

Strategies for beginning an export business



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Introduction Of Export Procedure

For carrying an export, one must understand and analyze the market, by carry out the research. It is not prudent to for any individual to start export without knowing about the statistics and consumer needs of particular market. However the person is very enthusiastic but still there is always a probability to fail because at times they loss more and earn less out of it.

In order to enter into the export market an individual has to take the help of intermediaries and has to give some percentage share as a part of commission, which means by giving a part of profit to intermediaries exporter is having less profit and as intermediaries enter into the contract the price for the customer would be increased. All export good are produced with high efficiency and standard of the quality should be maintained.

There is cutthroat competition in the global market everybody wants to Sale its product. The customer always have an option of supplier, so the strategies needs to be adopted for becoming the expert salesman

At times the product timely delivery becomes a challenge for exporter but is not due to exporters fault, go-slows, Dock strikes, etc; occurs almost allover the world. If someone is entering for the first time in the export market then, then he has to ensure the efficient & fast delivery as per the promised made to the consignee about the consignment.

Effective communication is the backbone of the accomplishment of any business. It may be internal or external must be comprehensive and immediate. Similarly communication plays vital role in export. When you are

in doubt at that time you can e-mail or phone you client for immediate clarification.

Failure in the market of export can be minimized by the use of research of the Global Market. Before going on large scale overseas operation first you have to start will small scale, so that experiment marketing often turns out to be cheaper. There are many thing required before starting a new business of export. So let us discuss the various preliminaries of Starting an export business

Preliminaries Exercies Before Starting Export Business

Establishment Of Business Organization.

The First and the foremost question arise in the mind of potential exporter has to decide is about the business organization needed for the export purpose. It is very important decision an exporter has to take whether a business he has to run will be sole proprietary, partnership firm, HUF or a company.

The establishment of healthy organization will depend upon.

- Capability to raise finance as an exporter
- Capacity to bear the risk as an exporter
- Desire to implement the control over the business
- Nature of regulatory structure applicable to you

In case of sole proprietary business person has to go with the small business unit. It can be set up with minimum expense and legal formalities. The biggest disadvantage of the sole proprietary of the business is limited liability to raise the fund which restricts the growth, and owner also has the

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unlimited personal liability. To avoid this disadvantage, it is more advisable to start the partnership firm. The partnership firm can be set up with ease and economy. In Partnership firm experience and expertise of the partner is beneficial to the firm. The biggest disadvantage of partnership firm is that when the liability of the partner through joint or several, practically or as per the partnership deed ratio would be distributed among various partners. If your partner has unlimited liability, then this is the major disadvantage of partnership firm of business organization is that conflict between the partners is a possible threat to the business.

Procedure For Registration Of The Company.

The company has to be registered under the company act 1956. Whether the company can be private Ltd or public Ltd company. In private Ltd company can be registered with minimum 2 Members and maximum up to 50. While in case of Public limited company can be registered with Minimum 7 members and no limit for the maximum number of members. It can invite the shareholder or invite public to subscribe the share capital and permit to transfer the shares. The public Ltd company has enormous potential to access the substantial funds as per the company law.

Mode Of Operation:

You may be a proprietor or a partner of a firm, Director of a Private or Public Limited Company or an executive or manager of a small or large size of company and wish to enter into overseas market for selling your products. If you are the manufacturer and would like to sell your products overseas, you may act as Manufacturer Exporter. If you would like to buy products from other manufacturers and sell them in overseas market, you may act as

Merchant Exporter. If you are the manufacturer and along with your own products would like to sell products of other manufacturers also, you may act as Manufacturer and Merchant Exporter as well.

Manufacturer Exporter means a person who export goods manufactured by him or intends to export such goods.

Merchant Exporter means a person engaged in trading activity and exporting or intending to export goods.

Importance Of Business Title.

Giving the title to the business is always essential task for the exporter.

Name or the Title of the business should be simple and meaningful. Title should be indicating the nature of business. Physical office should be at commercial complex and in clean and workable surrounding. After deciding the business title, company has to think about the trade name and logo which reinforces the organization name and image in the global market.

Besides this letter head, telephone number, fax number banker name address etc are required.

Note: Company has to open the current account in the name of company. It is advisable to open the bank account who is authorized to deal with foreign exchange.

Selection Of Product And Company

Selecting the product and the company plays a vital role for exporter.

Exporter has to understand the demand and the trend of foreign market.

Now the exporter has to procure or manufacture selected product at most competitive price. It should be easily available in sufficient quantity and

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possible to supply repeatedly and regularly. Moreover the product which is selected has to be as per the term of government policy & various regulations in respect of selection of product for export. It is value addition if some has previous experience of selection of same commodities which is selected by you for export.

Effective Business Correspondence

Now the business correspondence should sound professional. For making a favorable and excellent impression all the e-mail should be send from the company domain and if any document or company profile is sent to client then has to be in nice envelope on which company's Name, physical address, phone no and fax details has to be there which gives the clear picture about the company to the client. The entire letter that is written and sends the client needs to be on the company's letter head.

A hypothetical specimen export letter is given below:

Ref: XYZ/NJK2009/ 20th Jan, 2010

The Purchase Manager

M/s. XYZ Ltd.

.....

(U. S. A.)

