

Developing overseas markets and managing international partners



THE EXPORT DEPARTMENT
Empowering SMEs to expand overseas





Agenda

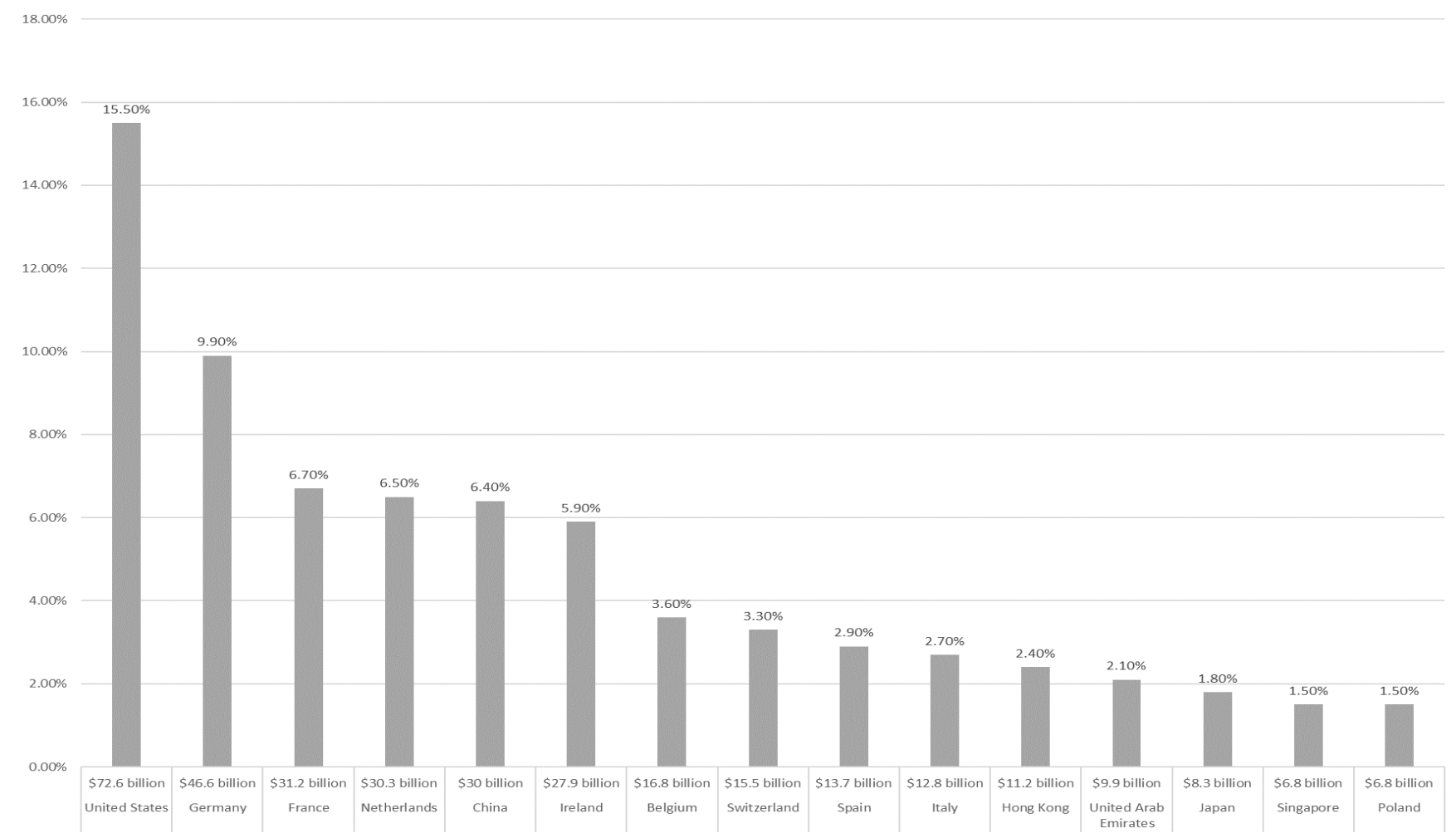
- ❑ Top UK export markets
- ❑ Emerging economies (2000, 2019, 2024)
- ❑ About emerging markets
- ❑ A closer look
- ❑ Opportunities
- ❑ Mitigating risk
- ❑ Keys to success
- ❑ Routes to market – advantages and drawbacks
- ❑ Supply quadrant
- ❑ Partner vetting and selection
- ❑ Successfully managing partners



Top UK export markets (2019)

