



# The U.S. Food Export Showcase Export Guide

McCormick Place, Chicago  
April 27-29, 2008



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## ***Section One: Introduction***

You have chosen to exhibit at the Food Export Showcase because you are committed to developing export sales for your products—or because you are seriously considering such a commitment. Either way, this handbook is designed to provide you with a concise guide to a step-by-step process of market planning and development you can use. As you probably know, there is a great deal of work involved in achieving success in export sales—even in just a few markets. Our intent is to make the process ***clear*** and as ***straightforward*** as possible. However, each company’s path is unique and will require you to be creative and persistent. We have organized the process into steps and we have provided worksheets to help you organize your work as you move through the process. We hope you will find them helpful. Enjoy the adventure!

### **Success in today’s marketplace**

In the last few years the world marketplace for food and agricultural products has undergone profound changes which in turn effect in many ways how we go to market as food producers or marketers. This is not the place to describe in detail those changes, but we offer some observations selected to illustrate how successful marketers today are approaching export market development. The principal impact for many of us is to view the marketplace in new ways and to build our strategies accordingly.

In preparing this handbook we undertook a series of interviews of successful small and medium-sized exporters to learn from them how they approach export markets today. Here is a summary of what we heard:

- The expanding scale of conventional retail continues to force out smaller suppliers in favor of the largest global players. Many smaller exporters are looking for and finding ***specialized channels*** through which to sell their products. For example, catalogue sales are a viable alternative for some products, particularly high-end consumer products targeted at consumers in developed markets such as Europe and Japan.
- Category management in conventional retail has become a common element of the global chains in most markets around the world. This often means that smaller producers’ brands are not given serious consideration by large chains. However, many report finding ***opportunities outside retail***, in food service, for example. Consumers want products they can’t find in the cookie-cutter selection in large retail.
- For most if not all of them, the marketplace is a ***complex of niches***. That is, opportunities are found in increasingly specialized, relatively narrow contexts. So for example, a small export trading company carefully selects unique, US-origin products to offer consumers in Europe that ***are not available*** through conventional channels (food stores). They have developed a model involving consumer-direct catalogue and Internet sales with an EU-based fulfillment center to ensure swift delivery. Despite stagnant growth in the overall market, this company is growing by double digits.
- Successful companies tend to ***specialize***, often operating in alliances of one sort or another to deliver the ultimate finished product to the consumer. A small marketer of frozen vegetables takes advantage of excess production of several major manufacturers to offer a low-price, “good enough” quality branded product to major retailers in Mexico and other countries. Their specialty is as a solution-provider to both their suppliers (large manufacturers) as well as their customers, (large retailers). The key is, they only do what they are best at, linking the needs of both their partners.
- Small players must ***differentiate*** themselves from their competition. Often a unique story about the products or their origin is the basis for differentiation. For example, a small producer of a sauce product on their web site tells how theirs is the original sauce of a much-imitated type.

They have caught the interest of distributors in several export markets based on this compelling story.

