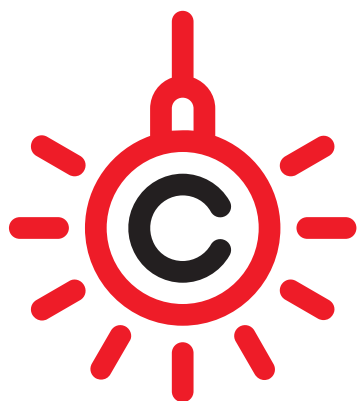


It's vital you analyse your competitors to find out where their strengths and weaknesses lie.

- List your main competitors. Break them into categories based on what they offer.
- Rank your competitors in terms of market share to understand how your competitors split up the export marketplace, and where you might be able to find a niche.
- Find out where they're located, analyse the goods or services they offer, determine how they price and market their offerings, and how they'll react to your entry.
- Search online to gather as much information as you can such as prices, customer reviews on their websites and social media platforms. By establishing customers' perspectives on your future competitors, it will be easier to pinpoint their competitive advantages and to determine your own.

STEP 11

PROTECT YOUR INTELLECTUAL PROPERTY (IP)



There are IP considerations when exporting:

- If you have protected IP in Australia (unique design, formula, invention, trademark, patent, process or system), and it's a critical competitive advantage, check it's also protected in your target country.
- Check what IP competitors own, and that you're not infringing any of their rights.
- You can conduct patent, domain name and trade mark searches in the country you want to export to. Also be aware once you start exporting, a competitor may copy you and just ignore IP protection.
- Intellectual property can provide the leverage you need for your business to successfully stay ahead of your competition. Think about the ways you can protect your IP so you can really take advantage of it in your target export market, and make it a barrier to your competitors.

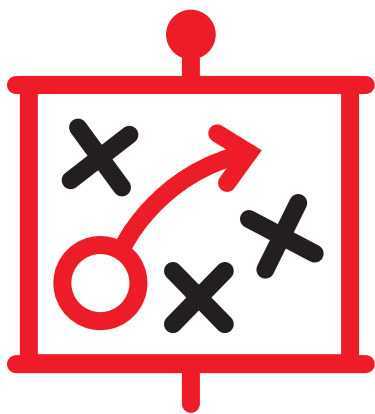
You have three choices with your intellectual property:

1. Protect it by filing appropriate legal documents in your target export market.
2. Don't protect anything and spend your time building contacts, distribution, market share, business relationships, and continually developing your products so that you remain ahead of the competition.
3. Try to do a combination of both.

Visit the IP Australia website to protect your IP and make sure you're not stealing anyone else's.

STEP 12

CREATE A MARKETING PLAN



When you're planning to export it's important to develop a marketing strategy with your specific export goals in mind.

Your marketing should provide compelling reasons why potential customers would want to purchase. Make sure you always mention your business's unique selling points in your promotional material for your new export market.

Exhibit at trade shows

If your industry has established trade events where potential customers attend, then consider exhibiting.

Not only are you marketing your products or services, but you're in a prime position to target new customers, network with colleagues and get a good look at your competition.

The Austrade website has an event finder that will help you search for trade shows and other events relevant to your industry.

Use social media

Enhance your presence on social media. Link to and from other relevant sites, and between your own website, blog, LinkedIn™, Twitter, Facebook, and Pinterest pages.

Your objective is to convert your foreign followers, fans and connections into paying customers.

It's also important to make sure your business website is ready for international trade. Once you've decided what you're exporting and to where, update:

- Your SEO (Search Engine Optimisation) and SEM (Search Engine Marketing) so that keywords include your exporting venture.
- Your online advertising. Facebook adverts is a good option. You can tailor these adverts to target the country you're exporting to.

SUMMARY

Exporting is a long-term commitment in terms of resources, time, and effort.

You'll need persistence, determination and continued enthusiasm. The best way to ensure success is to be well prepared.