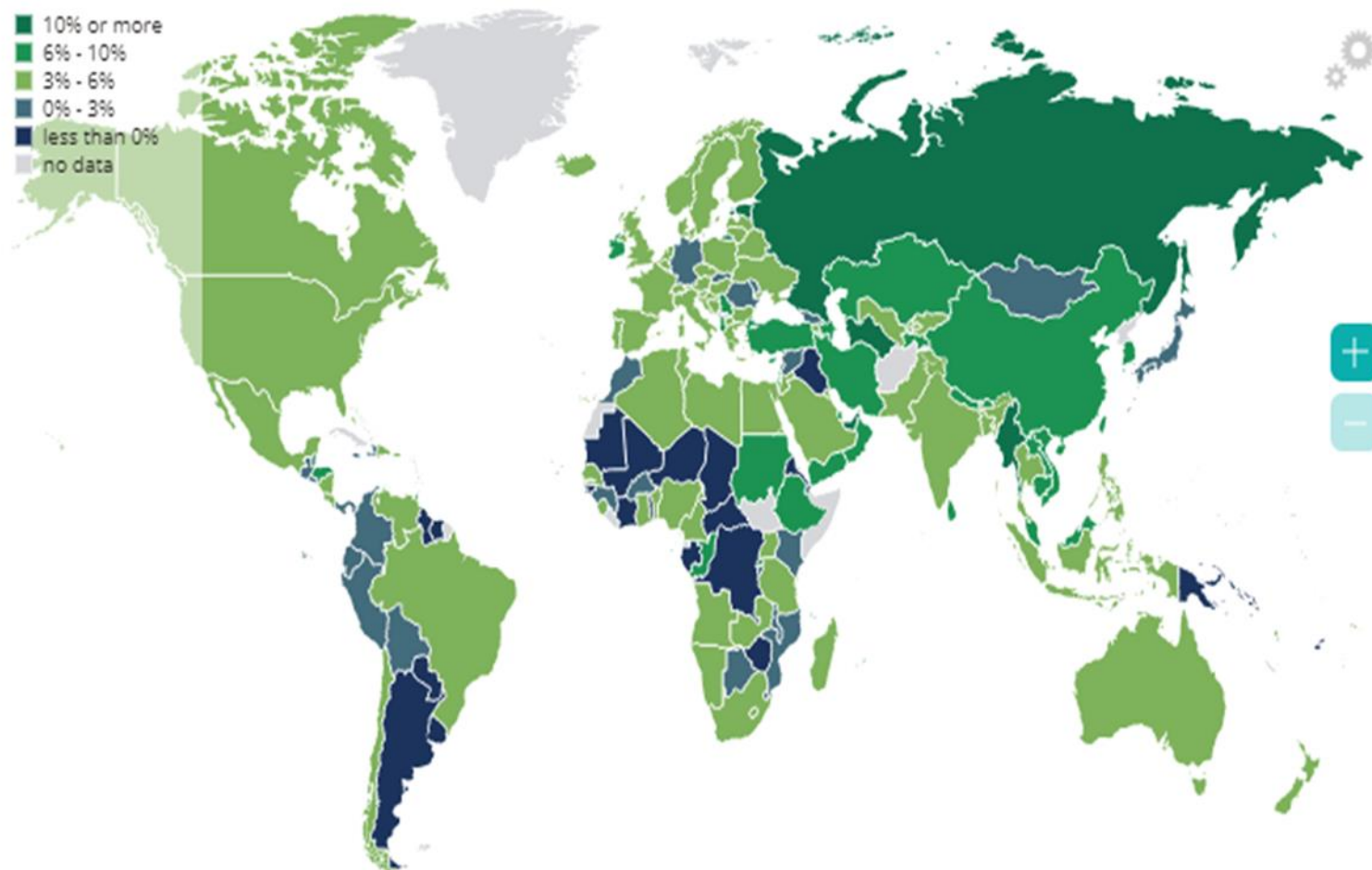


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Emerging economies (2000)