- **Technology** has contributed greatly to the expansion and enhanced efficiency of large retail and manufacturers. Wal-Mart's satellite information system rivals that of the Pentagon. The good news is that small companies are also using technology to facilitate their growth. A number of small producers attract either importer/distributors or consumers using their web sites, often in combination with more conventional promotional tools such as printed catalogues or trade show exhibits. Others connect their sales and operations staff as well as customers and suppliers over long distances using electronic technology.
- Taking effective advantage of government-sponsored **programs and resources** such as the USDA MAP program is a common element in the success of many small exporters. Examples of how various companies described their use of these:
  - Branded Program participation to stretch marketing dollars
  - Exhibiting at FAS-sponsored trade shows to attract customers and to gauge interest in products and services. (For more on trade show exhibiting, continue reading.)
  - Consulting with state department of agriculture marketing specialists on a range of topics such as market dynamics, referrals to other exporters, ideas about market development. The companies we interviewed consider them to be valuable resources and use them on an on-going basis.
- When successful exporters describe their business model, they often place great importance on what can be called their **unfair advantage** versus their competition. This advantage will be different for each company, the common element of success is recognizing what it is, and leveraging it effectively. Sometimes this advantage is product-based, maybe a unique formula or manufacturing process. In other cases, it will be market-based, such as deep knowledge of the trade and consumers of a country or region. The key seems to be discovering what your advantage is, and exploiting it.
- The other side of success is often leveraging the skills and advantages of others for the parts of the enterprise in which you are less effective or efficient. For example, a small export broker of dried fruit and nuts collaborates deeply with agents in several key markets. They share information daily and split commissions on their growing joint business. It means they have deep expertise both on the supply side as well as on the customer side. This **strategic partnership** is a key driver of their success.
- Those who are successful selling to large customers (retailers or processors) describe how they **tailor solutions by customer** in order to gain a foothold and then expand their business with these large, very demanding customers. The most common first step is to learn as much as possible about what the customer values from suppliers. Then the supplier must adapt its product and service offerings to suit the customer's expectations. For example, in order to supply Wal-Mart in Mexico, a frozen food marketer knew that this customer values, above all else, unexpectedly low pricing from their suppliers. Low pricing was a cornerstone of their offering to Wal-Mart from the beginning, and played an essential role in their success.

## Opportunity Search

From our interviews we learned that today's opportunities for small and medium-sized companies most often emerge from *a complex of niches*, rather than from broad, mainstream categories. With industry consolidation all but complete throughout the world, large, global players dominate mainstream categories. The good news for smaller producers, however, is that there exist many niches available to those who are resourceful and persistent enough to seek them out.

We heard stories of successful market penetration through exploitation of a variety of niches. Among them are:

- *Specialized retail* for products such as gourmet, organic, health-focused, and ethnic.
- *Traditional retail* for low-cost candy, snacks and staples (dairy, beans and pulses).
- *Private label* for products with mass appeal, moderate/low cost and acceptable quality.
- *Food processors* for fresh produce and other ingredients.
- *HRI* for a range of products that were appropriately presented for efficient use in this specialized channel.

In each case, the importance of learning what the customer wants and expects from potential suppliers cannot be over-emphasized. Matching the unique qualities of your offering to the expressed and implied needs of a particular niche customer can spell success.

Now let's begin to look at the process that can guide you on this adventure.

## ***Section Two: The Three Tools***

As we cross borders to build export sales, we move into *terra incognita*. We find ourselves in a strange environment, and we ourselves are unknown to the inhabitants of this new territory. Our first challenge is to tell our story and to learn about the new marketplace effectively and efficiently. Here are three simple tools you can use to make this process work faster and more effectively.

These tools will help us learn about the market and make our products known to prospective buyers. They are also sales tools and planning tools. We will refer to their use continually throughout the market development process. Each of them will exist in various iterations and different forms, depending on the context in which they will be used.

### **Tool Number One: The Fact Sheet**

We need to get the word out on who we are, what we do, and what we have for sale. Most companies have developed a Fact Sheet (*also known in industry as Product Sheets or Sell Sheets*) that tells about its products. This can be a single “sell sheet”, a brochure, or a Web site—even an “elevator speech” of 15 seconds in duration. These are all versions of the Fact Sheet. Any complete Fact Sheet (large or small) will include three basic elements of information:

- **Who** we are,
- **What** we do, and
- **Why** we are here today (what our mission is).

So, for example, the simplest version of a Fact Sheet (the Elevator Speech) might sound like this:

*We are a second-generation, family-run manufacturer of novelty candy sold under our own brand and private labels. We provide custom bagged lines to independent regional retailers in the Northeastern U.S. and to selected export customers. Today we are looking for potential importers who are seeking selected candy products or a complete bag line solution from a supplier committed to providing custom service and high quality.*

This version might be suitable for use at a trade show, industry conference, or other face-to-face encounter. Notice that all three basic elements of information are included.

