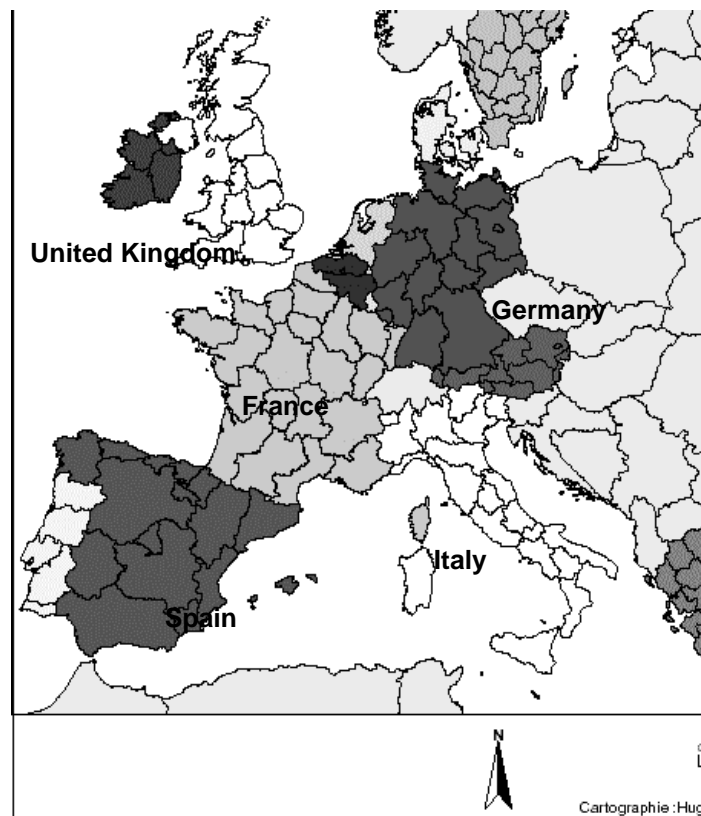




500 EUROPEAN SME FACING EXPORT :



WHICH METHODS TO SUCCEED ?

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I - Which type of export behaviour for SME ?

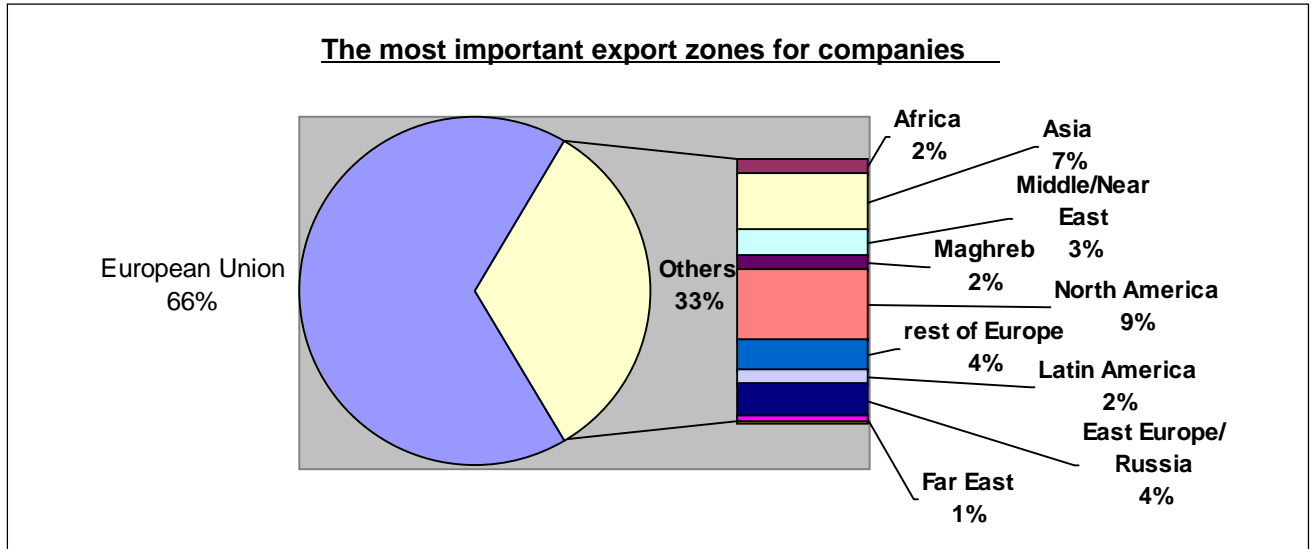
I.1. The Advocated European Union

Proximity does not necessarily rhyme with facility: to export into European countries does not relieve you from careful preparation.

- ✓ In terms of ***presence*** as well as ***development prospects***, **the European Union is the main export market for SME.**

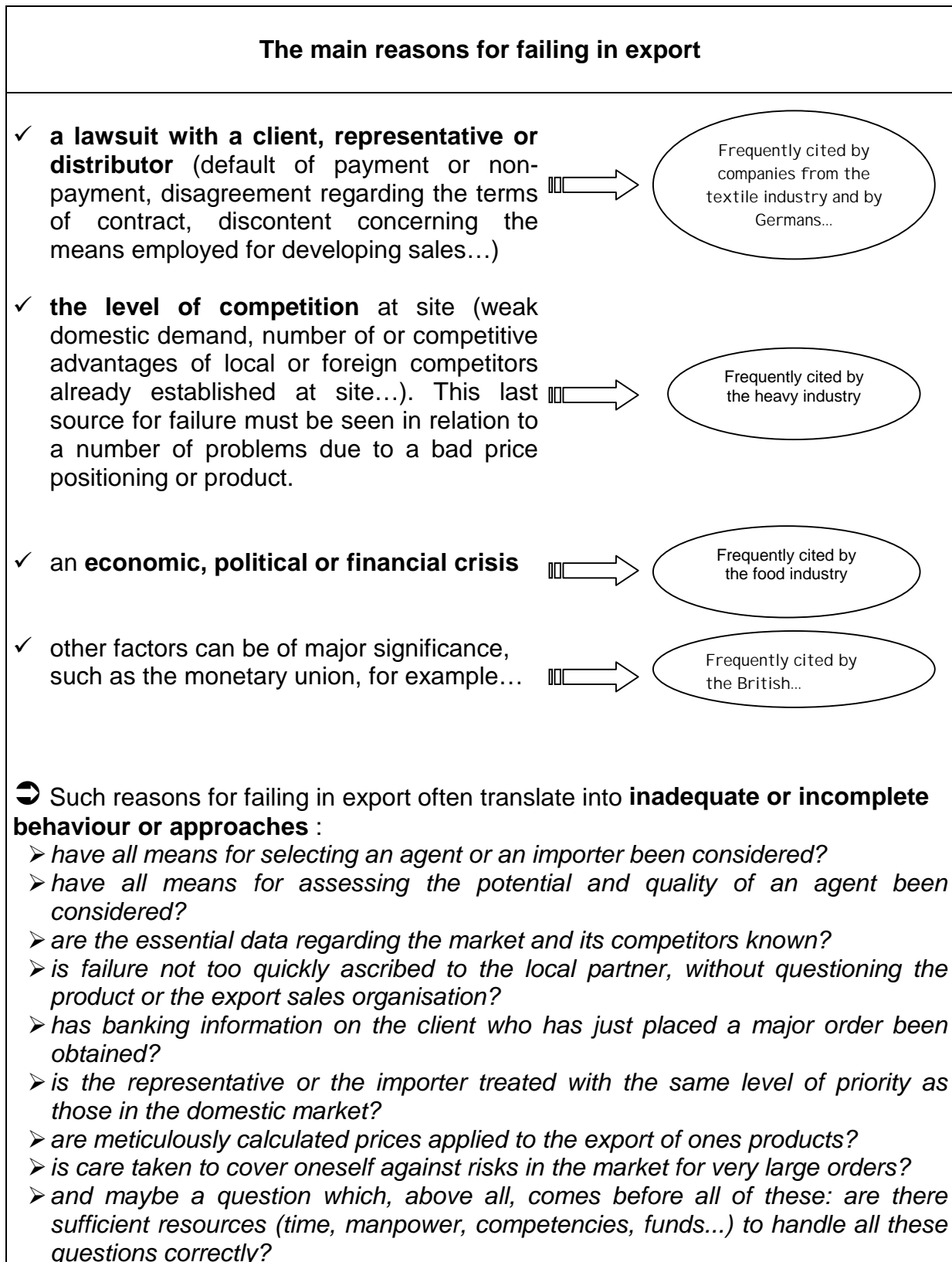
This situation is justified by certain elements which are more or less verified and also rational and which constitute the opinion which SME generate on the markets surrounding them :

