

GUIDE ON DESK RESEARCH – TRADING ACROSS BORDERS

Trading across borders - a guide on how to carry out desk research for potential export markets will be developed to inform existing and potential exporters on how to conduct online market research for the promotion of their export products. The guide will be disseminated as a business counselling tool at all EPC offices and website.

Introduction

The development of this guide was borne out of the fact that a majority of potential and existing exporters in Kenya do not have a source of how to access new markets for their goods or services. The exporters largely depend on already existing markets, trade fairs and exhibitions, trial and error marketing methods, hearsay and other undependable methods of marketing their products.

The objective of this guide is therefore to inform exporters on how to carry out online desk research from the comfort of their offices / homes on the procedures of export, documentation for export of various products in Kenya and lastly will give various tips on how to improve your export business

Definitions

Market Research

Market research can be an important contributor of success for companies in the global market. There are about 190 countries in the world and you would want to pick the right one(s) for your product or service. Market research and analysis will help you identify new markets, their potential customers, and competitors.

There are two main types of market research: secondary and primary.

Secondary Research: This is done using existing data while you are here in Kenya using published periodicals, studies, market reports, books, surveys and statistical analyses. Many of these publications are available through the Export Promotion Councils' trade information centre or through the existing regional offices in Mombasa and Eldoret, as well as through Chambers of Commerce, economic development organizations, industry and trade associations, and Kenyan companies that are already doing business in your target market.

Primary research: Here you collect market information through direct contact with potential customers or other sources in the target market. Primary research always demands personal visits to your target market for interviews and consultations. Your foreign or domestic contacts will be able to help you better if you state your company's objectives at the outset and present your questions clearly. This can also be done by participating in the Council's trade missions in various markets

These types are normally used together with one starting with secondary and finishing with primary research.

Market entry strategy

A market entry strategy is finding the best methods of delivering your goods to your chosen market and of distributing them there. Or, if you're exporting services, it means setting up ways to obtain and manage contracts in the foreign country.

The EPC can help you design your market entry strategy, depending on the scope and quantities of the goods or services being exported.

Financing your Business

Since export projects are generally riskier in nature, they may demand larger investments and entail greater operating costs than domestic projects, consideration of whether the company is able to bear export costs without jeopardizing domestic operations is important.

Cash flow is an essential part of any export transaction and a steady flow is important to keep the export process moving. When there is a guarantee that the exporter will be paid, intermediaries step in on the strength of that security to provide funds for the exporter. This enables the exporter to shorten the period between investment and receipt of funds from the importer.

The most common forms of trade finance are:

- Documentary credit finance;
- Discounting of bills of exchange;
- Pre-shipment and post-shipment finance;
- Financing for market development;
- Trade financing, including short-term trade finance, factoring and forfeiting; and
- Working capital.

Guidelines for exporting

There are various guidelines to exporting various products and all are summarised in the website www.epckeny.org under the heading '*Export Assistance*'

Tips to Exporters on how to establish and grow their business

These are the foundations of any exporting enterprise

Before You Export - Get Ready

1. Where to start?

Build a Corporate International Image

Your credibility is a key to your global success. Even if you run a small company, you should present yourself internationally as a solid and reliable potential partner.

Some little changes and touches will add considerably to your global appearance.

- Adapt corporate stationery with an internationally acceptable logo to your export activities - add international dial-up code and word "Kenya" to contact details.
- Develop company logo
- Always sign out-coming correspondence indicating your job title, company name and contact details, for example:

***Stanley Kuria, Export Manager
Afric Trading Company Pty. Ltd.
P.O. Box 27... – 00100, Nairobi , Kenya
Phone: +254-20-74.....
Facsimile: +254-20- 74....
E-mail: afric@__.co.ke
Web: www.afric.com***

- When talking to prospective buyers, don't say "I" - always say "We" and so on.

Talk To Others

- Investigate if there are any government export promotion institutions or other assistance available. Communicate with the Export Promotion Council (EPC).
- Most likely, there are companies in your region, which sell similar (but not the same) products abroad. Do not hesitate to talk to them. Successful people are usually willing to share their knowledge and experience. Not only can they advise you on some important issues but also may be able to introduce you to key service providers and potential overseas buyers.
- Learn About Export/Import Regulations And Terms Of Trade Contact your industry association and/or the EPC and investigate if there are special requirements for your

products to be exported. You may need a licence, export permit, veterinary or fito-sanitary certificate or have to meet some other export requirements.

