New Zealand TRADE & ENTERPRISE

Guide to Exporting

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About this guide

Exporting is an exciting, dynamic activity which rewards both exporter and customer. Today's global communications, such as the internet, have opened up immense opportunities for export growth and profitability.

The Guide to Exporting is a reference tool for New Zealand business people. It was written both for those thinking about exporting, and also for established exporters seeking to diversify into new markets, products or services.

New Zealand businesses have a unique chance to stake their claim in the global economy. The guide recognises this, and the increased choice and control New Zealand exporters have in how they deliver their products overseas.

The guide is not intended to answer every possible question about exporting. However, its step-by-step approach helps you get the basics right and avoid many pitfalls.

Other material on exporting is available on the MarketNewZealand.com web site at www.marketnewzealand.com. Helpful resources are also published by some other government agencies, industry and professional associations, banks, finance companies, and accounting and law firms.

Terms used in this guide

Terms used in this guide are those commonly used in New Zealand. As different terms may apply in some overseas markets, exporters should check any terms they are uncertain of with the business council for the relevant overseas market.

About New Zealand Trade and Enterprise

New Zealand Trade and Enterprise provides a wide range of services and information to help New Zealand businesses with their international market development plans.

Through our network of offices in New Zealand and around the world NZTE provides market intelligence on key markets and sectors. It may undertake customised research for New Zealand businesses with the capability to internationalise.

Our standard services are detailed in our ‘Guide to Services and Programmes’, which can be downloaded from the NZTE web site at www.nzte.govt.nz. NZTE staff will assess your business plan to determine the services most appropriate to your needs.

To find out more about our services and how we can assist you, please contact us at www.nzte.govt.nz/contactus or phone NZTE on 0800 555 888.

The content in this edition was reviewed by Gosling Chapman, who run the Exporter Education programme for New Zealand Trade and Enterprise. For more information visit www.exported.co.nz.

INTRODUCTION

Why export?

Exporting offers considerable opportunities for many New Zealand companies. It is the only way for some to grow their business. For others, exporting offers the advantages of a larger market with greater economies of scale.

It is also an important part of New Zealand's increasing exposure to the outside world, along with reduced import controls, and freer investment and immigration.

Export success also provides companies with opportunities to develop new products for the New Zealand market, reflecting the latest technology developments and skills. It is a learning experience that benefits New Zealand and New Zealanders, bringing profits, diversification and talent to New Zealand.

A changing export environment

New Zealand's export environment is changing dramatically. Faster and more flexible delivery methods have increased the pressure on New Zealand exporters to take more control of their overseas markets. They need also to better understand markets and international marketing.

The internet is also becoming an increasingly important tool for marketing and selling products and services. While e-business is unlikely to replace the value of developing personal relationships with clients and suppliers, it still provides a vital business channel which is being adopted by our competitors. New Zealand exporters need to factor e-business into their export planning.

Email is often the preferred way of dealing with suppliers or contacts and for working with service providers and agencies in export procedures and checks.

The MarketNewZealand.com web site helps small to medium exporters in particular achieve internet capability and pursue new business by marketing their products and services online. For more information see www.marketnewzealand.com or contact NZTE on 0800 555 888.

Successful exporting

The main keys to successful exporting are commitment and planning. Management commitment and effort are crucial to the whole process of exporting and building effective relationships. Planning is an essential step before you start exporting. It will help you to recognise:

- exporting options
- success factors
- the value of a timetable for achieving each milestone
- who you will need to involve in your venture
- the real resource costs of time, people and money.

Successful exporting is about covering real costs, obtaining a return and getting paid. Exporting that is not profitable in the long-term wastes resources and can result in company failure.

Whatever your product or service, as a potential or existing exporter you must understand key issues such as:

- clients and their needs
- rules or regulations affecting exports
- the price the client is prepared to pay for the product or service
- costs of delivering products or services to the export market
- levels of service expected in the market
- the competition
- any relevant cultural factors.

Critical success factors when exporting are:

- management commitment and effort to the whole process
- time
- money
- management style
- strategic market selection
- market orientation
- personal contact.

These are explained in more detail in Step 1 of this guide.