**Who:** *We are a third-generation, family-run manufacturer of novelty candy sold under our own brand and private labels.*

**What:** *We provide custom bagged lines to independent regional retailers in the Northeastern U.S. and to selected export customers.*

**Why:** *Today we are looking for potential importers who are seeking selected candy products or a complete bag line solution from a supplier committed to providing custom service and high quality.*

Often sell sheets developed for use within the US market focus exclusively on the products and omit much of the story of a company and the people who own and operate it. Effective Fact Sheets for new markets should introduce you and your company to the world out there. In addition, they should state what you need or want from those who hear or read it. Here is an example of such an “introduction” suitable for use in various formats of a Fact Sheet.

**Who we are:**

*We are a private, family-owned producer of branded, flavorful, natural, low-fat frozen entrees and meal components sold through natural foods markets, warehouse clubs and supermarkets throughout the United States of America. We are located in the San Joaquin Valley of California. Our products sprang from our personal desire to eat and share with our friends' healthy and flavorful foods that are quick and convenient to prepare.*

**What we do:**

*We produce a growing line of frozen entrees and meal components using only the freshest natural ingredients. As much as possible the ingredients for our products are organically grown by farmers with whom we contract directly. In developing our recipes we have been inspired by the bold flavors of many of the world's oldest cuisines—from Asia to Latin America and the Mediterranean. Our easy-to-prepare presentations make these delicious foods available to even the busiest families.*

(You have the opportunity to add Product descriptions and additional information as appropriate.)

**Why we are here today:**

*Together with our exclusive importer/distributor Golden Foods, Inc., we are presenting for the first time our exciting line of innovative frozen meals to retailers throughout Taiwan. They are available for delivery from Golden Foods today.*

Here is a worksheet for you to use in crafting your own story and intentions into Fact Sheets that will facilitate your market development efforts. You might want to develop several versions, a short one for use at a trade show or other face-to-face encounter, and a longer version to use in written materials. Write it down and practice using it before the event.



## **Tool Number Two: The Questionnaire**

The Fact Sheet helps us get information *out to* the marketplace. The Questionnaire helps us gather information *in from* the new markets we have targeted. Like the Fact Sheet, it will exist in different versions suitable for use in varying circumstances. When you first meet someone from a market you are interested in, you would use The Questionnaire designed to find out who they are and what they do in the market. At this stage, you are primarily trying to determine how they might help you (understanding the knowledge and expertise they have).

The simplest version is used in a first time face-to-face encounter such as at a trade show. For example, an individual approaches your stand at a trade show and samples your product, or asks a question. You respond by offering a short version of your Fact Sheet (the Elevator Speech or perhaps a simple brochure)—and then you use your Questionnaire:

*Thank you for your interest in our products. What is the nature of your business?*

You ask this question to get a quick idea of whether this individual is a potential buyer and/or a potential source of market information. If her answer tells you she is in the right business, you will continue with a longer version of your Questionnaire. If not, you will cut the conversation short.

We strongly encourage you to *write down* a master version of your Questionnaire. Often it is convenient to arrange the questions in categories. This way you can use the appropriate sections when the need arises. The Questionnaire will be a particularly valuable tool in the first three steps of your market development process. In Step Two (see page 16) you will find some sample questions for use in mapping the marketplace. Notice that the questions are organized in categories. These will probably include some of the categories that you will need, but keep in mind that each company's needs vary.

### ***Potential Uses for The Questionnaire:***

There is any number of situations in which it is helpful to have a questionnaire available (either in your head or, better yet, on paper). Here is a list of some typical situations or tasks aided by the use of a well-crafted questionnaire:

- To learn about a market when you meet someone from that market.
- To help determine if a company would be a good importer for your products.
- To learn about a potential partner's business experience and capabilities.
- To find out about specific market requirements such as packaging labels.
- To learn about your competition in a new market.
- To explore possible market strategies with someone who knows the market well.
- To shed light on compatibility between your company and a potential partner.
- To help select the appropriate service provider (freight forwarder, banker, transportation company, etc.).



### **Tool Number Three: Your Export Network**

We all have a network of people we know in our personal and professional lives. Each of them knows us in turn based on our past interactions. When we speak of The Export Network as a market development tool, there are several key elements to keep in mind. Your Export Network will include people you already know, as well as people you will meet along the way. You will add people to your Export Network by using your Fact Sheet and Questionnaire tools as you encounter people who may be helpful. The Fact Sheet comes into play even with people who already “know” you when you tell them about your new export project. Suddenly you may learn something new about the market you have targeted or a potential buyer. Be on the lookout for people who:

- Have experience in a market you are interested in,
- Are from the market you have targeted, and
- Are in the right class of trade (wholesaler, manufacturer, retailer, etc.).

