Entering a new market



export finance australia

Are the biggest opportunities for your business beyond Australian shores?

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

This guide will help you understand:

- the benefits of expanding into a new market → Pg. 3
- 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 has been a fantastic choice for us. We were too young and too much of an emerging business to get any sort of serious financing from our bank. However, we were lucky that Export Finance Australia could see the growth potential of our business.”

David Sigler
Chief Commercial Officer and General Counsel, Y Bell Group

Access a world of new opportunities through diversification

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

Exporting can bring a wealth of benefits, such as enabling you to bring your products or services to a larger global audience, grow sales and diversify your revenue streams.

As well as providing new growth opportunities, this could also help build business resilience by reducing exposure to localised issues that may impact sales. Testing your product in a new market may also reveal different ways to adapt and improve your offering, helping broaden its appeal and attract new customers.

However, breaking into a new market also comes with significant challenges. It requires an investment of time and money upfront, which can challenge cash flow. As with any business venture, it also carries certain risks such as currency fluctuations, delays due to shipping and customs, cultural misunderstandings and political risks.

Deciding whether to expand into a new market

Before you decide to expand into a new market, you need to weigh up the pros and cons. This means assessing your:

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

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

By building on your existing business model, there are a number of ways to enter a new market:

- 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, but is not limited to using suppliers that focus on:

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

Why expand 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.

Refine your export strategy

When considering a new market, make sure your export strategy reflects the changes you will 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 and what solution you can provide. 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 it will cost, how long it will take and how you'll manage the process. 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, or act through a broker or wholesaler, or rely on local contacts to help you access the customers you need?

Regulatory requirements

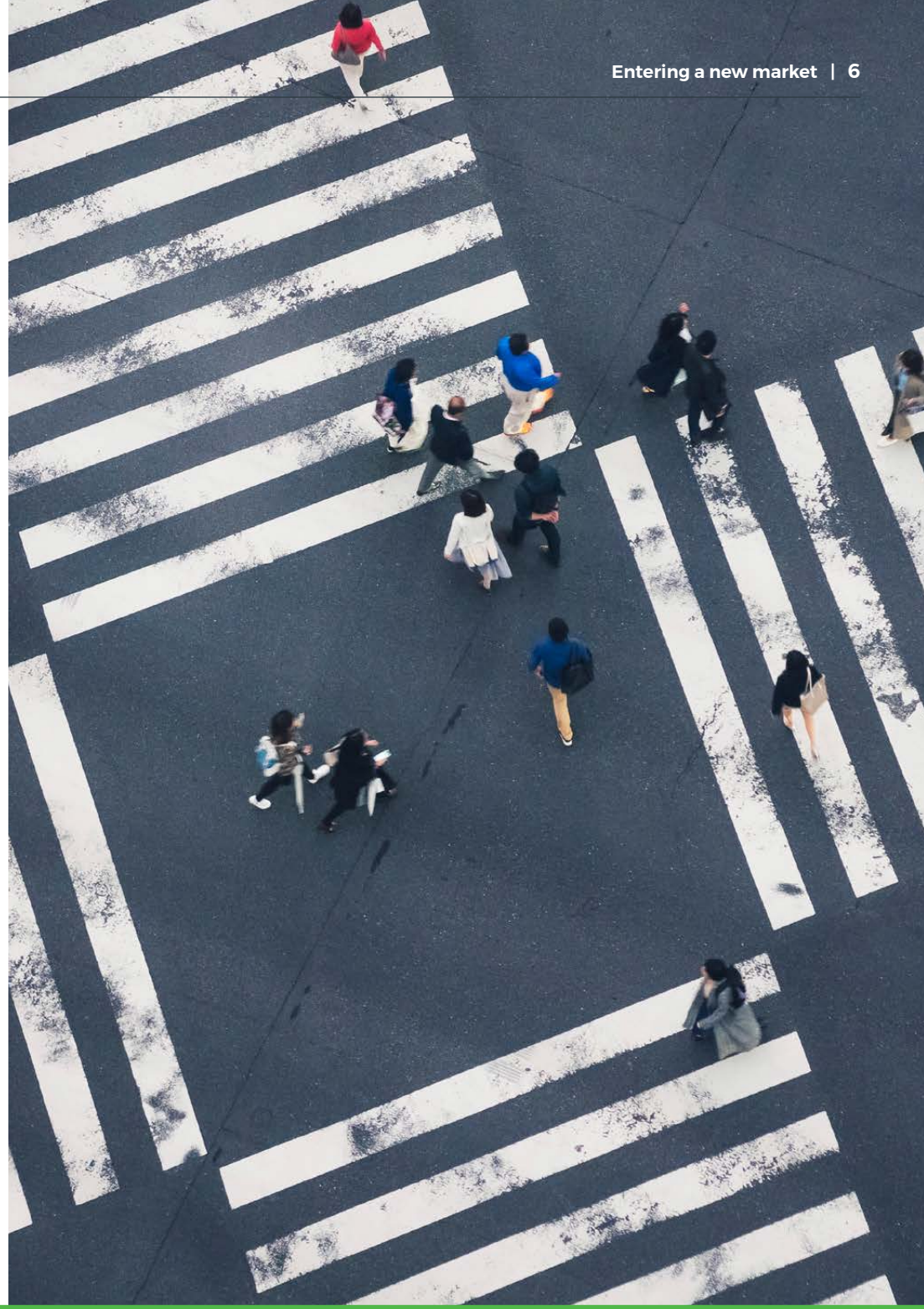
Understand regulatory and compliance requirements. Every foreign market has its own regulatory and compliance requirements, including consumer protection rules, product standards, liability insurance, warranties and licences. Some markets also have specific requirements around how you package, label 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 in the market you are exploring, a different language is spoken, 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 and leverage their local knowledge to help navigate cultural and regulatory differences, as well as to provide introductions. Breaking into a new market can be difficult without support.