The Exporter Information section of the MarketNewZealand.com web site includes a helpful 'Self Assessment Guide' prepared by New Zealand Trade and Enterprise. The test can be downloaded from www.marketnewzealand.com/firststeps or see Appendix 1 of this guide.

Exporting services

Most terms used in exporting tend to refer to goods, such as tangible products packed into containers and carried by sea or air to the export destination. However, this guide also refers to other foreign exchange generating activities, such as services.

Services are one of New Zealand's fastest growing sectors. It plays an important part in our export activity, both as a product in its own right, and as a way of selling other products. Service exports include consultancy, scientific research, publishing rights, construction and specialised project work offshore. These have been widely accepted as part of New Zealand's export activities for some time.

Recent growth in export-related activity by New Zealand companies also reflects the development of:

- expertise and know-how
- skills and experience
- industries built around communications, knowledge-based activities and the internet.

Our definition of exports also includes a wide range of services provided in New Zealand, such as education and training. The common link between these forms of exporting is that they all involve foreign exchange payment from offshore sources.

Beyond exporting

New Zealand companies which have already started exporting often need to make decisions to go 'beyond exporting'. This enables them to reach larger markets or gain greater control over their own products offshore. It may include strategic alliances or manufacturing under licence in key markets.

Adequately protecting intellectual property is often a crucial aspect of strategic alliances and manufacturing under licence. This may range from ensuring a freedom to operate, through to patents to protect know-how, and trademark registration to protect brand names.

Strong and growing relationships between buyers, sellers, clients and suppliers need to be backed up by sound agreements. These are essential, regardless of the product, service, or supply method.

The New Zealand Trade and Enterprise 'Strategic Alliances and Joint Venture How To Guide' has more information on these two common 'beyond exporting' options. The guide can be downloaded from the Exporter Information – Partnerships section of www.marketnewzealand.com.

THE 12 STEPS TO EXPORTING

There are 12 basic steps in the exporting process. It is wise to consider all the recommended steps at the beginning, and note which ones will require you to get additional advice and support.

Some steps involve:

- thinking through your options before deciding on a course of action
- actions and terms that may be unfamiliar until you consider serious exporting.

The 12 steps

Step one: exporting for the right reasons

There are many valid reasons for exporting. These include:

- expanding production to use plant more efficiently
- increasing production to even out and reduce seasonal fluctuations
- increasing production to lower unit costs and gain more competitive domestic prices
- providing a larger economic base
- increasing your competitiveness by exposing a product to world competition
- increasing profitability by improving purchasing power for raw materials through increased production
- developing a broader customer base.

You should carefully consider whether or not to export. Avoid taking a short-term view, or reacting to an uninformed appraisal of domestic or international trends. For example, exporting may be unwise if it is undertaken to:

- offset falling sales in New Zealand
- cash in on short-term price booms in a market
- relieve short-term over-capacity
- React to unsolicited enquiries from overseas.

However, these events may be useful triggers for you to assess trends and develop a longer-term view about exporting. For example, consistent unsolicited requests for product from overseas buyers may suggest potential export markets.

Unsolicited enquiries

You should be cautious when responding to unsolicited enquiries. It is not necessary to respond to every unsolicited enquiry, as they can often be very speculative queries from people who are not committed buyers. First-time exporters can make the mistake of responding in detail, which can be very time-consuming, and provide little or no results.

Be selective about which enquiries you respond to, and concentrate on those ones from your main target markets. Validate any enquiries carefully, by confirming the importer's ability to pay before sending any goods. You may want to use an agent to check the potential importer's financial credentials, such as how long the importer has been operating.

Export Credit Guarantees

An export credit guarantee is a form of insurance that covers an exporter if the importer or their bank defaults on payment. The New Zealand Export Credit Office provides export credit guarantees to support the export activity of New Zealand firms and businesses.   Visit www.nzeco.govt.nz for more information.

Success factors

New Zealand Trade and Enterprise's experience shows there are seven critical factors for export success. The factors are all vital, but we have listed the most essential ones first.