When you find someone who seems like a good source of information, tell them enough about what you are trying to do (Fact Sheet) so they can offer to answer your questions. Be mindful that not everyone has the time or interest to hear your whole story, but most people like to be helpful *if they know what you want. Be bold and specific in asking for help!*

### **Worksheet Three: Your Export Network contacts**

We suggest you write down the names of potential Export Network contacts to be consulted as you move through the process. In compiling your Export Network list, it may be helpful to think in terms of the categories of people you will want to contact. You can also make notes on specific topics about which you want to ask the people on your list. The following categories may belong on your list:

State Department of Agriculture marketing officials

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USDA Foreign Agriculture Service (FAS) officers (in Washington and at overseas posts)

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SRTG staff from your region

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Current customers

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Prospective customers

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Your suppliers

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Non-competitors who do business in your target markets

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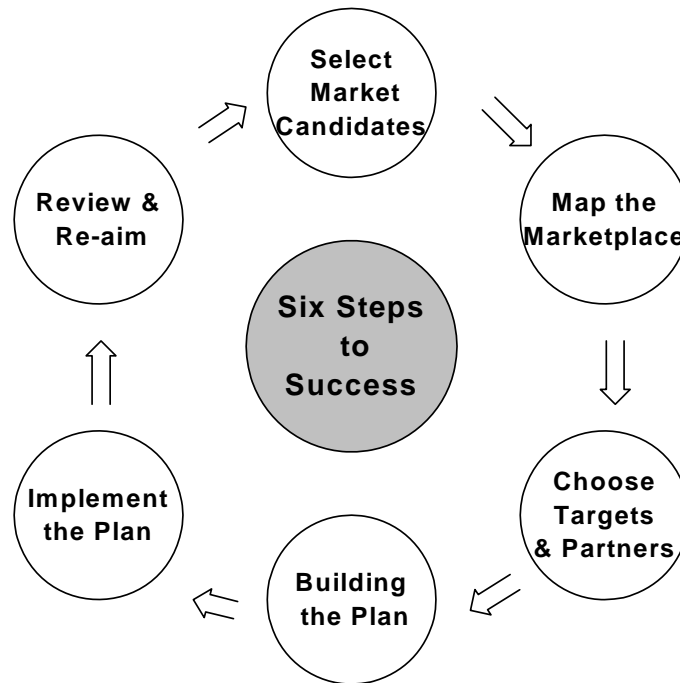
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## ***Section Three: Efficient & effective market building in six steps***

When faced with starting an export development project, many companies are unsure of where to begin, what to do next, etc. Here we present a step-by-step approach to developing export (or any new) markets. The order in which you complete these steps will not always be linear, but we suggest you try to follow the pattern we have outlined. This will make it easier to know “what you are doing” at any given time, and this clarity will be reflected in how you conduct yourself in unfamiliar territory. It should also mean that you would be a more efficient learner, using less time and energy than would someone who is floundering without a plan. The export market development process can be broken down into six steps:



### **Step 1. Select Market Candidates**

The first job for you is to focus your efforts on market opportunities that are realistic and manageable given your product offerings and your resources. You must make some choices. This is necessary because:

- Not every market wants or can buy your product,
- Not every market is potentially profitable for you, and
- You probably can't take on every market that might want your product.

To help you select the best targets for your products, we are proposing you do some homework before you exhibit at a show like the *U.S. Food Export Showcase*. Think of this as a series of simple questions you must begin to answer. Then, based on the answers you develop, you can choose the markets you will target. Once you have chosen a few markets to target, you will begin to learn about these markets, so you can make informed decisions about your strategy and tactics in developing sales for your products.