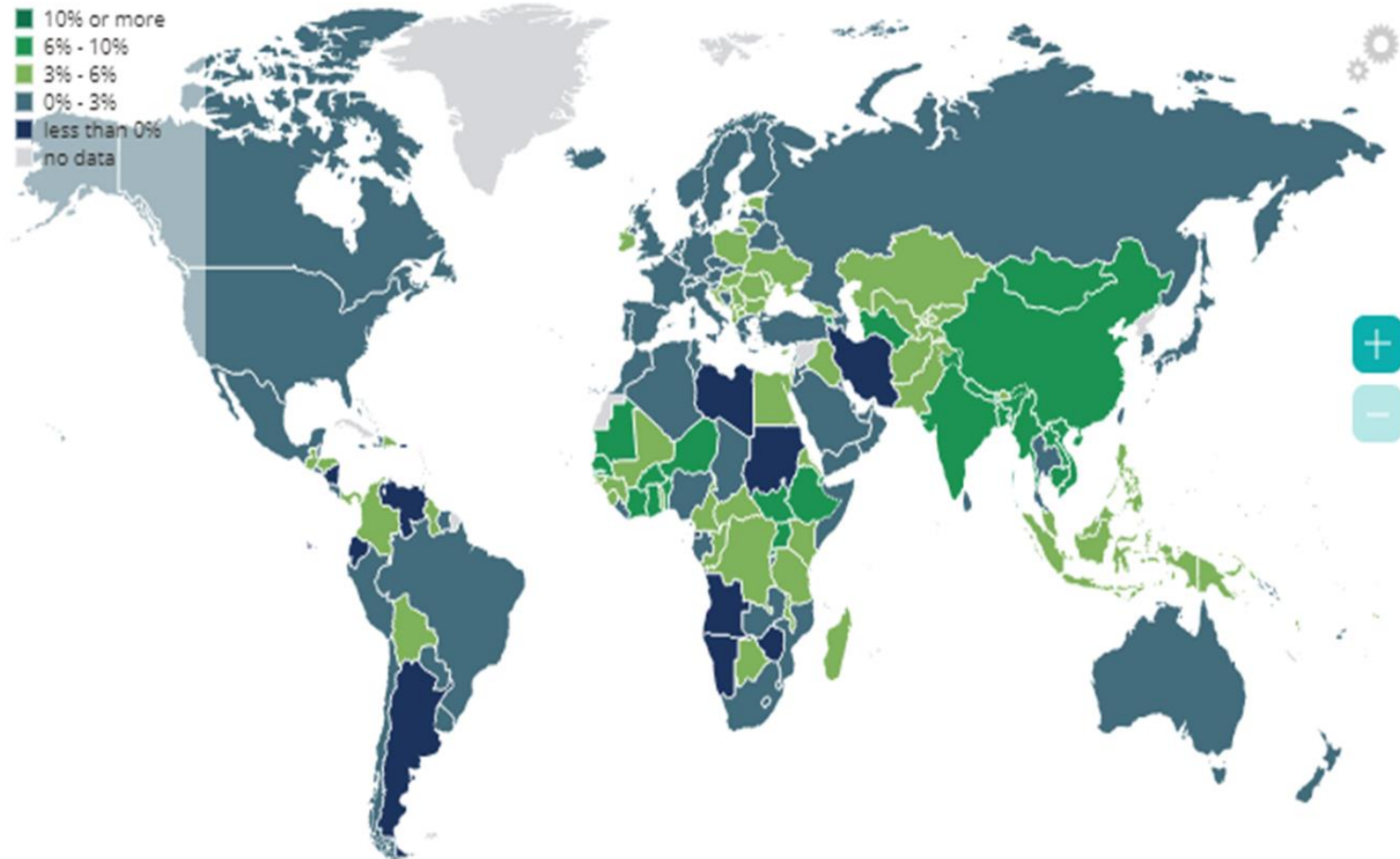




Emerging economies (2019)



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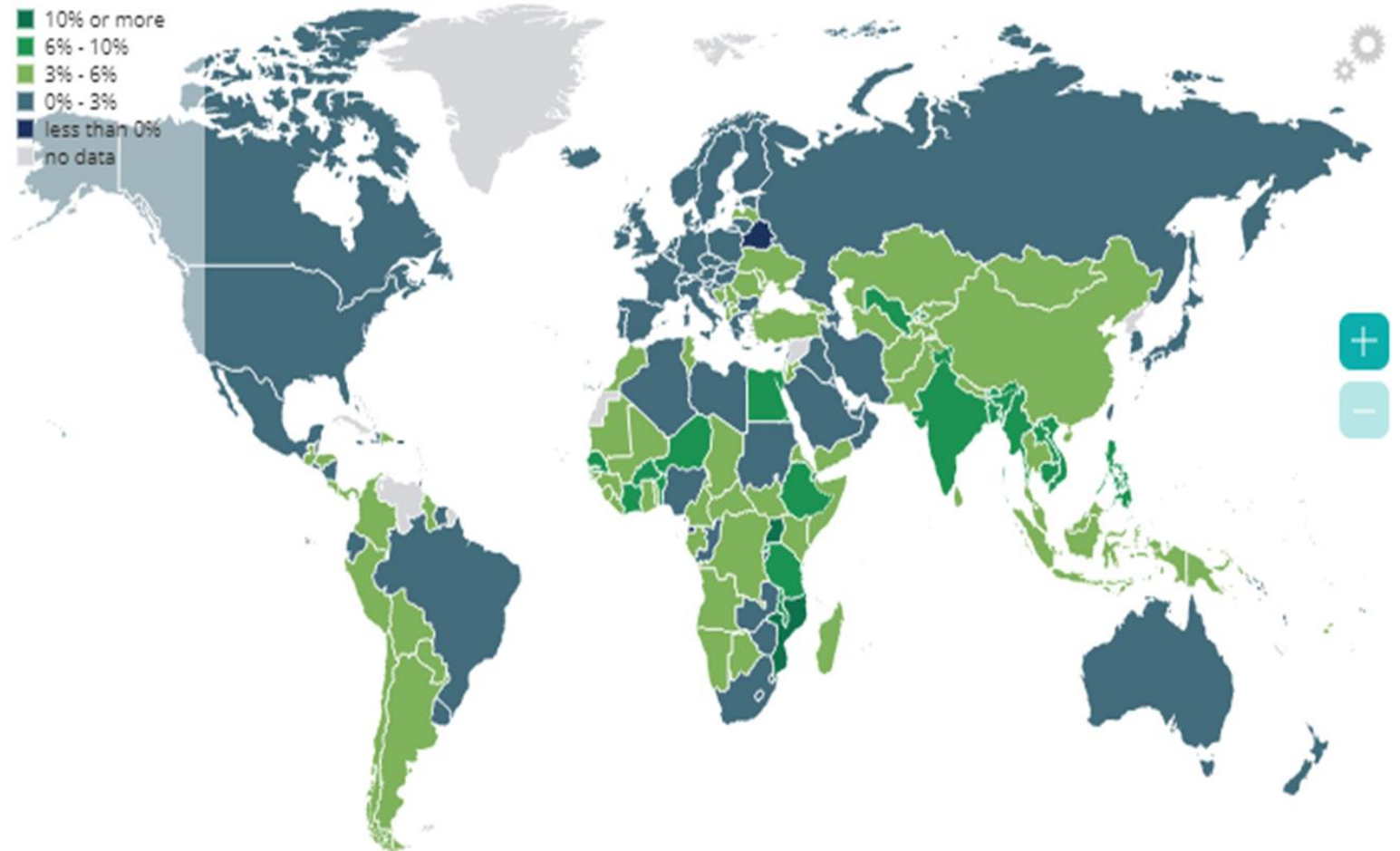




