SUPPLY CHAINS: BUILDING INTERNATIONAL OPPORTUNITIES
DOING BUSINESS IN THE SUPPLY CHAIN

A vital link in a chain of opportunities

Tapping into a large international market can help you rapidly grow your business, and you don’t need to export directly to take advantage of it.

If you’re supplying goods or services that are part of a final product that is exported, your business may be part of an export supply chain.

As a vital link in a strong chain of businesses, you can gain access to networks, opportunities, industries and regions that you might not be able to achieve alone.

You are part of an export supply chain if:

Your business sells products or services to Company X

Company X uses your products or services to deliver on a contract with Company Y

Company Y exports the end product

Your business sells products or services to Company X

Company X exports the end product

At a glance

In this guide you will learn about...

Becoming part of an export supply chain
Growing your existing export supply chain business
Accessing finance to grow your supply chain business

To find out more, see...

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KEY INDUSTRY INSIGHTS

METS (Mining Equipment, Technology and Services)

$133.2b in direct Gross Value Added (GVA) 2015-16

66% of METS companies export products and services

Professional services

$5,186b value of exports in 2017 FY¹

Technical and other business services

$4,174b value of exports in 2017 FY¹

Defence

$750m+ value of exported defence products and services

Did you know?

Every year, Australia’s METS sector adds about A$90 billion to our economy, providing opportunities for businesses across the supply chain, including equipment, exploration, mining consumables, software and advanced technologies and professional services.²

Source: Department of Foreign Affairs and Trade

¹ DFAT, Australia’s goods and services by top 25 exports, 2017
² Australian Trade and Investment Commission, Mining equipment, technology & services Overview, 2018
BREAKING IN TO THE EXPORT SUPPLY CHAIN

Setting up for success: 5 key steps

Being part of the international supply chain market can help you expand your sales and build revenue and profit through opportunities to diversify into new industries, markets and customer bases.

Even if you don’t sell internationally yourself – or don’t even deal with the end exporter – you still need to understand some of the complexities of the export market, and ensure you have the necessary capabilities to do so.

Here are 5 key steps to help your business succeed as an export supply chain vendor.

Step 1. Research the market

Start by understanding where in the supply chain your product/service fits – and the opportunity it has in the global market. Consider where your product is being used now, and whether there are other potential applications for it.

Take advantage of the expertise and assistance available to you – starting by identifying any of your own staff who have experience working with export businesses, including your potential customers.

Government and private organisations also deliver a range of helpful workshops and resources for entering the export market that can help you understand what’s involved in being part of an export supply chain. Check your state’s chamber of commerce or department of industry to find out more, or visit business.gov.au and austrade.gov.au.

Step 2. Assess your capability

As a supply chain vendor, you’ll need to make sure your business is ready to take on the world.

Depending where your product is sold, you may need to translate key information into multiple languages. What’s more, different markets have different requirements, for example, of safety standards and certifications, or use of certain component products. Assess whether you’ll need to change your product or processes before you can take full advantage of new global business.

Austrade’s International Readiness Indicator can help you assess whether your company is ready to join the export supply chain. You should also make sure that your intellectual property (IP) is adequately protected in the markets your product will be used and sold in – protecting the value of your business into the future. IP Australia can help you safeguard the IP of your business.

Finally, consider whether your business has the management commitment, resources and financial position to take on new potential markets.
3. Develop a strategy
Before you join the export supply chain, you should prepare a strategy as part of your business plan. Your strategy should answer questions such as:

- What can you offer potential domestic customers who export overseas that your competitors can’t – such as price point, innovation, distribution or customer service?

- How will you market and brand your business to reach new customers?

- How will you adapt your product or service to meet your new customers’ needs?

- Do you have a track record of supplying other companies?

- What is your capacity to deliver – can you ramp up your production to meet larger orders?

- Will you need to adapt your operations to meet the needs of your export customers? For example, do you need to provide warranties or after sales support, or meet certain standards required by the governments in which the end products are sold?

- Can you gain financial or other support to win new work? Some examples include:
  - The Victorian Defence Industry Supply Chain Program – which provides up to $100,000 to Victorian SMEs to compete for domestic and international defence, aerospace and security supply chain work.
  - A range of defence industry strategies and programs available at business.gov.au.

CASE STUDY: FILLING A GAP IN THE MARKET

Powerhouse Distribution
Powerhouse Distribution is a Queensland-based business that distributes electrical products in Australia’s mining industry. When Percy Maguire started the business, he would visit potential customers and ask them one question: ‘Which product do you have ongoing problems with sourcing?’

Percy’s company faced considerable challenges early on, as companies in the industry typically deal with established preferred suppliers on their vendor lists – making it hard for new players to get a foot in the door. So Percy used his knowledge of the industry and the networks he built over the years to find the gaps in the market – and to fill them.