1. Management commitment and effort to the whole process: the people and companies you seek to work with will look for your commitment before they decide to work with you.
2. Time: adequate time for you and your staff to acquire new skills and to develop export markets.
3. Money: Are you prepared to invest the amount of money required to get started in exporting? As a rule of thumb, committing to an export market will require a minimum of $20,000 per annum per export market to cover

market research, visiting the market, developing promotional material appropriate to that market. The further away the market, the greater the cost. Do you have the cashflow required to cover these expenses in the initial set-up phase? It can take at least six to twelve months to see any returns from exporting.

4. Management style: the leaders of successful companies are generally entrepreneurial. They also:
   - encourage participation, involve all members of the company in business objectives and performance
   - foster excellent cooperative staff relations - something of great importance when fulfilling export orders under pressure
   - prioritise staff training and conditions
   - are hands-on, enthusiastic and highly involved in activities
   - lead by example.
5. Strategic market selection: successful exporters use their growth strategy to target export markets in which they have a competitive advantage. They also customise their product or service to meet the market needs.
6. Market orientation: successful companies undertake comprehensive business and marketing planning. This is reflected in:
   - a market-led approach
   - a high value on market research
   - assessment of broad environmental information, such as political or economic factors, on their products and markets
   - systems to manage market information
   - a long-term view of business and market opportunities
   - risk analysis and management strategies
   - seeking assistance from appropriate personnel and organisations.
7. Personal contact: after markets have been researched, successful companies always make frequent visits in order to:
   - negotiate and seal business contracts
   - improve service to overseas contacts
   - provide an opportunity to train customer staff
   - deal with problems on the spot
   - gain market knowledge
   - scrutinise agent or distributor performance
   - build personal working relationships and loyalty
   - view competitor activities to build first-hand market intelligence
   - identify new business opportunities.

Step two: are you ready? Identifying your strengths and weaknesses

New Zealand Trade and Enterprise's 'Export Self-Assessment Guide' is a helpful test to assess your export readiness. The self assessment guide is available from www.marketnewzealand.com/firststeps, or see Appendix 1 of this guide.

A low score on the test does not mean you should give up, but it will help you to clearly identify export or capability issues. The next step is to do a thorough analysis of your company's strengths and weaknesses (a SWOT analysis) to help identify real exporting opportunities and the next steps you should take.

To assist with this, the New Zealand Trade and Enterprise 'Strengths, Weaknesses, Opportunities and Threats (SWOT) Checklist' is available at www.marketnewzealand.com/firststeps.

The questions in a SWOT checklist cover your:

- product or service
- production
- resource base
- available time and funding
- market knowledge
- home market knowledge.

Your answers to these questions provide an important starting-point for you to fill in any knowledge gaps, and acquire professional advice or overcome weaknesses in your company. Gaining a clear understanding of your strengths, weaknesses and development plans will also enable you to respond clearly to questions from prospective clients, customers or those you need to influence in export markets. These questions are likely to be asked as part of their assessment of your business and its capabilities.

Having a New Zealand market is not an absolute prerequisite for exporting. Some products are specifically designed for certain types of markets, or those markets which provide much greater demand than that available in New Zealand.

However, testing the product at home can help your exporting efforts. Strong domestic markets often provide the necessary financial base to get into overseas markets and sustain your company until exporting begins to generate profitable income.

Step three: do an export plan

After deciding to export, you need to establish:

- what you want to achieve
- where you should start.

An export plan helps you stay focused on your goals. It identifies:

- what you want to achieve from exporting
- activities you need to undertake those objectives
- mechanisms for reviewing and measuring progress.

Your plan may begin as an informal document or proposal, based on what you want to achieve and the route you want to take. Setting out your objectives clearly is also helpful when taking formal proposals to your bank, financial institution or possible partner. The plan enables the other party to see what you are trying to achieve, and any other help you may need.

Establishing an export plan

You may already have a business plan for your New Zealand operations. It makes sense to develop one now if you do not have one already, and then expand it to focus on exporting. Expanding a New Zealand plan for exporting involves:

- considering the practical effects of dealing at a distance and across borders (and often time zones)
- recognising factors that could demand significant changes to your product and the way it is prepared and delivered to market
- recognising cultural and language factors in dealing with intermediaries, officials, customers or consumers
- taking a careful look at the costs of planning, researching and market entry
- assessing the cost of staying in and expanding the market once you begin to receive orders
- planning for success as much as for hurdles.