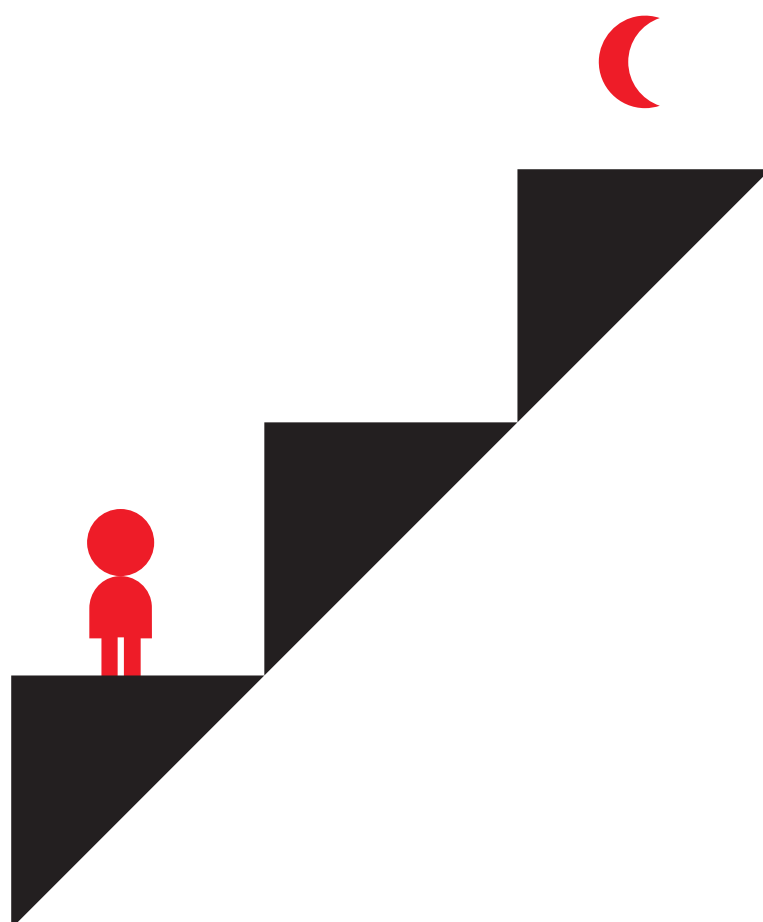
REMEMBER

We're here to help you as you take your first steps into the international marketplace. We have valuable resources around exporting to Asia, foreign exchange, payment methods, case studies and much more.

The Exporting section of our website is a great place to start, and remember that we're on hand to offer you advice and guidance around all aspects of exporting.

DISCLAIMER

The information provided in this document is intended to be of a general nature only. It has been prepared without taking into account your objectives, financial situation or needs. Before acting on the information in this document, National Australia Bank Limited (ABN 12 004 044 937, AFSL and Australian Credit License 230686) (NAB) recommends you consider whether it is appropriate for your objectives, financial situation and needs. NAB recommends that you seek independent advice before acting on any information in this document.



1. www.austrade.gov.au/Australian/Export/free-trade-agreementS

CHECKLIST



Opportunity

Identify your target market and why you believe it's the right one for your business.



Business channel

Identify how you'll physically export your products.



Determine if you can make any money

Conduct all the necessary calculations and analyse results.



Networking

Identify relevant trade associations and industries, become a member.



Confirm demand

Trial your product in your target country and identify if it needs to be modified.



Help and support

Research and take advantage of government grants and subsidies.



Confirm finance

Calculate the cost to export, how long you can afford to market and the time to break-even. Determining sources of capital and identifying any gaps.



Compliance

Ensure you've familiarised yourself with customs, permits, licences and tariffs in your target country.



Logistics, cultural differences and risks

Consider your insurance, how you'll get paid, local customs and options for delivery. Check out packaging requirements such as labels and bar coding.



Analyse the competition

List your main competitors and run a SWOT analysis on their strengths and weaknesses.



Intellectual property

Make sure you've got your IP protected.



Marketing

Review your promotion plans, ensuring current messaging will transfer.



Trade shows

Identify trade shows in your target country that are worth attending.



Social media

Update your online presence to cater for foreign customers.



Currency risk

Understand the Australian dollar is volatile and can move up and down significantly in a matter of days.



Learn about exchange rate impacts

You could leave it up to chance or you could lock in the future exchange rate to know exactly how many dollars you will receive on settlement.



Check NAB solutions

We forecast exchange rate movements to help you plan, and have products and services to protect against currency fluctuations.



Talk to us first

Please speak to your banker about managing your foreign exchange risks.