## Who is buying what?

First of all, let's try to learn who is buying what we can produce or sell. The idea is, if products like yours are already being sold in a market, chances are, you could sell there too. There are many ways to approach this question. What we want to find out is where there is demand for what we can sell. Here are some sample questions that may help you determine which markets warrant further attention.

- Which markets are importing products like ours?
- Where are our competitors selling their products?
- Where do we have a cost advantage?
- Where do we have a product quality advantage?
- Which markets have sent us the most inquiries?

## Where to get this information? Who to ask?

In many cases, no one source will give us the complete answer. Here are some resource suggestions for where to find answers:

- **Export statistics** covering many commodity classifications are available from (mostly) government sources. If you can find a commodity classification that covers your products, you can learn which markets are buying products like yours. An excellent place to start looking for export statistics is the Web site maintained by the **Foreign Agricultural Service (FAS)** of the US Department of Agriculture. FAS conducts programs around the globe to develop, expand and maintain markets for U.S. agricultural commodities, including high-value food products. FAS coordinates a global system for gathering and assessing information on agriculture and trade.
- **State Marketing Officials** are focused on providing assistance to area companies exporting to foreign markets. They have access to market resources and export requirement information to assist you in achieving success in a foreign market.
- **Unsolicited inquiries** come to many companies; particularly those with higher profile (branded) products. Many companies receive inquiries in growing numbers from their web site. If you keep track of these inquiries, they will tend to indicate where there could be a good market opportunity. Also, the interested company can be a rich source of market specific information, *if you ask for it*.
- **Trade publications** that cover your industry may from time to time include articles about international opportunities for products like yours. You can often get good information by calling the journalist and asking questions after reading their article. Journalists often know more than they can publish and are willing to share their knowledge with interested parties. Add them to your Export Network.
- **State Regional Trade Associations (SRTGs)** are private, non-profit international trade development organizations that combine federal, state, and industry resources for export market development. SRTGs can often suggest markets where specific products may be in demand. If you are not familiar with the one covering your region, get in contact with them. They can be helpful in many ways. Their job is to help you export more U.S. agricultural products. See Appendix \_\_ for your regional trade group.
- **Where your competitors** are selling there may be opportunities for you, too. Learn as much as you can by studying the competition.

## Making choices: Focusing your efforts

Before we begin mapping the markets we want to develop, let's look at what we have at this point. With any luck, you will have identified several markets that look like interesting candidates, or you will have received interest from companies in more than a few countries. In order to begin **selling** and **making a profit**, you must **choose** the markets with the most potential for profitable sales and then **focus your efforts**

on those markets. Sounds pretty obvious, right? Remember that you can't begin selling to everyone at once.

The important thing at this point is to make your best choices, and then focus on those few markets. Perhaps you will want to do a less pro-active follow up with interested companies in other markets—but only if you can see your way to profitable sales at some point in time.

**A great source** for new exporters is the FAS Exporter Assistance website:

[http://www.fas.usda.gov/aqx/exporter\\_assistance.asp](http://www.fas.usda.gov/aqx/exporter_assistance.asp)

For additional information including trade statistics, listings of U.S. offices overseas, country reports and much more, consult the FAS main page at:

<http://www.fas.usda.gov>

## Worksheet Four: Choosing Market Candidates

Here are the types of questions that will help you select the markets to pro-actively develop.

- How big is this market for my products?

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- Is demand growing? Flat? Declining?

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- How is the market organized? A few big players? Highly fractionated?

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- Is it realistic for any customer to buy from me in Full Container Loads (FCL)?

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- Is the market reasonably stable economically? What is the outlook?

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- How much will I need to change my products to meet market expectations?

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- Can I afford the likely cost of product adaptation?

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- Does anyone already import similar products?

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- What makes my product unique? Is this difference important in this market?

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- Can I sell at a price that will allow me to make a profit (at some point)?

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## Step 2. Mapping the Marketplace

### What to ask?

When you have identified some *target market candidates*, it is time to learn more about them, to begin drawing the map of these potential markets. To do this right, you must limit yourself to just a few market candidates at one time.