- EPC and other export promotion institutions will be able to advise you on import requirements and regulations that the selected market may have.
- Contact the local consulate or embassy of the country you are going to export your products to and talk to the Commercial attache if there is one in the country.
- Spend some time to learn about terms of trade and delivery, methods of international payments (INCOTERMS), International Trade ethics and so on. You should be able to select the most favourable terms and clearly understand the benefits of these terms.
- Hire experienced people or train your staff. Everyone in your company must know that from now on you are a global company. All export inquiries must be referred to appropriate personnel. Do not allow your secretary or a production manager to run your exports and act on your behalf or on behalf of your export manager.
- Exporting is complex. It is essential that your staff know the difference between domestic and international sales and understand the rules and ethics of International Trade and most importantly terms of trade.

2. Go Online

Develop a website

- Nowadays, having a corporate web site is a "must" in international trade. Nine out of ten of your potential buyers will try to learn about your company and products through the Internet prior to approaching you and if they can't find your web site, they may very well choose to deal with your competitors.
- Develop an online product catalogue and indicate your general terms of trade to the web site. Provide visitors with direct contact details. Introduce a facility to receive export inquiries. Try to develop a web site, which will not only represent your company and products but also will save your time and money.
- Take advantage of the Internet
There are numerous free online trade boards, e.g. International Trade Centre (ITC) Market analysis tools (www.intracen.org) import-export directories, forums, etc. Spend some time and post online offers on these sites. Not only it will increase your chances of being found by potential buyers but also will add value to your web site's Search Engine ranking.
- Register for free online courses in international trade methodology and practice e.g. www.intracen.org

3. Select And Evaluate Your Market

Data->Information->Knowledge->Wisdom

Given the number of markets worldwide, which might be showing high potential, the question arises as to how to select this market smartly.

- Information is what you need to select an appropriate export market. And again, using EPC, chamber of commerce, your industry association, relevant export authority and your colleagues might be of great assistance. Although nobody will give you direct advice, you can get much better knowledge of where to go global.
- Statistical data analysis is essential when selecting the market. You can obtain lots of useful details from the EPC or the Kenya National Bureau of Statistics to provide you with very specific export/import data about products similar to yours and about most popular markets.
- The Internet is a great source of information. Regularly go online and browse the Internet. You won't find the exact answer, but you'll get some good ideas.

A good indication of the export opportunity is the number of inquiries from a particular market. If you receive significantly more inquiries from Germany than from any other market it may be a good sign that there is a significant demand for your products in Germany.

- Select markets that are much more attractive in terms of transportation costs, communication and time.
- Rapidly growing markets, are usually better targets for commencing export than developed countries.

When selecting the market you should:

- Know the market's requirements
- Assess your target customers
- Examine your competitors
- Be prepared to compete against lower-cost, lower-price local companies

Talk to the Export Promotion Council

EPC may assist you greatly in evaluating and entering the market. Do not ignore this option. When contacting EPC Introduce your company, indicate your interest and be specific in your inquiry.

Go to a target market personally and get a feel for local conditions. Do your homework before the trip:

- Have a list of tasks you want to complete

- Arrange a meeting with the commercial attache in the country and arrange several meetings with prospective buyers
- Visit a few stores selling products similar to yours
- Review competitor's prices and analyse their pricing policy
- Know current affairs and a little history and geography
- Learn a little language and the norms in the country

4. Understand that every market has different demands and changes every few years

Your products may be highly demanded in one market and be absolutely unsaleable in another. The packaging you've introduced in US, most likely would be unattractive for Indonesians. Without an understanding of market trends and demands, its uniqueness, business traditions and people's mentality it is "mission impossible" to successfully develop the market.

You also should understand that every market changes every few years. Technology, globalisation, privatisation, lifting of the trade barriers and softness in import/export regulations are the major factors, which affect International Trade. And while you might think that these factors are too global to bear in mind when considering your offshore activities, they will influence the market radically and you should adjust your marketing and export strategies according to the current situation.

5. Analyse, "Position" and Modify Your Products

Packaging optimisation for shipment

There are two major objectives in packaging optimisation in regard to shipment:

- To reduce shipping costs and
- To ensure safety

Packaging, Quality, Price

In international trade the price is not the only decision making factor. If you sell Fast Moving Commercial Goods (FMCG), commonly packaging is the first priority, followed by quality and then price.