You will not immediately know the answers or be able to include real figures in your plan, but you will have begun to think about your direction, a timetable and your next actions.

What an export plan covers

A formal export plan should cover:

- defining your business
- a situation analysis - where your company is now
- opportunity analysis - including environmental and competition analysis
- a strengths and weaknesses analysis, including past performance, present strategy, resources and capabilities
- threat analysis
- risk analysis - identifying risks and planning how you might deal with them
- your new objectives and goals
- evaluating options - develop your tactics
- budgets
- policies
- implementation
- review.

Help with planning

New Zealand Trade and Enterprise works with other organisations to assist with planning. The Exporter Education Programme has been designed to provide existing and new exporters with the skills and advice to help them grow exports. The workshop ‘Planning for Export Success’ is designed to help companies with this important exercise and get them started.

For more information visit www.exported.co.nz.

Step four: select your markets

Knowing where to start is sometimes the hardest part of exporting. The starting point is often suggested by your knowledge of your product or service, world trends in your industry or existing market, or your intuition about likely new markets.

The next stage is to test and confirm your ideas, either informally or formally. Many companies use a combination of formal and informal processes.

Market selection processes

A formal market selection process considers a wide range of political, geographic, economic and other factors. Companies taking this approach may use a matrix in which various factors essential to success are evaluated and ranked. The success factors can be obtained from internet searches, or research by New Zealand Trade and Enterprise and other consultants.

Others use a less formal process, such as talking with their NZTE Client Manager, or other exporters.

Market selection involves:

- collecting information
- making comparisons
- making decisions.

Some aspects will require initial outside assistance, while other aspects can only be answered when you enter the market. The process always involves checking and updating information, and learning from experiences.

The market selection process may involve:

- recognising a new market or type of market on the basis of economics and geography
- assessing critical market factors such as
  - ... market size, demographics, or demand for your product or service
  - ... trends, interest in new or innovative products, levels of technology adoption
  - ... shipping from New Zealand
  - ... ease of communications
- assessing the regulatory or legal requirements and how they relate to international practice or New Zealand practice. New Zealand is a signatory to the OECD Anti-Bribery convention. Particular focus and attention must be given to compliance with New Zealand anti-bribery laws when doing business overseas, especially in countries where corruption is rife.
- comparing cultural and business factors, such as business and trade practices, language, and access to key people
- considering personal preferences or knowledge of the market or other considerations.

You will probably need to weigh the relative importance of some factors over others.

Practical advice on market selection is available in the New Zealand Trade and Enterprise 'Market Selection Checklist' in the Exporter Information section at www.marketnewzealand.com.

Australia

Proximity and ease of access for products ensure that Australia is often the first export market for many New Zealand companies. Australia is frequently seen as an extension of the New Zealand domestic market.

The relationship is helped by the Closer Economic Relations agreement (CER), and through increased trans-Tasman communication, travel opportunities and ownership of products and companies.

Mutual recognition and a number of other policy measures adopted by the two countries play a large part in helping this process. They identify and increasingly define joint standards, or acceptance of mutual professional qualifications and other requirements.

This interdependence raises a number of issues about business structure and compliance costs when operating on both sides of the Tasman. Companies need to be aware of, and take advice on tax and compliance issues when:

- controlling the market from New Zealand
- operating subsidiaries or other arrangements in Australia
- employing Australians in the market

Differences between the Australian and New Zealand markets

Australia is a dynamic, competitive and complex business market, in which you will need a local presence and strong networks. Experience shows that New Zealand companies often under-estimate the issues, time-frames and costs involved in exporting to Australia. Potential exporters should be aware of the key differences which are outlined below.

- Differences in market regulations and in business culture:
    - Australia is a much larger market, where you will face greater numbers of strong local and international competitors
    - a physical presence in the market is valuable, and you may want to consider hiring local personnel with local market knowledge and contacts
- Greater complexity and expense in:
    - complying with Australian regulatory requirements
    - establishing a distribution network with retailers or setting up an office
    - obtaining local credit references or business histories, as New Zealand credit references and business histories have not traditionally been accepted by Australian companies or banks
    - Establishing a brand.