Taking on the world: EFTLab

Based in Brisbane, EFTLab develops and sells payment platforms to banks and businesses. After securing three global contracts, it needed financial support to scale up quickly and get the right team and resources in place to support new projects.

"In some countries, it's okay to do online meetings, but in other cultures they prefer to have people come and sit with them and talk for hours," said Veronika Bilek, CEO of EFTLab. "That was a challenge for us because we didn't have the resources for travel."

EFTLab's options with commercial banks were limited. Fortunately, Export Finance Australia stepped in to provide a loan to support employee hiring and development to fulfil the new contracts. EFTLab is now looking to expand further, with a focus on markets in Asia and Africa.



> "It's important to build relationships with people in your target countries who can become your representatives, attend face-to-face meetings, and engage with customers locally in their native language."
>
> **Veronika Bilek**
> **CEO, EFTLab**

Create an effective export strategy

Set your business up for success with our **Developing Your Export Strategy** eBook to help guide you along every step of your export journey

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.

For many businesses, maintaining positive cash flow can be a challenge. Typically, you'll need to have enough working capital to cover your operating expenses until you are paid, which could be months down the track.

Depending on the product you provide, you may face long shipping and customs lags, as well as longer payment terms than you'd expect in Australia. Therefore, it's essential to plan ahead and have some funds in reserve to help you cover the cash flow gap.

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. There are six steps that can support businesses to get on top of 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.

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.

You could:

› 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.

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 refuses 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 aware of.
- **Banking abroad** – dealing with International banks that are unstable.
- **Logistical risks** – your business is disrupted by unreliable shopping 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, whether 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 applying to 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.



If you require additional finance to support the growth of your export business, and your bank is unable to support, we may be able to **help**.