Emerging economies (2024)



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About emerging markets

Common characteristics:

- ❑ Huge growth potential
- ❑ Low-to-mid per capita income
- ❑ Rapid pace of economic growth
- ❑ Commodity and currency swings
- ❑ High market volatility
- ❑ Weak market capacity – constrained financial system
- ❑ Political instability
- ❑ Low corporate governance or transparency
- ❑ Limited legal protection for investors
- ❑ High costs of doing business – implicit and explicit costs such as commissions, fees, taxes, degree of market liquidity, etc.
- ❑ Restrictions on foreign accessibility



Emerging markets – closer look



No. 1 Ethiopia

GDP Growth 2019	7.9%
GDP Growth 2024	6.7%
UK Exports	\$309M
% UK Exports	0.08%
Ease of doing business:	159 th
Corruption (2019):	96 th

UK Exports:

- 1) Gas turbines (70%)
- 2) Hard liquor (3.9%)
- 3) Broadcasting equipment (3.4%)
- 4) Aircraft parts (2.6%)
- 5) Compasses (1.5%)



No. 2 Rwanda

GDP Growth 2019	7.6%
GDP Growth 2024	7.8%
UK Exports	\$11.7M
% UK Exports	0.00%
Ease of doing business:	38 th
Corruption (2019):	51 st

UK Exports:

- 1) X-ray equipment (25%)
- 2) Tractors (6.8%)
- 3) Broadcasting equipment (5.9%)
- 4) Cars (4.3%)
- 5) Gas turbines (3.5%)



No. 3 Bangladesh

GDP Growth 2019	7.4%
GDP Growth 2024	7%
UK Exports	\$300M
% UK Exports	0.08%
Ease of doing business:	168 th
Corruption (2019):	146 th

UK Exports:

- 1) Scrap iron (29%)
- 2) Electric generating sets (14%)
- 3) Pesticides (2.3%)
- 4) Cars (2.3%)
- 5) Animal food (1.6%)





Emerging markets – closer look



No. 4 India

GDP Growth 2019	7.3%
GDP Growth 2024	7.2%
UK Exports	\$4.8B
% UK Exports	1.2%
Ease of doing business:	63 rd
Corruption:	80 th

UK Exports:

- 1) Gas turbines (8.5%)
- 2) Silver (7.6%)
- 3) Scrap aluminium (4.6%)
- 4) Aircraft parts (4.1%)
- 5) Scrap iron (4%)



No. 5 Cote d'Ivoire

GDP Growth 2019	7.1%
GDP Growth 2024	6.7%
UK Exports	\$143M
% UK Exports	0.04%
Ease of doing business:	110 th
Corruption:	110 th

UK Exports:

- 1) Recreational boats (21%)
- 2) Concentrated milk (10%)
- 3) Used clothing (4.5%)
- 4) Valves (4.3%)
- 5) Excavation machinery (4%)



No. 6 Cambodia

GDP Growth 2019	6.7%
GDP Growth 2024	6.1%
UK Exports	\$48.5M
% UK Exports	0.01%
Ease of doing business:	144 th
Corruption:	162 nd

UK Exports:

- 1) Gas turbines (41%)
- 2) Cars (11%)
- 3) Aircraft parts (7.3%)
- 4) Packaged medicaments (5.5%)
- 5) Micro / Headphones (3.1%)



Emerging markets – closer look



No. 7 Myanmar

GDP Growth 2019	6.7%
GDP Growth 2024	7.3%
UK Exports	-
% UK Exports	-
Ease of doing business:	165 th
Corruption:	130 th

UK Exports:

- 1) -
- 2) -
- 3) -
- 4) -
- 5) -



No. 8 Laos

GDP Growth 2019	6.7%
GDP Growth 2024	6.5%
UK Exports	\$11.8M
% UK Exports	0.00%
Ease of doing business:	154 th
Corruption:	130 th

UK Exports:

- 1) Cars (49%)
- 2) Aircraft parts (6.3%)
- 3) Heavy synthetic cotton (4.8%)
- 4) Human or animal blood (3.7%)
- 5) Broadcasting equipment (3.2%)



No. 9 Vietnam

GDP Growth 2019	6.6%
GDP Growth 2024	6.3%
UK Exports	\$734M
% UK Exports	0.19%
Ease of doing business:	70 th
Corruption:	96 th

UK Exports:

- 1) Packaged medicaments (11%)
- 2) Recovered paper (6.4%)
- 3) Gas turbines (5%)
- 4) Antibiotics (3.7%)
- 5) Broadcasting equipment (3.2%)