- geographical proximity, historical and cultural proximity for certain markets: issues which are primarily reassuring although not particularly rational
 - apparent similarities between the different consumer habits and the distribution cycles
 - no customs barriers
 - the simplicity and the reduced cost of transport
 - the geographical proximity renders costs for canvassing less important at first sight
- ✓ But it is also important to stress the fact that **the countries of the European Union are also the primary failure zone for export activities.** The main reasons for this are:
- clients and consumers are more demanding
 - fiercer competition
 - cultural differences within working routines
 - differences in consumer habits





I.2. The Main Reasons for Failure

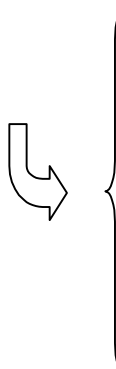




I.3. Planning Export

If the majority of SME have projects aiming at export activities, they are often insufficiently funded and scheduled.

- ✓ If those $\frac{3}{4}$ of SME interviewed declared that they have planned one or several export operations for the year to come, **less than 1/3 of them have a real steering tool for their export activities**, which at times consists of a **time schedule** and a precise **budget** for actions to be taken in the short, medium and long term.
- ✓ It is interesting to learn that **hardly 30% of the interviewed SME declare to be in a position to estimate their annual budget for investing** in exporting into a foreign market.

- 
- ☺ the winner...
 - 95% of the best have a plan for developing export activities
 - nearly half of them also have a time schedule and an export budget
 - ☹ the loser...
 - 40% of these companies do not have a draft plan for developing export activities
 - less than 5% of them have a time schedule and an export budget at the same time

➡ **Planning your export activities seems to be the key to success ! Before entering into a new market, the SME must ask itself the following questions :**

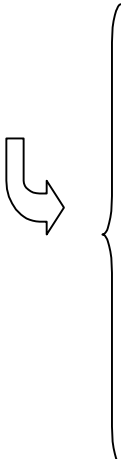
- *Is the company acting on the grounds of a well thought-through time schedule?*
- *Is the export budget under control?*



I.4. Exporters

People and organisations : general or specialised parties?

- ✓ The number of companies with an export department increases as of a turnover in export exceeding FF 5 million
- ✓ If there is no export department, the person in charge of these operations is in general the sales manager.

- 
- ☺ the winner...
 - nearly 90% of the best among them have an export department
 - ☹ the loser...
 - 70% among them do not have an export department
 - ☞ NB :
 - Export departments are more frequently found in the food industry than in other sectors
 - In general, there are more than three people working in export if a threshold in sales exceeding FF 10 million has been reached.

☞ *It seems that companies which succeed nearly all have an export department; it therefore makes sense to ask oneself the following question : **Is an export department the reason for or the logical consequence of success?** It is difficult to provide a clear response to this question:*

- *obviously, **the presence of export manpower is an important asset:** exporting activities require time and competencies*
- *but **such an investment is for many of the SME financially unthinkable** (especially during the starting phase) without any warranties for a return on investment*

*Hence the difficulty for SME is **to have adequate competencies at their disposal at every stage of developing their export activities**, while remaining within their **financial limits**. At each stage of developing export activities the following questions need to be reiterated :*

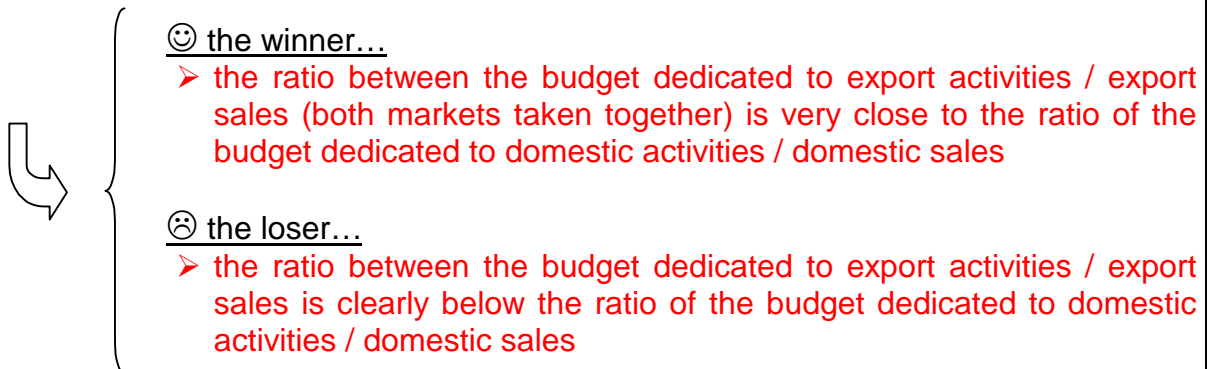
- *Do we need to recruit ?*
- *Do we have to train one or several employees ?*
- *Do we have to refer to external competencies ?*



I .5. Export Budget

To succeed, one needs to invest – in the export market as well as in the domestic market

- ✓ In financial terms, it turns out that budgets dedicated to export activities are on average proportionately less significant than compared to budgets dedicated to the domestic markets
- ✓ The most important items on a export budget are :
 - personnel expenses
 - expenditure for trade fairs
- ✓ At any rate, this shows that to achieve lasting export operations, one must start with investing :



Exporting activities call for the same degree of investment than the domestic market does. Remember to ask the following questions :

- Is my export budget in relation to my turnover targets for export ?
- Do I have a sufficiently detailed budget for every planned export operation?



I.6. Return on Export

Return on exports: how long does it take ?

- ✓ The beginning of **regular sales** generally occurs between **6 months to 1 year** following the first export activities on the given market.
- ✓ The period of time it takes to attain a **return** on investments linked to the start of exporting activities on a given market lies between **1 and 5 years** : on average, 2.5 years.

☺ the winner...