These factors may mean it takes longer than anticipated to achieve an initial Return on Investment (ROI).

Closer Economic Relations Rules of Origin

Australia and New Zealand collaborate on a wide range of issues. Detailed trade agreements have been developed to facilitate and enhance trans-Tasman business. The most important is the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). Generally known as CER, the agreement was signed in 1983.

The objective of CER was to build a free trade area which would remove the following impediments to trade between the two countries:

- tariffs
- quantitative import restrictions
- dumping and anti-competitive behaviour
- market protectionist measures.

All incentives, such as export subsidies between the two countries, have now been abolished. Regional trade activities have increased substantially. New Zealand exports increased from NZ$1.3 billion to NZ$5.6 billion over 21 years. This is equivalent to an approximate rise in trade of 30 percent

CER has reduced the number of barriers to free trade between the two countries. However, New Zealand and Australia both maintain direct power over all quarantine and taxation controls. In some cases these controls still create barriers to many trans-Tasman exporters.

Exporters should also be aware that new Rules of Origin under CER will come into effect on 1 January 2007.

The existing Rules of Origin enable New Zealand companies to export their products to Australia without paying customs duty, provided they meet specific rules which ensure the products come only from New Zealand. Under the existing regulations manufacturers must meet a minimum of 50 percent of product content to be sourced from New Zealand in order to export duty-free to Australia. Otherwise, products can face a 17.5 percent tariff.

Under the new rules it will no longer matter where the original material comes from. If it is substantially transformed through manufacturing in this country – called a change in tariff classification, or CTC – it will qualify for duty-free entry to Australia.

The changes liberalise trade rules, support competitiveness and reduce compliance costs for exporters.

Exporter Education Programme

The Exporter Education Programme assists existing and new exporters with the skills and advice to help them grow exports. Workshops on 'Exporting to Australia' and the 'Tax issues for exporters in Australia' are designed to help companies with this important market. More information is available at www.exported.co.nz.

For more information on the Australia market, download the 'Exporting to Australia' document from www.marketnewzealand.com/australia

Step five: collect information

Exporting is an information-intensive activity. From the outset you need to understand your own product or service, your sector and your market. You will need to gather information on:

- your chosen country and market
- relevant regulations in your market
- entry requirements
- product liability in your market
- freight considerations
- export documentation required
- obtaining finance for export
- how you get paid for your exported products or services
- common terms of sale
- any risk considerations.

This section covers how to obtain this information, and includes some common exporting terms with which you should become familiar. Freight and finance considerations are covered in the next step. New Zealand Trade and Enterprise provides a wide range of free practical information about New Zealand's key export markets. This is available on the MarketNewZealand.com web site at www.marketnewzealand.com. The Exporter Information, Country Briefs, and News and Media sections are particularly useful.

Some information will only be available from the market itself, so you will need to find it yourself of employ others to find it for you.

Searching on the internet

The internet is becoming increasingly useful for export-related information, such as seeing how products and services are being promoted offshore.

It is a good idea to learn to identify and store useful sites for a particular product, country or market of interest. Some sites have useful links to other related sites that may be difficult to locate any other way. However, it does not pay to assume that everything on the Internet is accurate or up-to-date.

Some companies or individuals will search the internet for a fee. They will also have access to databases that are otherwise hard to find, or that would involve multiple subscriptions beyond your budget. Many libraries also provide online information and help with searches.

The New Zealand Trade and Enterprise web site MarketNewZealand.com page of Useful Links is a good place to start when looking for export, trade-related or economic links in New Zealand and around the world.

If you are targeting a specific market, then it is wise to use the search engine page specifically for that market rather than a generic one. For example, use www.google.com.au for the Australian market, or www.yahoo.co.uk for the United Kingdom market. This will ensure that the search results are more relevant.

A useful web site, under development, for pricing research is http://froogle.google.com/. This consumer-orientated site displays products in different categories by pricing bands.

Online Business Directories

Look for online business directories for your target markets. A list of some directories for some of New Zealand's top export markets follows:

United States

Yellow Book
www.yellowbook.com
Yellow Book USA is the fifth largest publisher of yellow pages in the United States. It is a member of the Yell Group, an international directories business.