Emerging markets – closer look



No. 10 Tanzania

GDP Growth 2019	6.3%
GDP Growth 2024	6.2%
UK Exports	\$164M
% UK Exports	0.04%
Ease of doing business:	141 st
Corruption (2019)	96 th

UK Exports:

- 1) Refined petroleum (14%)
- 2) Planes, helicopter, spacecraft (12%)
- 3) Tractors (11%)
- 4) Raw lead (4.1%)
- 5) Delivery trucks (3.8%)



No. 11 Philippines

GDP Growth 2019	6.3%
GDP Growth 2024	6.4%
UK Exports	\$649M
% UK Exports	0.16%
Ease of doing business:	95 th
Corruption (2019):	113 th

UK Exports:

- 1) Semiconductor devices (9.2%)
- 2) Aircraft parts (6.8%)
- 3) Packaged medicaments (6.2%)
- 4) Animal food (5.5%)
- 5) Cars (4.2%)



No. 12 Senegal

GDP Growth 2019	6.3%
GDP Growth 2024	7.9%
UK Exports	\$123M
% UK Exports	0.03%
Ease of doing business:	123 rd
Corruption (2019):	66 th

UK Exports:

- 1) Refined petroleum (39%)
- 2) Petroleum gas (13%)
- 3) Cars (5.4%)
- 4) Electric generating sets (1.7%)
- 5) Used clothing (1.6%)



Opportunities



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- ❑ Demographics
- ❑ Growing consumption
- ❑ Growing middle class
- ❑ Improving education
- ❑ Leapfrogging technologies
- ❑ Advances in technology
- ❑ Productivity and unskilled labour
- ❑ Infrastructure investment
- ❑ Global innovation





Mitigating risk

- ❑ Be aware of corruption
- ❑ Getting paid and cash flow
- ❑ Intellectual Property protection
- ❑ Understand the culture nuances
- ❑ Understand the way of doing business
- ❑ Understand the political, legal and financial climate
- ❑ Currency fluctuations
- ❑ Be aware of ability to trade (barriers, sanctions, and controls)





Keys to success

- ❑ Export readiness
- ❑ Route to market
- ❑ Market research
- ❑ Pricing strategy
- ❑ Social media
- ❑ e-Commerce
- ❑ Localisation and culture
- ❑ Relationships
- ❑ Local partners



Social media platforms globally

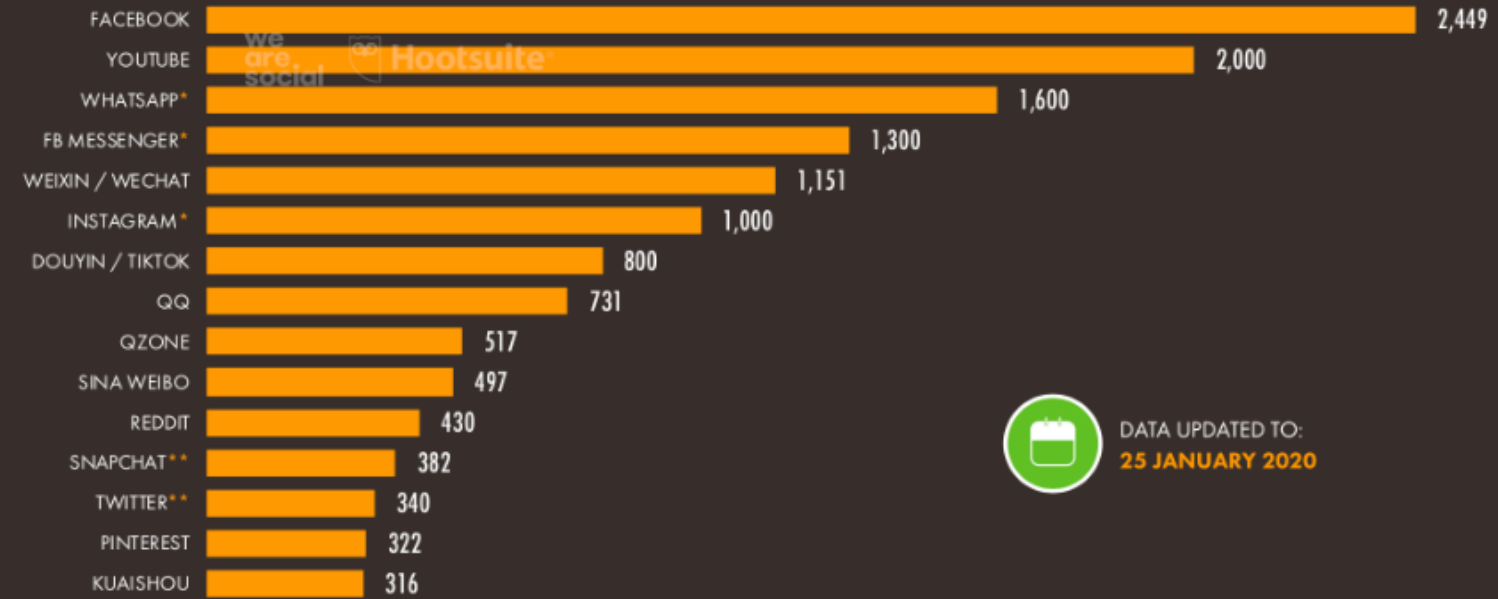


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JAN
2020

THE WORLD'S MOST-USED SOCIAL PLATFORMS

BASED ON MONTHLY ACTIVE USERS, ACTIVE USER ACCOUNTS, ADVERTISING AUDIENCES, OR UNIQUE MONTHLY VISITORS (IN MILLIONS)