- the best ones accept as a rule a period of time between 1 to 3 years to start selling on a regular basis...

☹ the loser...

- accepts between 6 months and 1 year for selling on a regular basis

☞ NB :

- With regard to the required time period for selling on a regular basis, the Germans are the most optimistic compared to their European neighbours, in particular businesses from the food and agricultural sector...
- With regard to the time period for return on investment, the German and the French are on the other hand more pessimistic than their neighbours.
- The German situation may seem paradoxical: it is explained by their definition of a larger return total.

☞ **The exporter must have a reasonable degree of patience, whether with regard to the spin-off on turnover or return on investment. The following questions arise :**

- *Have I stipulated my sales forecast with objectivity ?*
- *Am I financially sound enough to attain a return on investment?*



I.7. Export Structures

What type of commercial representation ?

- ✓ At the beginning, the **direct contact** and the **sales representative** are by far the most frequently referred to types of approach
- ✓ There is no principal type of sales representation which stands for greater success than any other type of representation
- ✓ Several various factors impact the choice of a commercial representation :
 - The **size of the enterprise** : the « small » ones tend to resort to direct contacts more frequently than the other companies, while establishing a branch is reserved for large-sized SME.
 - **Degree of export** : nearly 80% of companies with a branch attain a turnover exceeding FF 10 million.
 - The **sector of operations** : enterprises from the food and agricultural sector resort more frequently to importers / distributors, while enterprises from the textile sector prefer to co-operate with sales representatives, and those from the industry for mechanical machinery seem to prefer direct contacts.
 - The **notoriety of a branch** or the unique **property** of a product (patent), which could privilege a franchising system or licensing
 - **Data regarding the export market**, which would prescribe either type of representation (example : intermediary on a commission basis in Arabian countries, commercial branch in Brazil...)
 - The **culture of a domestic market** : resorting to a sales representative seems to be less taken to by the British, for example !

- ↩ {
- ☺ the winner...
 - more than $\frac{3}{4}$ among them have a permanent physical representation (branch or representative) in their main exporting markets... a consequence of a cause for success ?
 - ☹ the loser...
 - nothing to report

☞ *At one point or the other during exporting activities, **physical representation seems to be a forgotten phase**, irrespective of its type : in the long run, it is not possible to do efficient exporting business from a distance !*



I.8. Export Tools and Their Use

Using export tools

- ✓ The choice of steps which are put into practice and the tools used depend on whether the enterprise conceives exporting to be :
 - an **additional source of turnover** which is always good to make if the situation arises
 - a **necessity motivated by the loss of share** in the domestic market
 - the **logical pursuit of a development**

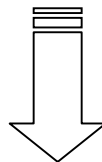
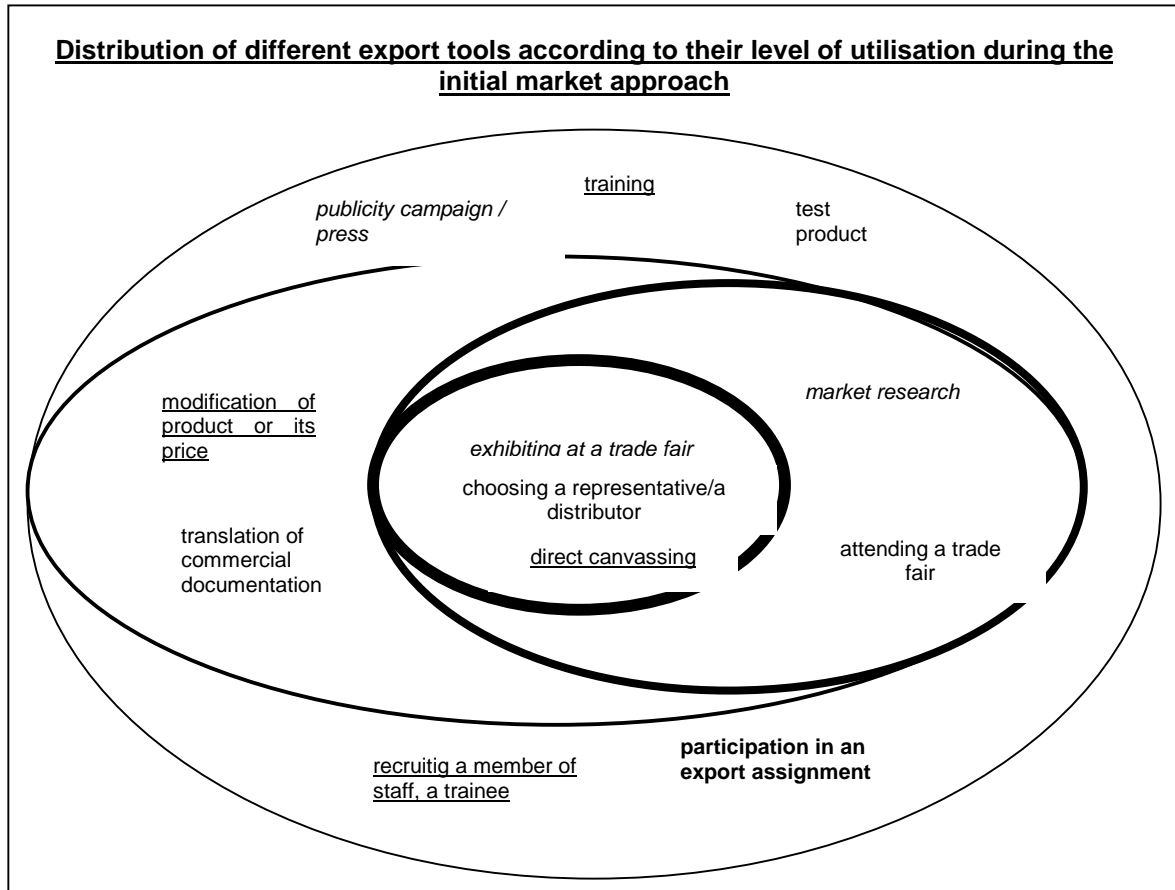
- ✓ But likewise, one distinguishes the different methods as to :
 - the country of origin : this is how German SME select their presence at a trade fair as an exhibitor, and the French prefer direct canvassing, the British seem more attached than others to modifying their product and their prices, Italian SME attach greater importance to studying the market...
 - the « size » : research into the market as the primary tool of approach in export is cited by the majority of large SME, while SME with reduced manpower prefer to start by exhibiting at a trade fair.

- ✓ Within the framework of developing their export operations, a significant number of SME commences with steps which put them into a **position to sell as quickly as possible** (exhibit at a fair, select a representative or a distributor, direct canvassing...) :
 - **without carrying out preparatory work** (market research, test product, modification of the product or of price, translation of commercial documentation...)
 - **and neglecting the follow-up work** (publicity campaign, press relations, recruitment of employees...).



The following diagram structures the different export tools according to their frequency of utilisation during an initial market approach (read from the inside to the outside; by frequency of decreasing utilisation) :

- The tools the most frequently referred to include trade fairs (exhibiting), choosing a representative and/or distributor, direct canvassing
- The more complex a situation, the more likely market research and the visit of a trade fair is included
- etc...