SuperPages
http://yellowpages.superpages.com
Search by category, business name, city, and state. You can also do a nationwide search.

Switchboard Yellow Pages
www.switchboard.com
Can search by business name or category, although the categories are relatively limited.

United Kingdom

Yell.com
www.yell.com
A member of the Yell Group, an international directories business.

BusinessFinder
www.businesslinx.co.uk
A directory for small to medium sized businesses. Includes a detailed list of business categories.

Europe

Europages
www.europages.net
Allows searching by company name, product or service, or business sector. Can narrow searches by country.

Middle East

AME Info Business Directory
www.ameinfo.com/db/
Allows searching and browsing of database containing 299,593 companies, which are indexed according to the North American Classification System.

Japan

Japan Telephone Directory
http://english.itp.ne.jp/
In English. Can search by business name, region or category.

Worldwide

Kellysearch
www.kellysearch.com
Allows for searches by product, service and company information on over 2 million companies worldwide. Can also browse directory by industry sector.

Search Engine Guide - business search engines
www.searchengineguide.com/pages/Business/
Provides links to search engines, portals, and directories arranged by industry.

Country and market information

Information about export markets is widely available in New Zealand. This includes:

- demographics
- basic economic activity
- political situation and general market conditions
- exports to the market
- transport and communications
- political involvement or exchange with New Zealand.

This secondary information is sometimes referred to as desk research, meaning that you or a service which you employ can locate it within New Zealand.

Databases accessed through the internet increasingly offer a good source of initial information. Government agencies in some countries use the internet as their main vehicle for publishing information on functions, services and compliance requirements, as well as procedures for registration.

Other web sites offer databases for checking current events, general market information and trends on specific products. Yellow and white pages provide directories and professional listings.

New Zealand Trade and Enterprise's Country Brief series provides snapshots of New Zealand's top export markets. They include a country overview, sector opportunities, market entry and regulatory issues. These briefs are available at www.marketnewzealand.com/countrybriefs.

When considering exporting a product or service you usually need to know the following:

- what products are already on the market and how do people obtain them?
- who provides them, and are they imported?
- is there any local manufacturer or provider?
- what are the key brands or trade names?
- what is the market's structure and shape?
- what is the market's size?
- are there any niche markets, and if so how big are they?
- who are the major importers/stockists/distributors/agencies or suppliers?

You also need to know:

- what are the other ways to obtain sales or representation?
- what are the prices or fees in different parts of the market?
- what are the mark-ups at different distribution levels?
- what are the import regulations, duties or taxes, including compliance and professional registrations if these apply?
- how is the product or service promoted if there are many players?
- are there any significant trade fairs, professional gatherings or other events that indicate how this product or service is most often promoted?
- what else is important about this particular product or service?

Understanding regulations

Overseas regulations relevant to New Zealand exporters usually relate to:

- import duties, sales and other taxes
- sanitary and health requirements
- standards, testing or other forms of certification

- labelling and packaging.

This information will often only be available in the market and may not always be clear or applied in a straight-forward way. New Zealand Trade and Enterprise works with businesses who are ready to internationalise and may be able to help confirm which regulations will apply to your product by market.

You should first check the general rules to discover any impediments to exporting goods or services to the target market. The second step is to confirm that the product or service meets individual regulations, such as registration or labelling.

Tariff and non-tariff barriers may impede getting your product to market. Non-tariff barriers may include registration, standards and quality requirements mentioned above, all of which can be costly to meet. Make sure you conduct research into any possible barriers and have the money and resources to overcome them.

Entry requirements

All regulations applying to your product should be strictly followed to avoid shipment delays or expensive penalty and storage charges. However, most countries have a barrage of confusing, and often conflicting, legislation affecting the importation of foreign products. It is especially complex where there are different regulations at national, state and local levels.

New Zealand Trade and Enterprise, and your importer or agent, can provide information on legal requirements for importing into different countries. Standards New Zealand helps identify standards and related technical requirements for products through its Technical Help for Exporters service. Further information is available at www.standards.co.nz.

Potential barriers to export

Import barriers

Your product may be restricted, or even banned, from entry into some markets. NZTE may be able ton assist with a regulations check to establish whether your product or service will comply with market entry regulations and standards. Contact your client manager for more information.