“Once I identified which products my potential clients couldn’t find, we were able to turn their need into an opportunity,” he said.

“For example, before the mining downturn, both Newcastle and Adelaide lacked a reliable source of cable,” said Percy. “So we opened branches in both of these cities.”

“We also started importing stainless steel products, as no one manufactures them in Australia anymore,” said Percy. “We ended up providing all the stainless steel ties for Gorgon Gas.”
4. Identify potential customers

Once you have established your capability and identified your competitive advantage, you will need to find potential customers. One of the ways to do this is by building your networks.

A good method of making connections in your target industry is by joining its industry association, which represents the interest of its members. Most of these associations organise industry events and conferences, and other forums where members can share advice and knowledge.

Domestic and international trade shows also give you the chance to showcase your goods and services to potential customers – and to build your networks. The following organisations also host events where you can meet potential customers:


METS Ignited: [www.metsignited.org](http://www.metsignited.org)


Export Council of Australia: [www.export.org.au](http://www.export.org.au)

5. Nurture your relationships

Despite ever increasing digitisation and automation in the way supply chains are managed, the success of your business still centres around relationships.

Even when you’ve established connections and partnerships with supply chain managers, you’ll still need to nurture those relationships to ensure repeat business – and to make new contacts.

A PwC survey found that supply chain managers had three main objectives in their relationships:

1. Leveraging the capabilities of their suppliers
2. Delivering cost savings
3. Reducing their risk exposure.

To build a successful supply chain partnership, it’s important to think about how your business can meet these objectives. For example:

- Can you provide a service more cheaply than your competitors – or can you share costs with them?
- Do time-zone differences mean that you can complete work more quickly for some regions, reducing the risk of missed deadlines?

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**CASE STUDY: IDENTIFYING THE KEY DECISION-MAKERS**

**Powerhouse Distribution**

Percy Maguire says it’s crucial to create and maintain strong relationships with customers. He put in many travel miles building relationships with suppliers from as far away as Oman and Poland. He also says that finding the right person to talk to is key.

“In a large organisation especially, there’s a danger that you could be talking to the wrong person – and that could go on for years,” he explained. “So often it’s a process of elimination to find the decision maker.”

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GOING FOR GROWTH THROUGH PARTNERSHIPS AND COLLABORATION

Building partnerships in the supply chain

Partnering with other businesses in the export supply chain can be a powerful growth strategy, allowing you to work together to leverage each other’s strengths and create time and cost efficiencies.

Becoming supply chain partners may also help you grow through the opportunity to:

■ acquire more customers, through referral partnerships or being a preferred partner
■ improve your research and development capabilities
■ create a more stable income source by moving beyond one-off contracts to becoming a regular supplier
■ enter new markets or sectors.

Choosing the right partners to work with

For a partnership to work, it needs to be mutually beneficial. So it’s wise to regularly assess your business relationships to ensure they’re delivering on your expectations. Some questions to consider include:

■ Are your partners reliable and trustworthy? For example, do they pay on time?
■ Do their terms of payment enable you to manage your working capital – and if not, are you able to renegotiate terms after you’ve built trust with them?
■ Can you leverage this partner to build more supply chain relationships?
■ Do you have legal agreements in place to protect your IP in all the markets your partners do business in – including for managing IP that has been developed collaboratively?

CASE STUDY: MOVING INTO A NEW SECTOR THROUGH PARTNERSHIPS

Seeing Machines

Seeing Machines was founded as part of an association with Australian National University. Today, it has grown to be at the forefront of driver monitoring technology, with more than 200 staff and operations across the world including the US, the UK, South America, Europe and South East Asia.

Their solution monitors driver attention for drowsiness and distraction using face recognition and eye-tracking in order to reduce accidents and help save lives.

The technology was originally used in heavy mining vehicles to monitor shift workers during the Australian resources boom of 2007. At this time, Seeing Machines started exporting, taking advantage of opportunities in overseas markets which were also benefiting from the growth in the mining sector.

This resulted in an exclusive global partnership with Caterpillar in 2015 through a licencing agreement. This enabled Seeing Machines to expand into other transport areas and build a global business.

Working as part of a supply chain, Seeing Machines has built relationships with a range of corporates that sell bundled solutions to automotive companies. Its FOVIO software was launched in September 2017 in the General Motors CT6 Cadillac.

“We are also working to deliver the technology to other automotive brands. The lead times are huge, so we will only see the next vehicles with our driver monitoring technology roll off the production lines from 2021,” said James Palmer, the Chief Financial Officer of Seeing Machines.
Identifying opportunities for collaboration

Being part of an export supply chain may also provide you with opportunities to collaborate in research and development projects, including piloting new products or expanding into new sectors with a local or overseas partner.