DATA UPDATED TO:
25 JANUARY 2020

95

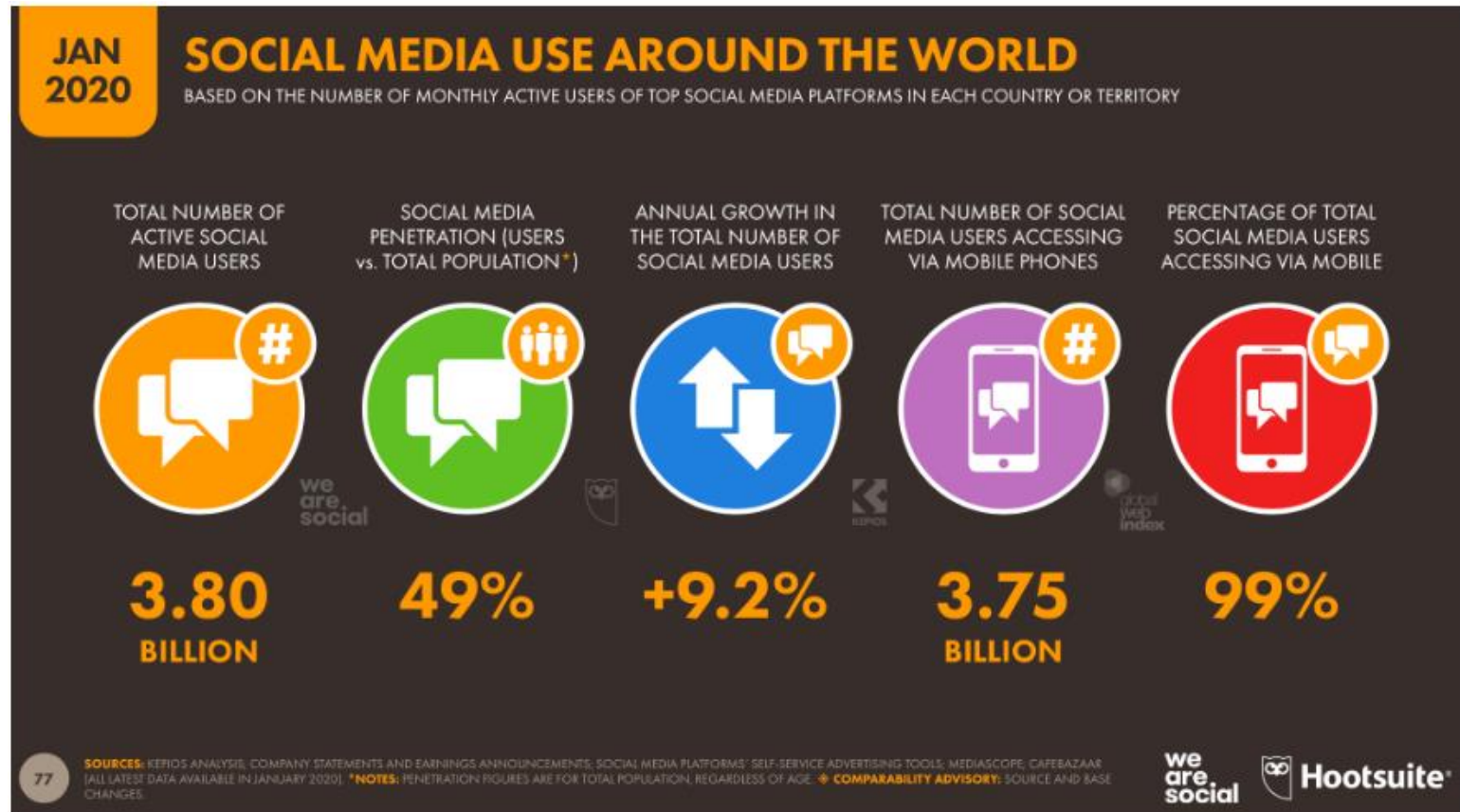
SOURCES: KEPIOS ANALYSIS; COMPANY STATEMENTS AND EARNINGS ANNOUNCEMENTS; PLATFORMS' SELF-SERVICE ADVERTISING TOOLS (ALL LATEST AVAILABLE DATA). NOTES: PLATFORMS IDENTIFIED BY (*) HAVE NOT PUBLISHED UPDATED USER NUMBERS IN THE PAST 12 MONTHS. PLATFORMS IDENTIFIED BY (**) DO NOT PUBLISH MAU DATA. FIGURES FOR TWITTER AND SNAPCHAT USE EACH PLATFORM'S LATEST ADVERTISING AUDIENCE REACH, AS REPORTED IN EACH PLATFORM'S SELF-SERVICE ADVERTISING TOOLS (JANUARY 2020).