Tariffs and duties

Tariffs are a system of customs duties payable on imported goods. The rates can vary widely according to product category and country of origin. As a result, tariffs can affect your product’s competitiveness against domestic suppliers and imports from other countries. This means you must consider them when calculating your selling price.

The New Zealand Customs Service helps you identify the New Zealand tariff number and description for specific markets for your products. You then check the actual duty the product attracts in the market.

Further information on tariffs is available on the New Zealand Customs web site at www.customs.govt.nz/library/Working+Tariff+of+New+Zealand/default.htm

The process of classifying goods within the Tariff is carried out by following the General Rules for the Interpretation of Part I of the Tariff, and according to the terms of the Headings and any relevant section notes or chapter notes. Assistance with this is obtained from the Harmonized System Explanatory Notes issued by the World Customs Organisation.

Formal rulings on the Tariff classification of goods are available from the New Zealand Customs Service's Wellington based National Tariff Advisory Unit (NTAU). A request for a ruling should be made on the application form. A separate form should be used for each item for which a ruling is requested. The application fee is $40 (GST inclusive) for each particular item.

Email ntau@customs.govt.nz for further information, or contact your local Customs office for general tariff enquiries.

General information on broad categories of duties for our main markets are increasingly available on Internet sites such as the Asia-Pacific Economic Cooperation (APEC) tariff web site at www.apecsec.org.sg. The information is also available through New Zealand Trade and Enterprise, freight forwarders and customs brokers. Sometimes you will need to obtain firm rulings from overseas customs authorities on duties for some products in their markets.

Import quotas

Import quotas apply when countries restrict imports by fixing the quantity of certain imported goods for a set period, or fix the expenditure of foreign exchange. Quotas are more selective than tariffs and can be adjusted more frequently. They effectively limit the market share available to outside suppliers. In some countries licences are also required for specific orders and shipments.

Currency restrictions

Many countries control foreign exchange expenditure for imported goods and services. These restrictions are usually selective, and are used to influence the import of particular products and their country of origin.

Taxation

Internal taxes, such as sales, value-added and luxury-goods taxes, can seriously affect your product's pricing and your market prospects. In some countries taxes discriminate against imported goods. In some large markets such as the United States of America, sales tax varies between states. Talk to an expert in the market before setting prices.

Health regulations

Most countries impose health regulations on imported products, especially on food and agricultural products. You should ensure your products comply with all relevant regulations or international standards.

It is also in New Zealand's interest as a major exporter of food and agricultural products that our goods maintain high quality standards and meet the legal requirements of our markets.

A number of New Zealand government and non-government organisations provide inspection and certification of products for certain markets. Exporters need to establish the appropriate authority and level of certification required, depending on the product.

The Ministry of Agriculture and Forestry inspects and certifies horticultural products. Certification is also required for meat, game and seafood products.

Logs and timber destined for overseas markets must be inspected, fumigated if necessary, and certified as 'free of infestation' before they are exported.

Exporters of these products should contact the Ministry for advice on the requirements of different markets. Further information is available on the Ministry's web site at www.maf.govt.nz.

Safety regulations

Safety regulations apply particularly to marine products, domestic appliances and electrical equipment. They may even affect seemingly harmless products, such as children's soft toys. Regulations can apply to aspects such as:

- construction method
- materials
- directions for safe operation or use – do not assume that your present instructions are either obvious or complete
- storage requirements such as keeping the product out of the reach of children or out of the sun.

All regulations applying to your product's safety should be strictly followed. Failure to comply can prevent your product from being imported, or, if someone is injured, result in expensive penalty payments. See the section on Product Liability for further information.

For non-English-speaking countries, safety warnings may need to be translated and included with product packaging.

Packaging

Early consideration of packaging regulations in the export market is needed. Different markets have different requirements - you may find you need to use different materials or sizes for each market to which you export. Packaging regulations may control:

- the composition and use of different packaging materials
- size and construction
- reusable or disposable packaging
- packaging of hazardous materials or perishables
- labelling and marking.

Labelling

Retail goods are usually subject to labelling regulations designed to protect consumers by providing them with essential information on the product. Labelling regulations are particularly stringent for foodstuffs.