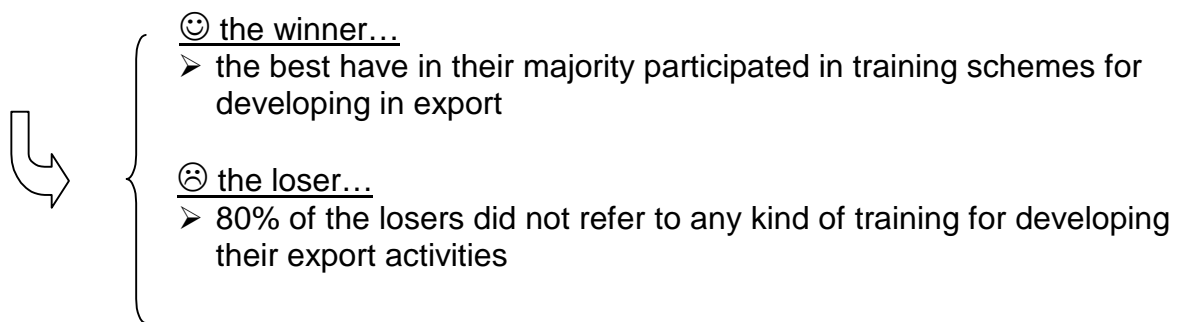
☞ It is frequently forgotten that **moving into an exporting market requires just as complete and complex a preparation as operations aimed toward the domestic market.** In an export market, after all, you compete with companies which are on their home ground !
If one is badly prepared or neglects the follow up work, **possible failures can not be constructive since one would not be able to understand the objective reasons for this.**



I.9. Training and Export

Export and training

- ✓ **SME refer only rarely to training measures** – less than 1/3 of the enterprises interviewed, yet this proportion increases considerably with those who succeed.
- ✓ The training topics for export the most frequently covered, by order of decreasing significance, are :
 - foreign languages
 - knowledge of markets
 - export financing
 - international transport and customs



➡ *If offered, training seminars on export activities prioritised over seminars focusing on technical aspects and response to immediate problems at site.*

*The analysis of the reasons for failing in export equally show deficiencies regarding the questions of **strategy**, **organisation** or **commercial development**. Does your company master the following topics ?*

- *generate a list of strengths and weaknesses in exporting*
- *how to plan export activities: which operations, which time schedule, which budget*
- *how to test the product abroad*
- *animation and motivation of sales representatives*
- *optimise human resources to develop export activities*
- *approach new customers and obtain their loyalty*
- *prepare, succeed, assess one's participation in a trade fair*



I.10. Export Assistance

Financial assistance in exports: hardly known and too numerous

- ✓ Less than half of the SME interviewed were in a position to cite at least one financial subsidies programme for exports
- ✓ The plethora of organisations and funds available, often a source of confusion, is rarely a credibility warranty

« if you find someone who opens the doors for you, it's like Open Sesame ! »

« Organisations in a position to provide assistance in export often act in a disorganised manner, and are rather concerned by their own interests or ambitions instead of extending a real will to help conquer markets » (quote)

☺ the winner...

- the rate of referring to available assistance for export operations by these enterprises is clearly above average.

☹ the loser...

- these enterprises' rate of referring to available assistance for exporting activities is clearly inferior to the average mean

☞ **NB** : the following lists some of the financial subsidies programmes named :

- export insurance : Coface in France, Hermès in Germany, CESCE in Spain
- regional subsidies : FRAEX and FRAC in France ; assisting programmes by autonomous communities in Spain
- national support : DTI in United Kingdom, ICEX in Spain, CFME/Actim in France, ICE in Italy...
- European subsidies : European Investment Bank, MEDA or ECIP programmes...

☞ *Before embarking on export operations, it is advisable to check if :*

- you have looked into all available assistance programmes (regional, national, European)
- you have selected **the type of support most suitable for your company and project**, and not the project most suitable for the available subsidies

**Only few export assistance organisations are clearly advocated by SME**

- ✓ When asked to comment on their efficiency, the export assistance organisations, without exception, all received **very average marks** (between 5 and 7 out of 10)
- ✓ One point of criticism arising the most frequently is the **lack of flexibility** regarding the highly versatile needs according to businesses and markets
- ✓ In terms of frequency of utilisation, it is possible to emphasise the role of :
 - national organisations dedicated to supporting export operations, among which there are Postes d'Expansion Economique française (for which the grades vary greatly from one PEE to the other), the British DTI, l'Instituto per il Commercio Estero in Italy and ICEX in Spain ;
 - the Chambers of Industry and Commerce ;
 - certain regional / local organisations, such as regional French councils, Spanish independent communities or their Italian consorzii
 - professional associations
- ✓ On the other hand, the SME refer **relatively seldom to banks, consultants and export associations**



☞ **NB :**

- Enterprises with more than 50 employees refer more often to export subsidies than others! The same applies for businesses from the food and agricultural industry.
- In France, the name Coface is spontaneously cited by 40% of the companies interviewed. This predominance is unrivalled in Europe.
- The English DTI is the national organisation which obtained the best ratings, with the highest number of referrals.
- According to the majority of French companies interviewed, the efficiency of the PEE varies greatly from one country to another and mainly depends on the dynamism of the counterpart present during a given period of time.
- The Italian ICE received lower ratings than national export assistance organisations
- The Spanish ICEX is frequently quoted for financial subsidises
- There is no German organisation equivalent to the British DTI, the Spanish ICEX, or the French CFCE
- Regional subsidies are frequently named and appreciated. As a result, the French regional councils receive rather high ratings.



I.11. Export Operation

The 3 major types of exporting operation of SME:

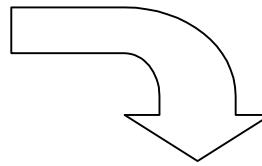
It is possible to define three global types of exporting procedures, depending on the kind of tools used :

« **Minimalist** » simply combines one or two of the 3 « basic » tools which include *exhibiting at trade fairs*, *selecting a distributor* and *direct canvassing*.

⊖ **Objective** : make turnover by investing as little as possible and without defined strategy

⊕ **Efficiency** : the 3 previously mentioned tools are unanimously recognised as being the most efficient for entering a market, which seems logical to the extent that these are the three methods which are the most direct for finding a client. In the short run, this step may be rewarding if it provides for turnover. And if the turnover does not work out, well, then the expenses have been kept low...

⊖ **Limit** : significant risk of failure (launching a non-adapted product, recruitment of an agent whose clientele is not necessarily the one your are targeting, emergence of counter-references) due to a clearly insufficient preparation

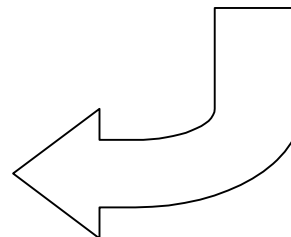


« **Mastering the risk** » generally combines 3 to 4 different steps from the tools previously mentioned, complemented by the visit of a trade fair and market research, or even the translation of commercial documentation or the modification of the product or its price :

⊖ **Objective** : to sell ones product by optimising at least the approach with regard to the means which remain limited

⊕ **Efficiency** : allows to sell without committing too large investments, by limiting thus the risk of failure

⊖ **Limit** : is not always sufficient for a lasting establishment in the market



« **Complex** » combines between 4 and 6 tools, among which are to be found the previously named tools thus cited as well as recruiting an employee, training, a test product or participating in an export assignment :

⊖ **Objective** : there may be 2 types :

- testing certain combinations of tools to reproduce in the following the most efficient ones (experimental step)
- ensuring one's success in a « strategic » market by deploying important instruments

⊕ **Efficiency** : permits to make certain experiences and provides for major opportunities to succeed

⊖ **Limit** : the sums to be invested may be substantial and the return on investment may take time



I.12. Winners and Losers: Who are they ?