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Social media use globally



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Social media locally



United States	
Facebook	51.28%
Pinterest	22.77%
Twitter	15.12%
Instagram	7.86%
YouTube	1.4%
Tumblr	0.67%

UK	
Facebook	44.6%
Twitter	31.16%
Instagram	10.84%
Pinterest	9.55%
YouTube	1.55%
Tumblr	1.22%

China	
Pinterest	33.7%
Twitter	33.47%
Facebook	14.04%
Youku	6.71%
YouTube	5.69%
LinkedIn	2.38%



Rwanda	
Facebook	70.41%
Pinterest	12.81%
Twitter	8.48%
Instagram	4.07%
YouTube	3.99%
Reddit	0.08%

India	
Facebook	83.8%
Instagram	4.69%
YouTube	4.59%
Pinterest	3.83%
Twitter	2.84%
LinkedIn	0.08%

Philippines	
Facebook	89.76%
Twitter	6.01%
YouTube	1.64%
Pinterest	1.57%
Instagram	0.74%
Tumblr	0.15%

E-commerce globally



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Localisation: Local language is key

72% of consumers spend most of their time on websites in **their own language**
56% of consumers said the ability to obtain information in their own language is **more important than price**

It takes 13+ languages to address 90% of the world's global online economic opportunity

- | | | |
|-------------|---------------|-------------|
| 1. English | 7. Italian | 13. Swedish |
| 2. Japanese | 8. Portuguese | |
| 3. German | 9. Dutch | |
| 4. Spanish | 10. Korean | |
| 5. French | 11. Arabic | |
| 6. Chinese | 12. Russian | |

The only language that really matters is the language of your customer



Localisation not internationalisation

“Market globally, sell locally”

“90% of European internet users visit websites in their **own language**” (Source: EU EuroBarometer)

“70% of online search engines are **NOT in English**” (Source: Oban Multilingual)

“Customers are **4x more likely to buy** from a website in their **own language**” (Source: IDC)



“Visitors stay **twice as long** if a website is in their **own language**” (Source: Forrester Research)

“Web-savvy SMEs brought in **twice as much revenue** through exports than those using the internet sparingly” (Source: McKinsey SME Survey)

“Cross-border **online trade** will increase **sevenfold by 2020**” (Source: Google)

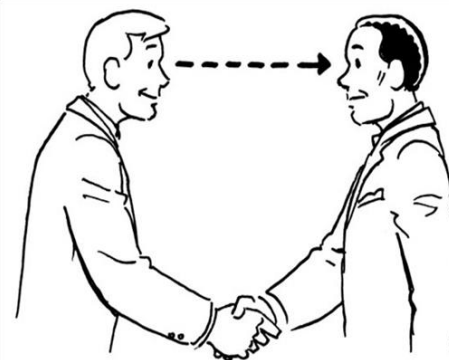




Cultural awareness



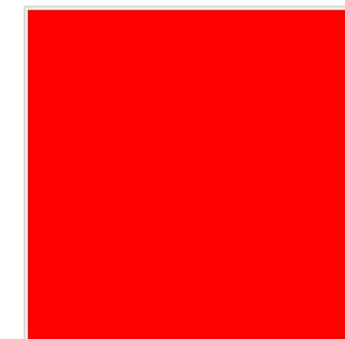
Owl:
UK / US = Wisdom
India = Stupidity
Saudi Arabia = Death



Lack of eye contact:
UK / US = Distrust
Asia = Respect



Number "7":
US = Lucky number
Hong Kong = Sexual connotations



Colour "red":
US / Europe = Love / Danger
Africa = Death



Cultural awareness

Even the 'Big boys' can get it wrong!



colgate

Colgate launched toothpaste in France named "*Cue*" without realizing that it's also the name of a **French pornographic magazine**

 PARKER

Parker Pen, when expanding into Mexico, mistranslated "*It won't leak in your pocket and embarrass you*" into "*It won't leak in your pocket and make you pregnant.*"



Ford blundered when marketing the Pinto in Brazil because the term in Brazilian Portuguese means "*tiny male genitals.*"



KFC made Chinese consumers a bit apprehensive when "*finger licking good*" was translated as "*eat your fingers off.*"



Mercedes-Benz

Mercedes-Benz entered the Chinese market under the brand name "*Bensi,*" which means "*rush to die.*"



Pepsi's slogan "*Pepsi Brings You Back to Life*" was debuted in China as "*Pepsi Brings You Back from the Grave.*"



Routes to market

- ❑ Direct
- ❑ Digital
- ❑ Agents or independent reps
- ❑ Resellers, Stockists, Dealers
- ❑ Distributors
- ❑ Contractual methods
 - ❑ Licensing
 - ❑ Franchising





Supply quadrant

Direct to customers and consumers

- This includes direct to businesses and direct to consumers
- Businesses – find them online, e-commerce, e-marketplace, at tradeshows or set up an office in another country
- Consumers – find them online, e-commerce, e-marketplace, social media or set up a shop in another country
- You take full responsibility to stock, market, sell and ship
- This includes appropriate paperwork to support the sale to the end consumer and handling support and returns
- Set your own price to maximise profit