Dear Sir,

We are one of the leading exporters of a wide range of items including ABC for the last fifteen years. Our major buyers are.. Europe and USA We are one of the registered export houses in India. We represent.. 15%. indian market and the leading manufacturers of these items in India. These items are produced in collaboration with BID brands, the world famous company. We follow the ISI specifications. We believe that your company imports the items we export. We are enclosing herewith a copy of our brochure and price list for your perusal. We shall be glad to send you detailed literature/ samples of items that may be of interests to you.

Yours sincerely,

For JKL PVT Ltd.

Director

Encl: As above.

Your letter should contain the following minimum information about your organization and products

1. Type of organizations- i. e. proprietary, partnership, private limited or limited company and whether you are acting as manufacturer exporter or merchant exporter etc.
2. Range specification and standards of your products and your manufacturing capacity.
3. Whether you are holding any international standard certification for the products you manufacture.
4. Types of consumers which are using your product in India

5. Sales outlets – Wholesalers, your own showrooms branch offices, representatives offices in India and abroad.
6. Your sales turnover, including exports sales and
7. Name and address of your bankers.

Export Information

You may collect the export information from reading various publications which are normally available with the Chambers of Commerce, Export promotin Councils, Banks and various other institutions engaged in international trade. Some private publications/ project reports are also available on certain fees.

Export Commodity Selection

While selecting the commodity for exports, consider the following points:

1. Your own manufacturing capacity, if you are the manufacturer of a particular commodity.
2. The availability of commodity from other manufacturers when you desire to act as a merchant exporter.
3. The demand for the commodity in the importing country.
4. The Government of India's policy and regulations in respect of export of various commodities.
5. The foreign Government's policy and regulations in respect of import of various commodities.
6. Total profitability of such commodities considering cash incentives available, If any.
7. The Import replenishment available, if any.

8. Quota fixation, if any, in respect of such commodities in both the countries.
9. Knowledge and experience of similar exporters in respect of the export of such commodities in various countries.

Market Selection

Target market should be selected after considering the various factors like scope of the product selected, political embargo, stability of demand,

Obtaining Particulars Of Foreign Buyers

You may obtain the particulars of foreign buyers from either of the following sources:

1. Trade representatives of foreign Government in India as well as the Indian Trade representatives abroad.
2. Various Export Promotion Councils and Commodity Boards and other Government and Semi-Government Agencies.
3. International Trade Directories and International Yellow Pages
4. Participating/Visiting in International Trade Fairs and exhibitions in India and abroad.
5. Reading material i. e. various newspapers, weekly, fortnightly, monthly Trade Bulletins, Magazines, Journals published by various agencies like FIEO, ITPO, EP Councils, Commodity Boards and Chambers of Commerce etc.
6. Advertising in Indian as well as foreign newspapers, magazines and journals.
7. Relatives, friends and other contacts in foreign countries.

Once the competition is assessed, you will know your position regarding-
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- (a) the price which you can offer to the overseas buyer,
- (b) the terms of credit which you can offer,
- (c) the packaging, transportation, storage, distribution and after-sales-service methods you can adopt; and
- (d) the promotional efforts which you can offer in terms of publicity literature, visual publicity, advertisement, gifts etc. depending on the product.

Negotiating With Prospective Buyers

Export Order

An order is a commercial transaction which is not only important to the exporter and importer, but it is also of concern to their respective countries, since it affects the balance of payment position of both the countries. It is therefore, not just a matter of product, manufacturing, packing, shipment and payment but also one of the concern to licensing authorities, exchange control authorities and banks dealing in export trade.

The exporter is required to produce copies of export order to various Government departments/financial institutions e. g. obtaining export licenses when the product is covered under the restricted items or canalized items for exports, availing post-shipment finance and other incentives and dealing with inspection authorities, insurance underwriters, customs offices and exchange control authorities etc. for various purposes.

Order Acceptance:

The order acceptance is another important commercial document prepared by the exporter confirming the acceptance of order place by the importer. Under this document he commits the shipments of goods covered at the agreed price during a specified time. Sometimes, the exporter needs a copy of his order acceptance signed by the importer. The order acceptance normally covers the name and address of the indentor, name and address of the consignee, port of shipment, country of final destinations, the description of goods, quantity, price each and total amount of the order, terms of delivery, details of freight and insurance, mode of transport, packing and marking details, terms of payment etc.

Export Price Quoting And Costing

Although your product is of a good quality, you must give attention to its price and delivery terms. The buyer might have contacted other manufacturers or sellers of the same products like you in India and other countries and select a quality product of competitive price with prompt delivery.

While quoting the price, alongwith the cost of product and your profit margin, consider the various expenses such as packing and labeling charges, inspection charges, transportation charges from the place of storage to the place of shipment, port commissioner's charges, insurance charges, ocean freight charges, cost of documents and services, expected Bank charges for handling your documents, overseas agent commission or discount if the order is expected through agent or representative and other expenses which you will have to bear in the course of execution of the order.

Export being a national necessity, the Government grants concession and assistance in various matters so as to make the product competitive in the overseas market. Therefore, while calculating the price, the following things are also required to be considered-

- (a) Fiscal incentives like tax concession for production of export goods and drawback of duty.
- (b) Financial assistance like cash subsidy to offset competition in overseas market.
- (c) Special incentive scheme like import replenishment licenses
- (d) General incentives like providing institutional arrangements for export promotion and training in exports, rewarding etc.