Be prepared to customise your products to meet customers' needs

Domestic success of your products doesn't ultimately mean global success.

6. If You Fail To Plan, You Are Planning To Fail

Create unique marketing strategy

Professor Michael Porter of Harvard University said that a company doesn't really have a strategy, if it performs the same activities as its competitors, only a little better. To be successful you should have a strategy, which has strong points of difference from your competitors' strategies.

Develop a marketing plan for each market

Marketing plans don't have to be a 100+ pages document with numerous tables and diagrams. Try to keep it brief and simple. At a minimum, every marketing plan should contain:

- Market analysis
- Marketing objectives and goals
- Marketing strategy
- Marketing action plan
- Marketing controls

In other words, before entering a market you must clearly understand what has happened, what's going on, what do you want to achieve, what do you need to do to achieve it, how are you going to do that, and what might happen.

It is essential to set up realistic market goals, distribute them to everyone within the company and constantly control the progress towards these goals.

Develop an export plan for each market

The common confusion within the business community is the view that marketing and selling are the same. That is not quite right. While selling is part of marketing, your export plan has different objectives and focuses on different tasks.

The export plan should include:

- Export readiness analysis
- Market Research
- Product Development
- Trade Regulations and Barriers Assessment
- Export Strategy
- Pricing
- Terms of trade and payments
- Logistics and distribution
- Financing
- After-sale strategy

- Export sales forecast
- Implementation plan

Set up export prices for each market

There are no rules in setting up export prices and nobody can tell you what is the "right" price. Furthermore, the price for the same product may vary significantly in different markets and most likely you would have several prices for the same product depending on the following factors:

- Marketing strategy
- Product uniqueness, quality and brand recognition
- Quantity
- Market trends and demand
- Target customers and so on.

How a product is priced is crucial in getting the buyer's attention, before the buyer becomes familiar with the quality of the product, delivery and service. Your goal in establishing export price is to be able to sell maximum quantity with maximum profit margin.

SWOT analysis

It is a good idea to start your planning with a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. Having a list of SW and a list of OT would help you to understand which matters require attention.

Develop a problem solving plan

Delays, damages, quality complaints, stealing, non-payments sometimes happen in International Trade. A detailed problem-solving plan is a vital part of business planning.

7. Build A Network

Exporting is Teamwork

You are not able to conduct an international transaction on your own. There are always several participants who play an important role in your export operations. You'll be surprised, but usually you can find all you need in your region.

Write down a list of services you need to be provided for your global activities. This list as a matter of fact should be very close to your supply chain plan.

Do you need to open a bank account in US dollars or are you going to receive payments under letters of credit? Then go and introduce your company and yourself to a local international banker.

Extra Tip. It is not necessary to do international banking through the bank you are dealing with domestically. Select the bank with the greater international presence and with the wider network of corresponding foreign banks. The best-case scenario is when your bank has a corresponding bank in the country of your interest.

Do your products require to be certified? Talk to the industry association; export authority or certification company representative and build a personal relationship.

Need insurance cover? Major insurance companies deal through agents. Try to find an insurance broker, who deals with a reliable marine insurance underwriter, in your hometown and build a personal relationship.

A responsible freight forwarder is a key player in your exports. Pay extra attention to selecting a shipper for your goods and again build a personal relationship.

Never stop building your network. The more reliable business partners you get, the less troubles you will have.

When You Export - Market From Strength

8. Develop "Export Inquiries Handling Rules"

Respond in 48 hours

You'll be surprised by your potential buyers expectations in regards to receiving replies to their inquiries. Especially when you are dealing with Asian or Middle Eastern customers. They send you an e-mail and then call you in a couple of hours later demanding a reply.

Learn to recognise "genuine" inquiries and beware of the "dream" orders

As a rule, a "genuine" inquiry has a brief introduction, is fairly specific and must have company name, contact name and contact details.

If you clearly understand that an inquiry you received isn't worth an answer, just ignore it. For example, if you sell oranges and somebody ask you to provide an export quotation for bearings or if a foreign company is looking for a wide range of Kenyan food products without any further details, most likely these inquiries will take you nowhere.