Distributors

- Sell your product in an agreed geographic market
- They buy, store, market, sell and support your product in the agreed international market
- This is effectively a direct sale and you will be expected to discount your price to reflect the amount of work the distributor does on your behalf
- Discounts will generally range from 25% to 40% depending on your sector
- Likely to have a few distributors across a large country or if you sell into different sectors
- Find distributors at exhibitions and by online and offline research

Stockists and retailers

- Sell your product in their stores – both bricks and mortar or online
- Can be a large national department store or supermarket or can be specialist independent shops
- Likely to have more than one in a country or even a city
- They buy, stock, market, sell and support your product in their country
- This is effectively a direct sale and you will be expected to discount your price to reflect the amount of work the stockist or retailer does on your behalf
- Discounts will generally range from 25% to 40% depending on your sector
- Find them at shows and by online and offline research

Agents

- Are paid commission based on an introduction to a potential customer in a particular geographic market
- Commission ranges between 2.5% to 20% on average with different industries having differing levels
- You provide training and promotional materials to help them sell your product
- After the introduction you close the sale
- After that you will owe them commission on the sale at the agreed rate and on any other future business with that customer which is part of the agency agreement
- You may well choose to have one or two agents per country
- Find agents exhibitions and by online and offline research



Partner vetting and selection

	Scoring	Partner A	Partner B	Partner C	Partner D	Partner E	Notes
Status	20						
Size of the company/agent							
Number of employees							
Make-up of workforce							
Number of years in business							
Positioning against local competition							
Awards/Accreditations/Certifications							
Reach	20						
Location and geographical reach							
Sectors they operate in							
Local market knowledge							
Advertising and promotional activities							
Financial strength and resilience	20						
Annual sales turnover							
Financial strength and reputation							
Credit score							
Futureproofing i.e. 3 to 5-year strategy							
What are their typical margins?							
Do they have credit insurance?							
Portfolio	10						
Existing brands and product lines (complementary and competitive)							
Where would the position the product amongst their other brands?							
Distribution	20						
Sales structure (distribution fleet, sales team)							
Facilities (warehousing and distribution capabilities)							
Post sales support							
Ease of doing business	10						
Do they require exclusivity?							
Incoterms							
Payment terms							
Pricing structure							
Cultural fit / Shared values							
Commitment to joint investment							
Language barrier							





Managing partners

- ❑ Enhance the relationship
 - ❑ Trust and mutual benefits
 - ❑ Willingness to invest
 - ❑ Continuous feedback
 - ❑ Appreciate culture and traditions
- ❑ Optimise joint success
 - ❑ Joint marketing strategy
 - ❑ Marketing support
 - ❑ Product sales training
 - ❑ Customising sales tools
 - ❑ 2nd line support
 - ❑ Regular performance meetings
- ❑ Continuous investment- in the relationship
 - ❑ Leads and opportunities
 - ❑ Brand awareness activity
 - ❑ Regulatory awareness



**Additional sources of
information and support**



Sources of information

- ❑ Trade missions - <https://www.events.trade.gov.uk>
- ❑ Trade associations - <http://www.taforum.org/Members>
- ❑ Training and qualifications - <http://www.export.org.uk/default.asp>
- ❑ Overseas embassies - <https://www.gov.uk/world>
- ❑ Translation services - <http://www.atc.org.uk>
- ❑ World Bank 'Ease of Doing Business' - <https://www.doingbusiness.org/en/rankings>
- ❑ Transparency International 'Corruption Perceptions Index' - <https://www.transparency.org>
- ❑ Bilateral Business Councils
 - ❑ China-Britain Business Council - <http://www.cbcb.org>
 - ❑ UK India Business Council - <https://www.ukibc.com>
 - ❑ UK-ASIAN Business Council - <http://www.ukabc.org.uk>
- ❑ Banks and currency specialists
- ❑ UK Export Finance - <https://www.gov.uk/government/organisations/uk-export-finance>
- ❑ Bibby Financial Services - <https://www.bibbyfinancialservices.com/>
- ❑ Regulation - Trade associations - <http://www.taforum.org/Members>
- ❑ Protecting intellectual property - <https://www.gov.uk/intellectual-property-an-overview>
- ❑ UK overseas intellectual property attaché network - <https://www.gov.uk/government/news/uk-overseas-intellectual-property-attache-network>





Sources of information

- ❑ Incoterms - <https://iccwbo.org/>
- ❑ Oxford to Cambridge Arc Growth Hubs:
 - SEMLEP Growth Hub - <https://www.semlepgrowthhub.com/>
 - OxLEP Growth Hub – <https://www.oxlepbusiness.co.uk/>
 - New Anglia Growth Hub - <https://www.newangliagrowthhub.co.uk/>
 - Buckinghamshire First - <https://bbf.uk.com/>
 - Cambridge & Peterborough - <https://cambridgeshirepeterborough-ca.gov.uk/>
- ❑ The Export Department <https://www.exportdept.co.uk>
- ❑ Department for International Trade
<https://www.gov.uk/government/organisations/department-for-international-trade>
- ❑ Local Chambers of Commerce - <https://www.britishchambers.org.uk/page/join-a-chamber>
- ❑ Export market information - <https://opentoexport.com/>
- ❑ Training – Institute of Export – <https://www.export.org.uk>



Thank you for your time!

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