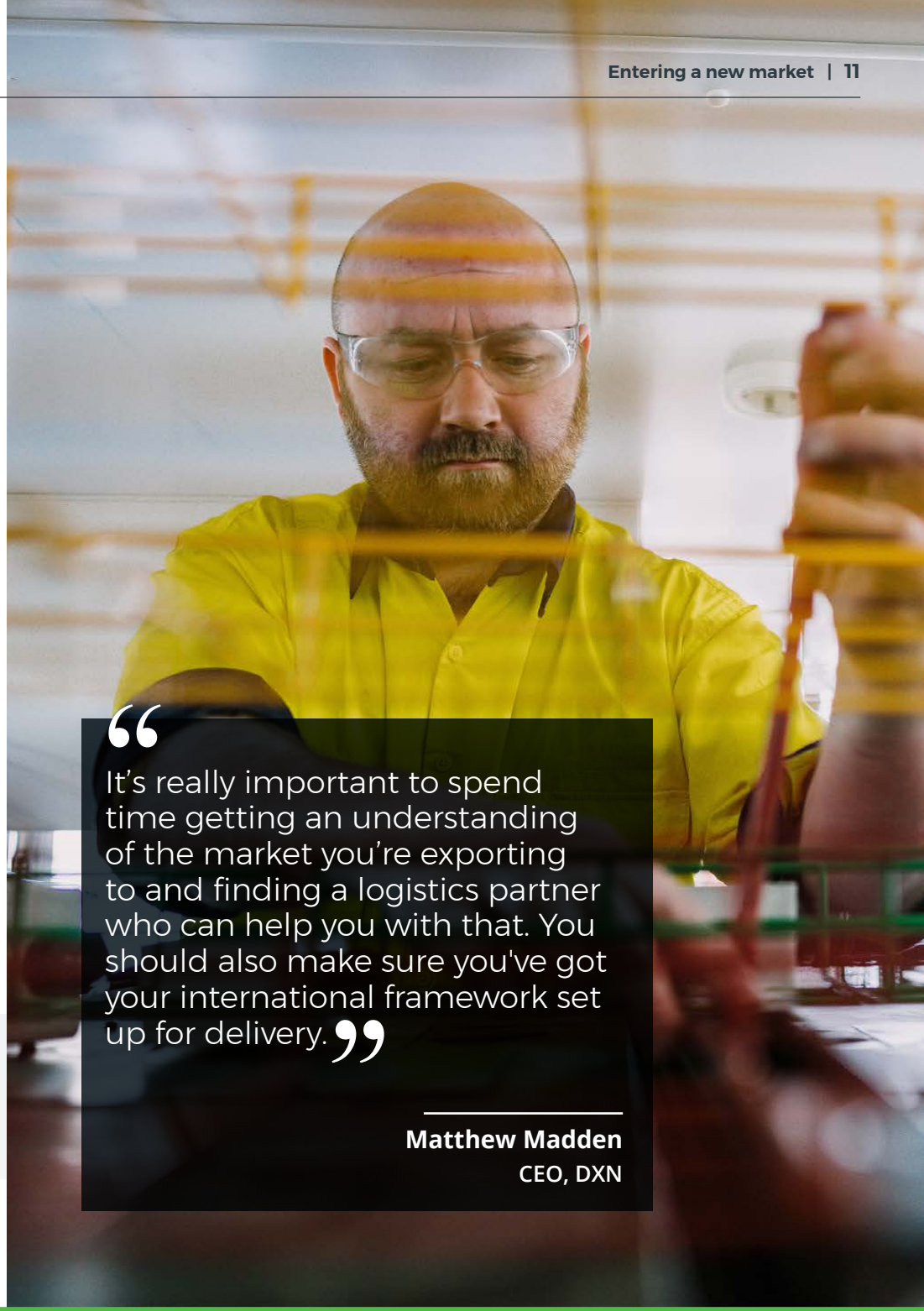
Making global local: DXN Limited

DXN Limited (DXN) is redefining the way modern data centres are constructed and operated. Working with businesses across a range of sectors both nationally and internationally, DXN delivers modules and built-to-order data centres designed to meet the unique needs of its customers. With growing demand for its services, DXN needed additional working capital to deliver four critical projects in the Pacific.

"Logistics and cost are two of the biggest challenges when exporting: getting your product into the market and competing against other countries with a much lower cost of manufacture," said Greg Blenkiron, Chief Financial Officer, DXN.

Export Finance Australia provided crucial financial support to close cash flow gaps between the building process and receiving payment from customers. This not only enabled DXN to meet key milestones, but has opened doors to new export opportunities.

Read more about how we supported **DXN**.



> "It's really important to spend time getting an understanding of the market you're exporting to and finding a logistics partner who can help you with that. You should also make sure you've got your international framework set up for delivery."
>
> **Matthew Madden**
> **CEO, DXN**

Are you ready to export?

Access Austrade's **quiz** to check whether your business is ready to go global.

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, take time to do your research and select the markets where you have the greatest chance of success.

Compare markets
It's important to 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 and consider tackling 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.

Research your competitors
Do a competitor analysis to understand if there's enough demand in the market and see if 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.

Find export markets

You can use the **Austrade Market Search Tool** to learn more about export opportunities that are best suited to specific industries.

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 policy to protect public health, local markets and 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
- common business language
- similar business practices, regulations and laws
- 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.



> "Without Export Finance Australia, we would have merely grown at a moderate rate, and missed out on export opportunities across the globe, thereby stifling the business and our trajectory. We're going to keep growing and enjoying the support that Export Finance Australia have given us."

Barry Calnon
Chief Financial Officer and Finance Director, BirdDog Australia

Support available

Want more information?

We've developed a range of export-related **eBooks**:

- Developing your export strategy
- Managing your export cash flow

Visit: **exportfinance.gov.au/resources**



Export Finance Australia

The Australian Government'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**

Austrade

The Australian Government's trade and investment agency, providing you with practical advice, support and insight into many of the countries you're looking to attract visitors from. Austrade provides information and advice to assist Australian companies to reduce the time, cost and risk associated with growing their international business, as well as Export Market Development Grants (EMDG) to support your export growth.

Visit **austrade.gov.au**

Export Council of Australia (ECA)

ECA provides education and assistance to help Australian companies succeed internationally.

Visit **export.org.au**

The Department of Foreign Affairs and Trade (DFAT)

DFAT promotes and protects Australia internationally. 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

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