To begin understanding this process, let's start with your home market, the one you know best. If asked to do so, you could no doubt describe your home market in substantial detail. You know what consumers or end users want and expect, the prices they will pay for products like yours, and where they buy them. You know who the major suppliers are (your competition), who the distributors are, which ones are most effective, and who the end users are (retailers, processors, restaurant chains, etc.). You could say why you chose to do business with Distributor A, and not with B. In short, you could *map the marketplace*. This map—your knowledge of the marketplace—is what allows you to make informed decisions about how to conduct your business successfully. New (export) markets are not different. We need to have certain knowledge of the market in order to make informed choices. Here are some of the types of questions you will want to ask to draw the map. Each company will need to make their own questionnaires.

#### **Market questions:**

- Who (in the trade) is buying what kind of products?
- Who might want what we make/sell?
- What products can we replace in the market?
- What is the size of the market? How is it trending?
- How is the market organized? Who are the key players?
- What about market access? What barriers exist?
- Who are the consumers for these products? How many are there? Trend?

#### **Product questions:**

- What are the habits of consumption? How are they different or the same from our home market?
- What do consumers expect from the products?
- What are the possible points of sale?
- What is the pricing for these products?
- What are the trade margins?
- How are the products packaged?
- What will be the cost of product adaptation?

### Who to ask?

The best sources for this kind of detailed information are individuals or companies involved in the market themselves. When you have chosen the markets on which you will focus, you will already know *some* of this information. As you work toward identifying potential trade partners (customers), you will have an opportunity to ask “experts” for the detailed information you need. This is where your *Export Network* comes into play. You can ask for help from many different sources if you know what you are trying to learn, and if you let people know what that is. Ask for help!

### Trade Shows: Begin or accelerate the mapping process

Think of a trade show as another tool. They bring together in one place at one time “experts” in the markets you want to learn about. This is assuming you have chosen *the right show*. The right show will be the one that attracts participants from the markets you have chosen to target. You can determine which trade show is right for you in several ways. Primarily, you want to know *who exhibits there*, and *who attends as buyers*. You can ask for this information from:

- The show organizers (ask for lists of past exhibitors and attendee profiles),
- The State Regional Trade Group staff and State Marketing Officials have familiarity with most international food shows, and
- Other companies who have attended past shows.

When attending a trade show there is a strategic set of steps to follow to make either ‘walking the show floor’ or exhibiting at the show a success. Here is a simple outline of how to work a show when you are in the process of mapping one or several markets.

***Before the show:***

- Step One: Before the trade show, put together your Questionnaire. Make it as long as you like.
- Step Two: Answer as many of the questions as best you can. Determine what you need to know. Beginning with the most important information to the least.
- Step Three: Edit your Questionnaire to a short list of key questions to ask visitors from your target markets.

***During the show:***

- Step Four: Let everyone (except competitors) know which are your target markets. Share your target list with other exhibitors, state officials, and show organizers. Find out who has been invited from your target markets.
- Step Five: Work the questionnaire. Ask the right questions of visitors from your target markets, as well as other show participants with specific knowledge of your target markets. During the show, review what you learn and adjust your questions as necessary.

***After the show:***

- Step Six: Review the information you have gathered at the show. You will probably be able to identify several markets that show potential. For now, focus on these few markets.
- Step Seven: ***This is the most important step.*** Contact the companies whom you met at the show (potential customers) from your target markets as soon after the show as possible, ***but no later than two weeks after you get home.*** Provide them with any promised follow-up information. Take this opportunity to ask for more information you may be lacking. (Look back over your original long questionnaire for gaps in your map.)

### Step 3. Choosing Targets and Partners

As you build a map of the marketplace, you will begin to see where you want your products to be. You will identify the points of sale or the end users for your products. If for example you want your products to be sold in convenience stores, you will ask questions to learn about the various chains of that type. You will find out how they are organized, how products reach them, and what products they want. When you have a picture of who they are and what they want, you may be able to choose from among them to select *targets*—specific companies to whom you wish to sell.

Once you have chosen some targets, you will focus on how to reach those target customers. Do they buy through brokers or agents? Do they import directly? Do they buy exclusively through certain distributors? As you answer these questions, you will begin to see whom you might need as a *partner*. A partner is any company who assists you in reaching your market targets. In some cases, your partner would be the distributor who supplies your target customer. In other cases, it might be the broker or agent who will represent your products in the market. Or it might be the processor who will buy your product as an ingredient in the consumer product they make.