To make the collaborations work, it’s crucial that you and your partner’s objectives are aligned, and you understand the way each other’s organisation and culture works.

If you’re branching out into a new sector, you may need to learn new terminology, processes and rules. Or, if you’re working with a partner who can help you access new international markets, you may also need new certifications or accreditations to comply with the rules that apply in the relevant countries.

Growth through joint ventures or acquisition

You should also assess whether you are making the most of your existing relationships, including your supply chain customers, your own suppliers, and overseas contacts.

For example:

- Do you have trustworthy local partners, agents or distributors overseas who can help you if there is a problem with an order or a product?
- Is there an opportunity to set up a joint venture with a local business to access new markets?
- Would making an overseas acquisition help you to further expand your network or access new clients or markets?

CASE STUDY: EXPANDING INTO A NEW SECTOR

Varley Group

Keen to build their presence in the defence sector, engineering and manufacturing firm, Varley Group, actively networked with defence giants like Lockheed Martin, Northrup Grumman and Raytheon. This led to an opportunity to become part of the F35 Joint Strike Fighter program, winning three contracts.

At the same time, Business Development Manager Pierre Sidorow began visiting the US, attending conferences within the country’s massive defence industry.

“I took our CEO, Jeff Phillips, to a major US defence trade show, and he realised the extraordinary potential in the US military space,” said Pierre.

Even though Varley Group became incorporated in the US, it was unable to secure US defence contracts – mainly due to its Australian ownership. The decision was made to buy a 45% share in a specialist US avionics and defence hardware/software provider.

This acquisition allowed Varley Group to work with the US defence and aerospace sector, and potentially benefit from its US$700 billion defence budget. It also allowed Varley Group to bring cutting-edge technology to its Australian business – strengthening its product offering at home.

Unable to find a bank that would underwrite this transaction, Varley Group approached Efic to provide a $5.3 million Overseas Direct Investment Guarantee to their bank. We were able to provide the guarantee, allowing the deal to go ahead.
Accessing outside resources

Looking to build partnerships in new industries, or collaborate with other businesses and researchers to develop products and services for export? Here are some resources to help.

You should also check business.gov.au for grants and assistance that you can access.

**Industry Capability Network (ICN)** is an independent organisation that helps local Australian and New Zealand businesses to access large and small projects, promote their capabilities and develop their supply chains.

**Advanced Manufacturing Growth Centre (AMGC)** is a not-for-profit organisation, led by industry, which supports the development of an advanced Australian manufacturing sector.

**Cooperative Research Centre (CRC) and Cooperative Research Centres Projects (CRC-P)** grants help fund collaborations between industry, research and community sectors, focused on research and development towards use and commercialisation.

**Austmine** is the main industry body for the Australian Mining Equipment, Technology and Services (METS) sector.

**Australian Manufacturing Technology Institute Limited (AMTIL)** represents manufacturing technology suppliers and users in the precision engineering and advanced manufacturing sector.

**Centre for Defence Industry Capability** advisory and facilitation services can help businesses who have or are developing products or services specifically for defence.
MANAGING SUPPLY CHAIN FINANCE

Meeting your cashflow needs

Finding new opportunities and partnerships to grow your business is exciting – but also comes with key financial challenges. As an export supply chain business, you may find that delivering on your contracts can put extra strain on your operating costs and cashflow.

Efic can provide finance to a range of businesses, including those that:
- provide products or services to a company in an export supply chain
- provide products or services directly to a company that is exporting
- sell directly to an overseas company that is part of a larger global supply chain.

In this section, we outline some common financial scenarios that you may face as a supply chain business – as well as some ways that Efic can help you to overcome them.
Scenario 1: Delivering on large orders or optimising inventory

As your supply chain business grows, the size of your orders will too – and that’s great news for your revenue. But larger orders generally mean an increase in materials, labour and shipping costs. And it’s likely that you won’t receive payment until you’ve delivered your goods or services – which means you’ll need additional working capital to fulfil your contract.

Your bank may be unable or unwilling to provide finance, due to the risks inherent in doing business overseas – especially if an order is through a new customer or headed to a region with a high-risk profile. That’s where Efic can help.

How Efic can help

**Export loans**

If your business needs finance for a contract that’s part of an export supply chain, you could be eligible for an Efic export loan. The loan is available for both pre and post-shipment finance, and can be tailored to meet the costs of your order and to cover your payment terms.

Efic can also provide a line of credit that allows you to make multiple drawdowns during the loan term – so when you need the finance, it’s readily available. You can then make repayments whenever your supply chain client pays you.

**Export Working Capital Guarantees**

To meet inventory demand, you’ll need to buy more materials or take on new staff. Efic can provide a guarantee on your behalf to your bank.