When comparing the responses of the best and the worst exporters from the sample group¹, the tendencies are very clear :

☺ the winner...	☹ the loser...
<ul style="list-style-type: none">✓ plans exporting activities<ul style="list-style-type: none">➢ 95% of the best have a plan for developing export activities➢ nearly half of them have a time schedule and an export budget✓ invests in human and financial resources to succeed in export<ul style="list-style-type: none">➢ nearly 90% of the best have an export department➢ the sales budget dedicated to export is nearly as high as the domestic budget➢ more than ¾ among them have a permanent physical representation in their main export markets...✓ shows patience...<ul style="list-style-type: none">➢ accepts in general a period of between 1 to 3 years before starting to sell on a regular basis...✓ uses the assistance provided to him...<ul style="list-style-type: none">➢ the majority of winners participate in a training programme to develop export➢ the winners have a rate of referring to available assistance programmes for export which is clearly above average	<ul style="list-style-type: none">✓ acts step for step<ul style="list-style-type: none">➢ 40% do not have a draft for developing export activities✓ invests only in few resources for succeeding in export<ul style="list-style-type: none">➢ 70% among them do not have an export department➢ the sales budget dedicated to export is clearly inferior to the domestic budget➢ there is only sporadic permanent physical representation in the export market✓ adopts a short-term vision<ul style="list-style-type: none">➢ gives himself between 6 months to 1 year for selling on a regular basis✓ does not refer to assistance he could benefit from<ul style="list-style-type: none">➢ 80% of the losers do not refer to any kind of training programme for developing export➢ the losers have a clearly below average rate of referring to available assistance programmes

¹ criteria used for defining « winners » and « losers » :

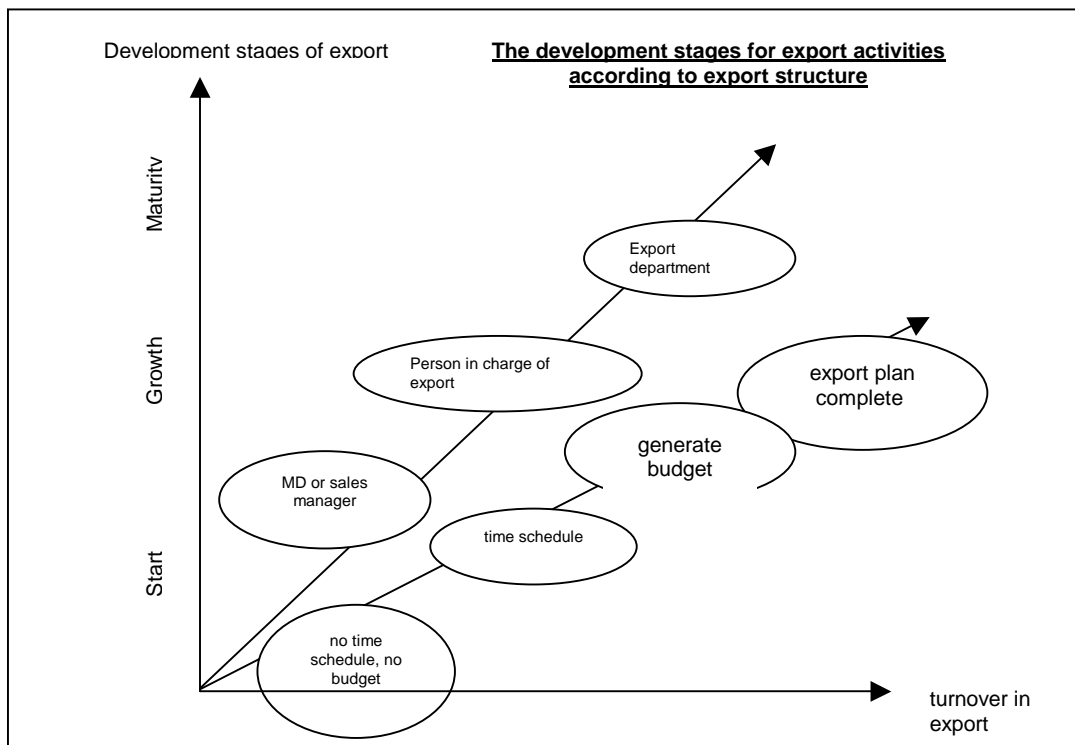
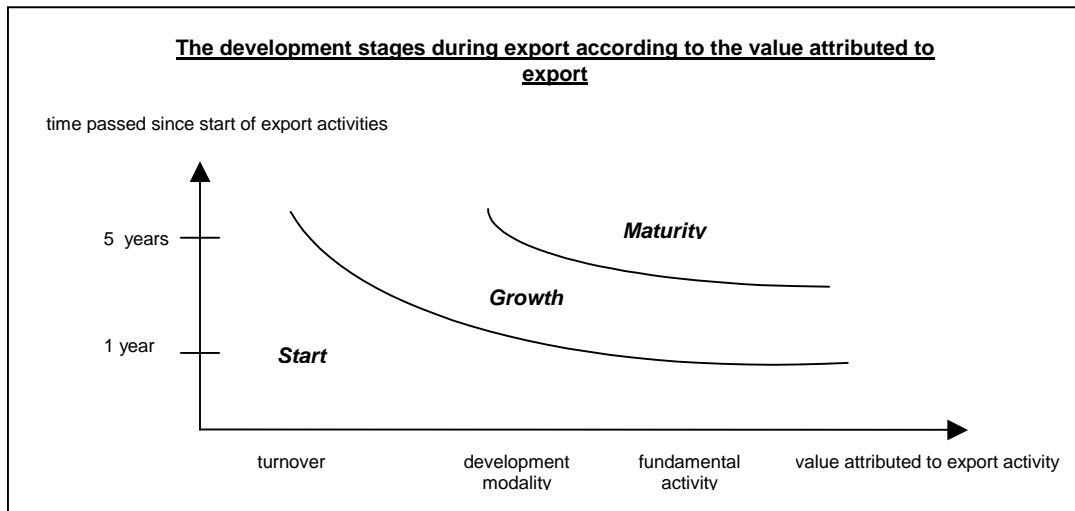
- the group which succeeds comprises companies which have a regular rate of turnover from export in excess of FF 10 million, and whose ratio turnover export / turnover domestic is in excess of 10%
- the group which fails comprises companies whose rate of turnover in export is less than FF 5 million with a ratio of 10% between turnover export / turnover domestic.



II- Which action to be taken for export operations ?

The 3 phases for developing export trade

The two following diagrams might assist companies in imagining the phases of their development, detailed in the following.





At each one of these export development stages of an SME there is a corresponding strategy and optimum action plan, depending on the experience gained by the enterprise in this domain, the rate of turnover generated or to be generated through export and the existing structures.