In many cases, after you have mapped the marketplace for a target market, you will have the names of potential partners as a result of your research. If this is not the case, you will want to profile the kind of partner you think you need (importer/distributor, commission agent, major retailer, hotel or restaurant chain, manufacturer, etc.). When you have determined *what kind of partner* you need, finding candidates is a clearer, more focused process. Look to your Export Network for help in identifying candidates that fit your profile.

### Step 4. Building a Marketing Plan that Works for You

#### Why bother?

First, a few words about why to make a marketing plan. After all, we are all busy and don't have time to waste. Assembling a working plan is not a waste of time. Indeed, it will help you to not waste time—and to get where you want to go faster and more efficiently.

Think of the plan as another tool—an *efficiency* tool, a *focus* tool, and a *clarity* tool.

Essentially, the plan will help you answer some key questions for yourself and provide a clear document to share with everyone on your team. It will describe:

- What you are trying to do,
- how and when you intend to do it, and
- what the payoff will be.

If you manage to write down these three pieces, you have a plan. It doesn't have to be as thick as a phone book, or take you a year to assemble. It will guide you in your decision-making process, keep your team on track, and help you work toward that payoff of profitable sales.

## **Assembling the plan: Just a few easy pieces**

To assist you in building your plan, here are the pieces your plan should include, and some questions that will help you understand what fits in each place.

### *1: Who are we? What do we want to do?*

The first piece is commonly called a mission statement, or a statement of our objectives. It clearly states who we are, and what we intend to do. The first part is probably not different from who you are as a company in your home market. Write it down anyway. The second part, what you intend to do, may be somewhat different from what you are doing at home.

An example:

**Who:** *We are a leading supplier of branded, flavorful, natural, low-fat frozen entrees and meal components sold through natural foods markets, warehouse clubs and supermarkets.*

**What (for export):** *We will supply selected high-end retailers in Hong Kong, Singapore and Taiwan under our brand or under the retailer's brand. Our first customers will be warehouse club stores to whom we sell in the U.S. market.*

### *2: How and when are we going to do it?*

The pieces you need here vary somewhat for each company, but should probably include the following:

#### ***The Product: What are we going to sell?***

- What are we going to sell?
- How will our product be positioned?
- What is unique about our product or customer service?
- How is it different from what we sell domestically?
  - Size
  - Packaging
  - Configuration/ingredients
  - Positioning
- What are cost differences for this market?
- How will it be packaged for shipping?
- Are there any production constraints to meeting quantity requirements?

#### ***Partners in the market: Whom will we sell to?***

- Who will buy from us?
- Do we need a manufacturing partner?
- Who will sell to consumers or end users?
- Who will represent us in the market? How?

#### ***Logistics: How will we get to market?***

- Who will handle export shipping arrangements and documentation?
- Who will manage payment instruments?
- How will the goods be shipped?
- How will we get paid?
- What is timing from order placement to delivery at destination?
- Are there any barriers to market entry?

***Market entry: What strategy will we use?***

- How will we promote our product?
- What channels/customers will be targeted initially? Later?
- Who will help us do this?

***How much will we sell?***

- Sales forecast for initial period (often by month for a year, then yearly for a 3-5 year period).

Take a stab at it; you will always be able to adjust it later.

***How much will it cost us to sell?***

*(See note below on setting export pricing.)*

- Determine the budget for export markets based on competitive pricing and all costs.
- Determine the Unit Price and Profit Margin.
- Research and determine the Market Price and Margins.

***How and when will we make money?***

- The budget and forecast may not indicate a profit in an initial sales period.
- Show how and when you *will* make a profit.

### *3: Setting export pricing*

***When to do it***

This challenge should be faced early in the process of market selection, because if you can't sell competitively and make money, you want to select another market. If you are able to begin selecting target markets before a trade show, then include a preliminary look at pricing and potential profitability.