An Efic guarantee can be for finance both before and after you ship your products or deliver your services. Your bank will then set up an account that allows you to use your customer payments to make loan repayments.

CASE STUDY: ACCESSING FINANCE TO BUY INVENTORY

**Down Under Enterprises**

Down Under Enterprises is a New South Wales-based company specialising in farming, producing, exporting and distributing wholesale natural Australian essential oils, carrier oils, and other ingredients for the global personal care market.

Dee-Ann Prather, Managing Director, said the business has been growing for 15 years.

“Most of our customers have been with us for over 10 years,” she said. “They have been growing too, and their contracts are now significant.”

To meet customer demand, Down Under needed additional funding to have further inventory ready in its warehouse, but its bank was unable to give them the support they needed. Efic provided an Export Working Capital Guarantee, which allowed Down Under’s bank to approve finance.

“Efic’s working capital guarantee facility allowed us to buy more inventory and have it available in our US warehouse, ready for our customers,” said Dee-Ann. “It has had a huge impact on our business, as the year in which we received it, our business went up by 91%.”
Scenario 2: Purchasing equipment
As your business grows, you may need more equipment to meet growing customer demand. But your bank may not be able to provide finance for capital expenditure if you can’t meet its security requirements, or if you’re doing business in a market with a high-risk profile.

How Efic can help

*Export loans*
Efic’s export loans can be used for capital expenditure, so that your business can meet increases in production and the growing demand of your customers.

**CASE STUDY: PURCHASING EQUIPMENT TO GROW**

**Epichem**
Epichem provides products and services to the drug discovery and pharmaceutical industries, enabling the discovery and development of new drugs – and ensuring the quality of existing ones. The company receives about 85% of its revenue from well-known pharmaceutical companies and not-for-profit organisations.

While there was strong demand for Epichem’s products and services in Europe and the US, their laboratories were running at full capacity. This limited the number of chemists that Epichem could employ to develop new products and services, and constrained their revenue growth.

Epichem decided to fit out a new laboratory with additional equipment to expand its business and target new international clients. After identifying a suitable building in Perth, the company applied for finance for the laboratory’s fit out. While Epichem’s bank was supportive of their expansion plans, it was unable to provide the finance due to a limited risk appetite.

The company approached Efic, who provided a $750,000 Export Contract Loan to help them fit out a new laboratory. Epichem’s new lab is almost three times the size of its previous facility and will allow the company to focus on developing even more new products and services for export.

Scenario 3: Managing ongoing payments throughout the contract
If your company is providing goods or services to either domestic or international supply chain customers, you’ll often be required to provide a bond.

How Efic can help

*Bonds*
If you’re a company in an export supply chain, Efic’s bond facility can help your business secure your next export-related project. We can work with your bank to provide a guarantee to support a bank-issued bond, or provide a bond directly to your buyer.

Bonds available through Efic include:

- **Advance payment bonds**: assure your customer if they make an advance payment and you don’t fulfil your contractual obligations, they can recover their money.
- **Performance bonds**: if you are unable to meet your contractual obligations, your customer can call on the bond to reduce their losses.
- **Warranty bonds**: protects your buyer from loss if you don’t meet your contractual warranty obligations after the contract is completed.
- **US surety bonds**: a three-way contract between you, your customer and our registered US surety bond issuer, Liberty Mutual Insurance, that allows you to meet US bonding requirements.

**CASE STUDY: USING BONDS TO FULFIL CONTRACTUAL OBLIGATIONS**

**CCB Envico**
CCB Envico is a specialist building contractor that designs and builds facilities for government and private industry in Australia and overseas. The company’s core focus is on water and wastewater infrastructure.

After successfully completing a project in Micronesia, CCB was awarded two further contracts in the region – rehabilitating a conventional sewerage system in Micronesia, and repairing and upgrading the saltwater intake in the Republic of Kiribati.

Both of these contracts required CCB to provide advance payment and performance bonds. Given the size of the security required, this would have locked up the company’s precious working capital.

Efic provided CCB with an advance payment bond and a performance bond, along with a surety bond issued by a third-party provider on Efic’s behalf.
Helping Australian businesses take on the world

As Australia’s export credit agency, Efic has been supporting Australian businesses for more than 60 years. We work closely with businesses and their banks, offering a range of finance solutions designed to help them succeed in the export market, or as part of the export supply chain.

Much more than finance

Efic has a deep knowledge of export finance, particularly in emerging markets. We can tailor our solutions so they meet the specific needs of your business and export destinations. We can also support your business and trusted advisors with practical support, tips and knowledge through our:

- eBooks and reports
- research
- presentations and publications.

Find out more

Talk to us about how we can help your export supply chain business.
Call 1800 093 724 or visit efic.gov.au

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