We have tried here, through the selection of sample businesses, to define the strategies which are the most efficient according to the maturity of export operations of companies, based on the statistics gained from this study, but also on the different complementary information gathered in the course of the interviews held.



Start of export activities

The central question to be asked at this stage is the following : **Which resources does my company need to “venture” into export? i.e. :**

- ✓ which motivation to develop export activities
- ✓ which markets and which products
- ✓ which organisation, which human resources, which competencies
- ✓ which commercial solutions
- ✓ which production tools : capacity, flexibility...
- ✓ which marketing tools
- ✓ which financial resources to invest in and support export activities
- ✓ which help is available ?

Which motivation for export

In this category, there are three main types of businesses:

- ✓ the « **passive** » exporters, who handle foreign orders without searching for their clients : export is **complementary turnover** which is always good to take if the situation arises
- ✓ « **selective** » exporters, who perform several isolated actions to get their production abroad going
- ✓ « **motivated** » businesses which start export activities with a genuine wish to develop these operations, which may originate in:
 - a **necessity motivated by the loss of share** in their domestic market
 - a **logical pursuit of development**

For the major part and irrespective of their motivation for export activities, companies do not have a development plan for export operations during the starting phase. This applies for selective or passive exporters... but not for those who count on investing in this activity.

To the extent that the status they grant to export activities does not justify a plan, the following neither refers to the “passive” nor to the “selective” ones» : **for the present, we are exclusively interested in those “motivated” in export who need to lean on a well designed strategy to succeed.**



Which markets and which product for exporting

- ✓ Selecting new markets according to criteria which might be :
 - the **size and the age of the markets**
 - the **level of competition** on the targeted market
 - the **geographical or cultural proximity** which might also play an important role

- ✓ European markets: they are more competitive but they present access facilities due to :
 - similarity of consumer habits
 - similarity of distribution circuits
 - the quality of transport infrastructure
 - absence of customs barriers

which are unquestionably often difficult to manage by a company about to take up exporting activities and which does not always have structures and competencies in place required for exporting into markets which are more remote.

⇒ arbitrate between the level of competition and the access ease

- ✓ How many markets ? SME which succeed during this phase limit themselves to **between 2 and 5 markets**. In fact, it is difficult at this stage to gain advantage from this without :
 - spreading ones means with the risk of dispersing only little efficiency
 - feeling a severe lack of structuring and organisation of the exporting operations

- ✓ **Market research** and the **test product** are most certainly imperative for the “motivated” exporter – you realise this with the plethora of your instruments. It allows you to :
 - assess market potential
 - select the products which are the most pertinent to start with

ATTENTION : remember that the bad positioning of a product or of ones price during the starting phase are 2 significant aspects of failure for SME.



Which organisation, which human resources, which competencies

- ✓ Flexible solutions (external services) are seen as the priority during the starting phase mainly if one does not have sufficient time nor the internal competencies.
- ✓ In general, with a turnover in export short of FF 5 million, the activity will be supervised by the managing director of the business or by the sales manager, depending on their respective workload.
- ✓ With more than FF 5 million in turnover, setting up an export department or at least putting someone in charge of export is justified, if only to assume the development of sales on the new markets up at front, the management of a possible sales network and the regulation of all logistical questions inherent in export. But maybe you are no longer in the growth phase?
- ✓ Training: it can be seen that only one business in three refers to this in the beginning, and mainly to fill in "linguistic" deficits (contacts with the clients and with the representatives) which constitute a certain hindrance for the development abroad.
 - During this stage it is not worthwhile to become involved in purely technical training programmes in terms of international sales. If you have taken good advice from good places, then you have learned the secrets about the tasks and will know what to do.
 - However, you will have to master the constituting elements of the strategy and of the commercial export organisation, which are :
 - *how to make a list of your strengths and weaknesses in export*
 - *planning export: which operations, which time schedule, which budget*
 - *optimising human resources to develop export activities*
 - *testing ones products abroad: which methods?*
 - *motivating and animating sales representatives*
 - *canvassing new clients and obtaining their loyalty*
 - *preparing, succeeding, assessing ones participation in a trade fair*

Which production tool for export

At this stage, ask yourself the question :

- ✓ if there are sufficient production capacities in the event of a growing demand
- ✓ regarding the flexibility and adjustment of products and packaging
- ✓ regarding the capacities of sub-contractors



Which commercial solutions for export

The company which takes up exporting activities will for the major part adopt one of the 3 commercial solutions presented in the following :

- ✓ **direct contact:**
 - if you have internal human resources, competencies, the time to do so
 - if your sector of activities is suitable for this type of canvassing and does not totally require a physical representation at site
 - if the number of your potential clients is rather limited (highly specialised products)
 - if you have minimum knowledge about the market (market research or test product already carried out)

- ✓ choosing a **sales representative:** for companies which wish to have a long-term presence in the market, the representative is often preferred since he knows the market, the distribution circuits, the language and the customs as well as because he ensures a constant physical presence.

ATTENTION : the temptation at this stage is to select a representative without having carried out market research, by saying that he is the most suitable for testing the market – be aware that this is like playing poker :

- without previous knowledge about the market, you might not be able to select the right representative
 - if the test fails, the representative will abandon you and the market will first of all have a negative impression of your products and your company, and might take a couple of years to forget this impression
-
- ✓ **importer/distributor** : is less frequently referred to than the representative, except for the precisely defined areas of activity (in the event of certain segments of the food and agricultural industry or heavy industries). In fact, this solution does not offer the same transparency of the market. On the other hand, you avoid managing small accounts which might be costly during the “starting” phase, certainly if you have only limited internal resources.

A **branch** is only rarely indicated at this stage, except for companies with significant financial funds at their disposal or for markets which absolutely call for such an approach. In any case, you will have to accept the cost for a starting period which might be extensive.



Which marketing tools

- ✓ There is a range of marketing tools available to you to support your commercial efforts, starting from not so costly to costly :
 - implementation of a plaque, a special export catalogue
 - modification of the production so that it sticks to the demand of the market
 - sampling
 - develop tools for advertising at the export POS
 - exhibit at a trade fair
 - implement a publicity campaign / press
 - factual communication
 - Etc...

You are the only one to choose the tools which are most suitable for your products, your markets and your means, according to which you have to decide either on a « *minimalist* » strategy, a strategy which « *masters the risk* » or a « *complex* » strategy.

- ✓ Nonetheless, the tools most frequently used at this stage are :
 - Exhibiting at a trade fair, used either
 - for direct selling: method frequently used by SME / SMI to probe the market, canvass new clients
 - to support a sales representative : the combination of representative/trade fair is the most frequently used by SME during the starting phase.
 - implementing a plaque or an export catalogue

Which export budget

- ✓ Many companies do not grant themselves the financial means for their export ambitions, which seriously compromises their chances to succeed.
- ✓ During the starting phase, the export budget in general will be :
 - less than FF 100 k for enterprises with restricted ambitions
 - between FF 100 and 500 k for those who wish to succeed quickly or on a large scale (several countries)

Thus the estimate for the **budget to be invested annually** for a lasting presence in a market ranges **between FF 200 and 400 k** :



- ✓ During this phase, your main items of expenditure will be :
 - **personnel costs** (in a larger sense, taking into consideration the time spent by the MD or the sales manager in the beginning)
 - **canvassing costs** (market research, test product)
 - **trade fairs**

- ✓ Export response:
 - start of regular sales : count on **between 6 months to 2 years**
 - return on investment : count on **between 1 to 2 years**

Which assistance for export

- ✓ Note: less than 20% of the enterprises undergoing the starting phase are able to spontaneously quote a single name for financial assistance in exporting activities (against more than 50% during the maturity phase)
- ✓ It is only possible to advise companies which start referring to **exporting organisations** : those who use them in fact obtain a rate of turnover from exports much more significant than others.