***Before exhibiting at the show***

You may not be able to do this exercise before the trade show, yet you will be asked for pricing by potential customers at the show. It is common practice to develop an Export Price List that reflects expected product costs and a profit margin for you, minus marketing expenses related to your home market. You can explain to visitors that these prices are indicative of what your product might cost for export. Be clear about whether the prices include a commission for a broker, any advertising or promotional money, etc.

***Start at the shelf: The process of working backwards***

To arrive at export pricing for a specific market, start at the retail shelf or the end user's delivery dock. You can do this in person or by proxy. If you can visit the market, you can survey the points of sale where you want your product to compete. Here are the most common steps:

- Note the prices for products with which you intend to compete.
- Plot where you want your product to be priced (same, higher, lower).
- Find out the margins taken at all levels in the market (retailer, distributor, manufacturer or importer, etc.).
- Add in costs for transportation, duties, customs, handling, etc.
- Working backwards from the shelf (consumer) price, subtracting each margin or cost factor, you will arrive at "what's left" when you have the product ready to ship from your facility. Is the resulting margin acceptable to you? If so, this might be a good market.

For an interactive tutorial on how to build export pricing backwards from the shelf, refer to the FAS Web site ([http://www.fas.usda.gov/agexport/export\\_plan/](http://www.fas.usda.gov/agexport/export_plan/)). This link covers more than just pricing strategies and is a good reference resource with downloadable templates.

### ***When you can't visit the market***

Often it is not feasible to visit potential markets to survey the retail shelves. Here are some ways to get the information you need without getting on an airplane.

- ***Unsolicited inquiries:*** Potential customers should be able to provide certain kinds of information. Ask them about competing products, where they sell and what the margins are. This is often the best source of the item specific, up-to-the-minute information you are seeking.
- ***Trade show contacts:*** Same story. Have your questionnaire ready.
- ***Competitors' presence:*** If your competitor (with a similar cost base) can reach the market, and make money, you probably can too. Of course you'll need to test this, but it can be *an indicator* there is a chance for you as well.
- ***SRTG, State Dept. of Agriculture, and FAS:*** These folks have contacts in markets that can provide help in gathering pricing information. Sharing your project and asking for help is the way to find out if there is a specific resource available.

## **Step 5. Plan Implementation: Making it work**

Each plan is unique. Its implementation will also follow a unique path. Here are a few things to remember as you go forward:

- Treat your partners as team members. Share information with all team members. Make it clear that you expect the same from them.
- Communicate expectations: Write it down. Write down what you expect from others and what they can expect from you.
- Set a timetable for plan implementation. Milestones will not always be met, but having a timetable will give you a valuable basis for planning and for comparing your actual performance with the plan.
- Establish a schedule for a regular review of progress with all team members.
- Expect things to go differently than called for in the plan. The plan is a guide, not a prediction of exactly what will happen. Be prepared to vary from the plan.

## **Step 6. Review and Re-aim**

Every company will have a different way of doing this and a different time cycle for planning. The important thing is to regularly step back from the process to look at what is working and what is not. Learn from your failures as well as your successes. Modify your plan for the next period. Keep your eye on the path to profitability.

With the press of business, many firms fail to conduct regular reviews of their progress in export market development. By doing so, they miss a great opportunity to step back from the day-to-day concerns of business to ask questions about progress against objectives included in the plan. This is also a great opportunity for members of the project team to think and talk together about how the project could be improved by re-aiming. Here are some sample questions you might include in a periodic review:

- Which of our objectives have been met? Fully? Partially?
- What is working? What is not working?
- What needs changing in our plan?
- Have we kept expenses within our budget? If no, why not?
- Have we made a profit on sales? If not, when will we?
- Are we having fun?

## **Keys to pro-active market development**

As a reminder, here is a brief list of the points we have discussed in this handbook. Good luck and have fun on your adventures building new markets!

- Work hard asking good questions. (The answers will come.)
- Begin to draw a map of the marketplace. Add to it as you go along.
- Choose your targets. Make informed choices.
- Focus your resources and efforts on your targets.
- Make a written plan. Try it out. Adjust as necessary.
- Build a path to profitability.