There are quite a few companies and individuals out there, who are just playing in International Trade. So if you received an inquiry for the supply of 50,000 tons of avocados, you can simply throw it out and never reply.

Check Your Counterpart

Before any serious negotiations you should try to check your potential buyer. Go online and try to find some information on the Internet, again - contact EPC, ask for banking details and contact the foreign bank, ask for referrals and so on.

9. Negotiating Is an Art

Make allowances

Your buyers will be pleased if they manage to negotiate considerable discounts. Don't disappoint them. Include at least 10% in your export price list for negotiations. By discounting the price you'll be able to gain better terms. However, you have to be careful with allowances. If the price is too high you may never get a buyer at all.

Learn about cultural differences

You may offend your potential buyers if you fail to learn about cultural differences especially in the Middle East and Asia.

In Asia, if you are invited to a business lunch you should be prepared for a 1-2 hours conversation, which has nothing to do with your prospective deal. You'll be asked about your family, childhood, hobbies, favourite food, etc. and you should react accordingly. Asian people want to know whom they are dealing with before any business discussion.

All oral agreements must be confirmed in writing

This has to be one of the "golden rules" of your operations. You must have a written confirmation of agreed terms on hand before you act. A promise "to send you a written confirmation tomorrow" is not good enough.

Exclusivity is possible but not before you know your buyer. Lots of potential buyers will ask you for the exclusive rights to represent your products or company in a particular market before they start trading with you. Don't decline this possibility, declare that you are open for a discussion but also get to know each other, establish a relationship, test the market and so on.

When you agree to provide exclusive rights to a foreign company, you should consider which conditions are to be included in the exclusivity agreement.

First of all, do not sign such agreements for longer than a year. If you are happy with your sales, you can always prolong it.

You should require that a certain quantity of your goods would be sold in a certain period of time, say 4 to 6 months, with the possibility to terminate the agreement if the buyer is not able to meet this condition.

The value of the first order is another issue to consider when negotiating exclusivity. 20% of the agreed yearly quantity prepaid is considered to be a fair deal.

If you need a translator - get a good one

Sometimes buyers may require signing a bi-lingual contract. In this case, the accuracy of business translation is crucial. Varied use of terminology in different countries can have an entirely different meaning and cause costly disputes.

10. Be Aware Of Frauds

Some people in International Trade are making a living out of frauds. The most known schemes are non-payments, samples and complaints.

You may very well secure the payment for your products if you do your homework and select the right terms of payments, but it's much harder to protect your business from the other two.

A good indication that something is not quite right is a request for samples in the very first inquiry. The quantity of samples is another issue to consider. If somebody asks you to send 2 cartons of wine as a sample, it just doesn't sound right, does it?

False complaints are common and very hard to recognise as scams. The best way to protect your company against these problems is to include a very detailed "complaint clause" in the contract.

After You Export - Add Value

11. Be Market- And Customer- Focused

Build a strong business relationship

For example, if you send a postcard or even an e-mail on major national holidays and on key personnel birthdays, that adds considerably to the relationship.

Win buyers through better service

Remember that the key attributes of every service are

- Speed
- Cordiality
- Knowledge and
- Problem solving

Win buyers through exceeding expectations Philip Kotler, the author of several well known marketing books said: "Meeting customer expectations will only satisfy customers; exceeding their expectation will delight them".

However, there is a pitfall that the better you act, the higher expectations your customer has and one day you find that the task of exceeding the expectation is too difficult and too costly. You should decide where to draw the line between exceeding the expectation and making profit.

12. Be Prepared To Meet Growing Demand

If you take into account all the above issues than most likely your products will be successful internationally and the demand for them will be increasing. If you can't meet the demand you risk losing the whole market. People are not interested in dealing with you if there is no future growth. Be ready to increase production or to outsource similar products elsewhere.

13. Be Prepared To Spend Time and Money

Generally, investments in international markets are greater than domestic investments. Furthermore, exploring foreign markets can take longer and cost more than expected.

14. Make Decisions on a Commercial Ground

Making decisions on a commercial ground does not necessarily mean that your profit has to be the only element to consider. However, you should clearly understand what benefits you get by reducing your profit margin or spending all profit on offshore marketing.

15. Don't Try Too Much At the Beginning and Don't Grow Too Fast

Concentrate on one market at a time, moving on to the next only after succeeding in the last. Wait until cash flow is good enough to justify your expansion.

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