From the range of existing subsidies, you will find assistance for

- your canvassing activities
 - exhibition at a trade fair
 - referral to specialised consultants
- ✓ It is advisable that the fees for **consultants** and **export promoting associations** are **clearly assessed at this stage**, since the grades extended by the enterprises to these organisations are much better. This is probably explained by :
 - their accompanying role and training which the consultant might play during the beginning of an enterprise about to start exporting
 - importance of the source of practical information, contacts, emulation which might be represented by an export association

These structures allow to compensate for inexperience of the enterprise in the domain of exporting, by importing information, advice, methods, and sometimes unknown sources of financing.



Increase of export activities

This is the phase during which the company, after a positive test phase, decides to really invest into exporting activities, to build structures and consolidate steps for developing activities in this domain.

You enter the “growth” phase if you can respond positively to the following question :
Are the exporting activities promising enough for you to invest solidly in their development ?

At this level of development, you **plan** the export development with a **budget** and a precise **time schedule**.

The bad positioning of the product or its price is no longer a factor of failure in exporting. You offer products adapted to the respective market, or you have chosen markets adapted to your products...

- ✓ the experience you have gained in the first markets allows you to know which are the benefits and the drawbacks of your products in foreign markets, and to draw the conclusions from this as a result
- ✓ the first failures suffered during the starting phase have borne their fruit: the ratio of SME implementing market research while venturing into a new market is much more important during the growth phase than during the starting phase.

The questions to ask yourself are :

- ✓ which objectives ?
- ✓ which organisation, which human resources, which competencies
- ✓ which commercial solutions
- ✓ which marketing tools
- ✓ which financial resources to invest in the support of exporting activities
- ✓ which assistance is available ?

Which objectives for exporting

- ✓ You have a promising presence in certain foreign markets, but there is still a distance to cover: Your prime objective at this stage is **consolidation** through :
 - reinforcement / evolution of your presence
 - development of the organisation
 - new resources / more resources



- ✓ How many markets ? : The facts at this stage show that it is possible to manage more than 10 different export markets if one agrees on this
 - a sufficiently adapted budget (more than FF 500 k, except if selling in a highly selective niche market)
 - adjusted human resources and organisational resources
- ✓ Attacking the market is not necessarily a priority of your export development at this stage => first of all try to consolidate your position !

Which organisation, which human resources, which competencies

- ✓ Organisation at the domicile : at this stage, you are thinking of dedicating funds for the long-term, with a limited number of manpower for the export department :
 - appoint or employ a person in charge of exporting who will manage the strategic aspects and the commercial development
 - maybe an assistant who deals with the administrative side and logistical issues
- ✓ Export training programmes : in fact, they are **more needed during this phase than** during the starting phase :
 - They are essentially imposed on the employee(s) in charge of export, either because they provide them with education during this starting phase or at the structuring phase, or because the person in charge of export has been especially recruited for this and is already qualified.
 - For the major part they concern technical aspects of exporting (administration for sales export)

Which commercial solutions

- ✓ for many, the growing phase is still an **experimental stage**, where one attempts to find optimum solutions after being contented with “trodden paths” during the starting phase. Also, this is for example the stage where a higher number of enterprises combine two types of commercial representation on the same export market

example : 1 representative and 1 importer for 2 different regions in the same market, 1 representative for a region and direct contact on another...



- ✓ During the growth phase, the **local presence** seems to be in most cases an asset for developing exporting activities, provided you know that :
 - first of all, for foreign markets, you need to maintain **flexible structures which are not too costly** (sales representative, importer...) : things have taken off well, but nothing is gained as yet...
 - establishing a branch is not foreseeable at this stage if less than FF 10 million in export turnover have been achieved on the market considered

Which marketing tools

Your way of going about with your investment is stronger and more complete with respect to the marketing tools already cited. The tools most frequently referred to at this stage include:

- plaque, export catalogue
 - sampling
 - exhibiting at a trade fair
 - advertising at the POS, promotional activities with clients
- ✓ It is interesting to note that during the “growth” phase the **diversity of the operations put into action** is clearly more important than during the “starting” phase and even more so than during the “maturity” phase. This is due to the “growth” phase during which the enterprises **have benefited from the insurance and investment but have not “yet found their way”**.

Which export budget

- ✓ During this phase, the sales budget generally totals :
 - between FF 100 and 500 k for the not so ambitious
 - between FF 500 k and 1 million for the remaining
- ✓ The principal items on the budget at this stage include :
 - **trade fairs** and **personnel expenses** which will remain the primary budgetary items to be considered during export
 - **product samples** and **sales documentation** also begin to present a cost factor not to be neglected



Which assistance for export

- ✓ It seems that the organisations promoting export are less referred to during this phase as can be witnessed by the generally low grades attributed by the companies of relevance to this category and the reduction – with a few exceptions only – in the rate of referrals.

This is due to the intermediary positions of the SME during the growth phase, which :

- either no longer feel the need for guidance as strongly as in the beginning
 - or have not yet gained the experience and do not have sufficient funds to fully exploit the system to support export
- ✓ However, during the growth phase, the following support is more helpful than ever :
 - for employing in export
 - for canvassing activities
 - for exhibiting at a trade fair
 - for finding local partners
 - for covering your outstanding payments
 - if you wish to establish a branch



Age of export activities

In this group one finds enterprises for whom export is a priority at the same rate of their activities in the domestic market, which have made the effort in structuring their activities and attributing to them human and financial resources.

The structures are globally laid out at the domicile as well as at the different markets.

The methodology for setting up has been tried and tested: the best will be employed again for future markets. But caution: even at this stage, you have to know to ask yourself the right questions – the methods which have proven themselves for certain markets need not necessarily work for other markets...

You are aware that in order to succeed, it is not sufficient to just try and sell a product ; you have understood the importance of adjusting your products and your components to the expectations of the export markets – the facts show that while they are in the “maturity” phase the SME most refer to modifying their products or their price in order to attack the new export markets. Yet even during the maturity phase a bad positioning of the product remains one of the very first causes for failure...

Naturally, you have a **complete development plan for export activities** which precisely defines the budget and the time schedule.

At this stage, the topics which concern you are:

- ✓ which objectives ?
- ✓ which organisation, which human resources, which competencies
- ✓ which commercial solutions
- ✓ which marketing tools
- ✓ which financial resources to invest for supporting export activities
- ✓ which assistance is available ?

Which objectives

- ✓ At this stage it is interesting to learn that the number of countries to which one exports and the export turnover clearly correlate:
 - less than FF 5 million : less than 5 countries
 - between FF 5 and 10 million: between 6 and 10 countries
 - more than FF 10 million : more than 10 countries
- ✓ During the maturity phase, export is no longer a mystery to you as a company. You can manage from the front, with equal priority, activities such as :



- pursuit of development / intensification of sales in the present markets
- starting new export markets

For this, you need to consider the following:

- the profitability of any investments in setting up a new market or in the intensification of the sales pressure for a zone already covered
- the possibility to spread the risk of a business crisis
- the implications from one or the other solutions on the export structure at the domicile and on the different markets: Therefore, to intensify the commercial pressure on a given zone one must question the existing resources (replace a national importer by 4 regional distributors for example) ?
- the consequences of these two solutions in terms of the logistical plan...

Which organisation, which human resources, which competencies

- ✓ Organisation at the domicile : At this stage, an **export department** consisting in general of between 2 to 6 people, according to the number of countries and the turnover catered for

Which commercial solutions

You have found your brands in your main export market:

You have exhausted the risky solutions of the “importing” kind (screen between enterprise and market) and if you do not yet have the branches abroad, you have in any event a good network of representatives.

The turnover spent on your main markets permits you maybe to envisage a more solid presence : a **sales branch** is a solution to be considered, which will allow you a greater proximity to the market and an easier management of your network of representatives.



Which marketing tools

- ✓ For the markets in which you are present you employ the same marketing tools than for your domestic markets and you combine the demands of the markets:
 - implementation of a plaque, of a special export catalogue
 - modification of the product to stick to the demand in the market
 - sampling
 - adapted advertising tools at the POS
 - exhibiting at trade fairs
 - publicity campaign / press
 - factual communication
 - Etc...

- ✓ In new markets it can be seen during the maturity phase that **the companies have acquired experience and now know the methods to be used in the sector** (with the undeniable risk that the “good” method is not necessarily just as good for another zone...). For the facts, it can be seen that :
 - the number of different steps initiated to attack a market is less important than during the preceding growth stage
 - the share of enterprises which develop differentiating strategies to set themselves up in new markets is much less significant

Which support for export

- ✓ At this stage, referring to export aids is also possible, and desirable... Paradoxically, it is enterprises whose turnover in exports is the most important which proportionately refer the most to export support available!

- ✓ Referring to export support is even considered **more efficient** than during the previous stages (indication of satisfaction clearly improved)
 - because those in charge of export know them and use them better during the maturity phase, more than 50% of the enterprises are able to spontaneously name a financial assistance programme for export, against less than 20% during the starting phase
 - because the stakes are more important, companies really grant the resources to start researching for appropriate aid and to integrate it into their strategy.



III- Annex : methodology and composition of panel

The authors of the survey

Novalys has been developing **commercial assistance for exporting activities of European SME** for nearly 8 years now and carries out more than **300 assignments** per year spread over **12 countries** across a network of branches (United Kingdom, Italy, Germany, Poland) and partners (Spain, Asia).

These operations are in charge of **the entire international development of :**

- ✓ market research and test products
- ✓ identification and selection of clients
- ✓ institution and animation of sales networks
- ✓ research for commercial partners
- ✓ assistance in the creation of branches and offices abroad

as well as :

- ✓ training programmes for international commerce
- ✓ representation at trade fairs

Novalys manages within the framework of the ADAPT Programme Initiative by the Community a project entitled "To Europeanise the commercial policy of SME", whose objective it is to elaborate on the tools of advice and provide training in export for executives of SME. The study "500 European SME in the face of export: Which methods for success?" constitutes the preparatory phase of this project and has the aim of gaining information which allows us to complete the gained experiences in the domain by the group of consultants.



Methodology

The field research took place between October '98 and January '99. It was held in Germany, Italy, Spain, France by the various offices affiliated to the Novalys network.

The questionnaire had been submitted to nearly 1,600 enterprises, according to three modalities: :

- ✓ forwarding and return either by post or fax
- ✓ forwarding by post and response by telephone
- ✓ face to face during professional trade fairs

The enterprises were selected according to several criteria :

- ✓ domestic market : France, Germany, United Kingdom, Italy, Spain
- ✓ manpower consists of between 20 and 500 employees (with few exceptions)
- ✓ affiliation to one of the following industries :
 - metallurgy
 - agricultural / food
 - mechanical equipment
 - textile
 - chemical, rubber, plastics
 - others. furniture, toys

These industries have been chosen for various reasons :

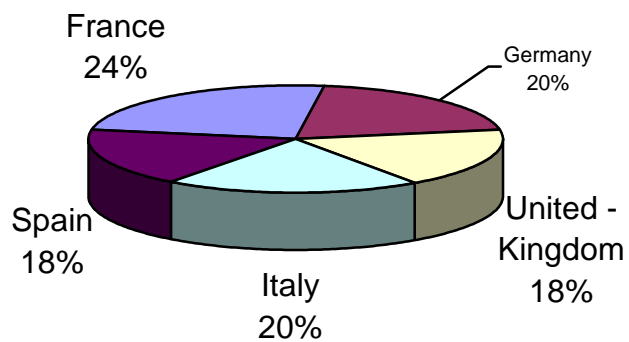
- ✓ focus on only 5 sectors to obtain significant results
- ✓ the sectors chosen are highly present in the SME structure and have a strong export potential

In the end, 500 companies during the development stages of various exporting activities were taken into consideration.

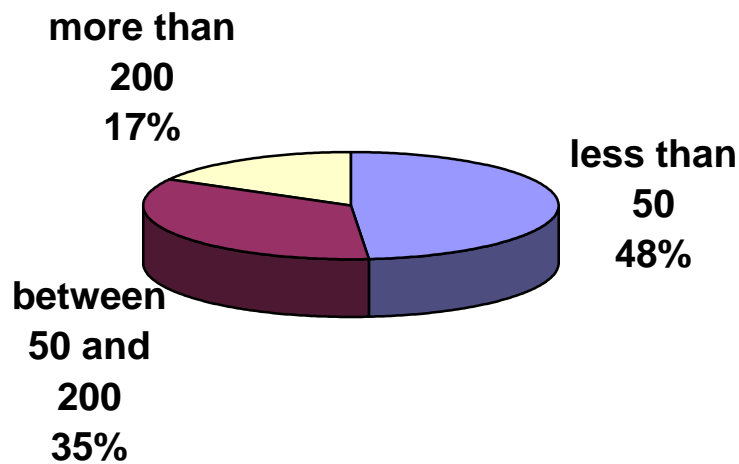


Composition of panel

Division of enterprises according to domestic markets

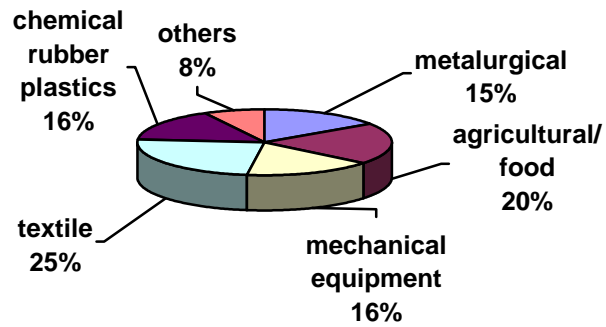


Division of enterprises according to the number of employees





Division of enterprises according to their activity



The sector entitled "others" primarily includes companies from the two following industries : furniture and toys.