Clothing and furnishing products usually need to carry care labelling, descriptions of the materials used and whether they should be washed or dry cleaned. Clothing may need to show country of origin labelling. Fabrics may also require flammability labelling.

Depending on the product, you may need to display information on your packaging. Food products, for instance, may require:

- product name
- form, such as smoked or frozen
- coding of additives, colourings and flavour enhancers
- name and address of importer
- country of origin, and name and address of manufacturer
- date of manufacture, or date by which product must be consumed
- storage requirements
- ingredients in order of relative importance, often by weight
- instructions for preparation or use, particularly any precautions required
- net weight shown in measurements used by the importing country
- translations of information in the required language of the importing country.

This information must be accurate and conform to the importing country's current regulations.

Marking

Marking regulations apply to transport containers. They vary from country to country. Freight forwarders, shipping companies or airlines can advise on current requirements. These can include:

- marking gross and/or net weight or volumetric measure
- serial and invoice numbers
- container dimensions
- name and address of importer
- transit instructions
- country of origin
- handling instructions shown in internationally accepted symbols or words
- any translations into the language of handling or importing countries.

All required labelling and marking should be clear and durable.

Bar codes

Bar-coding or product numbering is essential in many of our markets. This is driven by the increasing use of electronic identification for goods in transit or in store.

It provides a unique identifying number for every product unit, so every variation in colour, size and pack has a separate number. This provides a common stock-handling method for manufacturers, wholesalers and retailers.

Bar-coding is often directly related to an ordering and inventory control system, and is increasingly a prerequisite to products being considered by major buying organisations and end-users.

Already widely applied by supermarkets, bar-coding is also being extended to industrial use.

New Zealand's system (the EAN code) is compatible with product numbering systems already used in Japan, Australia and Europe. EAN stands for European Article Numbering. The system is a bar-coding protocol mainly used in supermarkets to identify product at the point of sales.

Each country has a coding authority which assigns codes to manufacturers and maintains a central database. The EAN system is under the overall direction of the International Article Numbering Association, based in Brussels, Belgium. Each country using the EAN system maintains a separate Article Numbering Association.

The United States of America uses the UPC code. Your distributor should be able to advise you which codes are required.

GS1 New Zealand is a non-profit association that provides the identification of items, trade and logistic units, services and location. For more information visit www.gs1nz.org.

A similar association operates in Australia. More information is available at www.gs1au.org.

Product liability

Some countries have product liability legislation which makes manufacturers, distributors and/or retailers legally responsible for the safety of the products they make and sell. New Zealand exporters can be liable for any injury or damage overseas caused by defective products they have manufactured.

Product liability settlements can be expensive, particularly in the United States where million-dollar settlements are not unusual. Wherever possible you should have the appropriate insurance, remembering that this is another cost to include in your pricing. You should try to assess the risk of liability and discuss it with potential distributors in markets with a high threat of prosecution.

Exporters should also seek legal advice on their particular situation, and how to best gain cover against legal action.

You will find that a first course of protection - and often a condition of acceptance by importers and a criterion for insurance cover - is ensuring that:

- products meet specifications
- warnings are placed on packaging
- instructions for use are clear, especially if there is any possibility of danger from accidental or deliberate misuse or failure.

Intellectual property

Intellectual property (IP) is the term used to describe non-tangible assets that are transferable or saleable as property. Intellectual property is one of the most valuable assets for your business. It can take the form of a unique design, formula, invention, process or system.

Intellectual property often provides the leverage needed for companies to successfully stay ahead of the competition. In other words, it can be your company's unique competitive advantage. That makes protecting IP essential.

There are a number of different types of IP protection, including:

- Patents for inventions, or improvements on existing products and processes.
- Trade marks can be applied to a variety of things, such as words, symbols, pictures, sounds and smells that are used to distinguish the goods and services of one trader from those of another. Trade marks can either be registered or established through common law.
- Registered designs for the shape or appearance of manufactured goods, such as the Coca-Cola bottle.
- Copyright for original material in literary, artistic, dramatic or musical works, films, broadcasts, multimedia and computer programs.
- Circuit layout rights for the three-dimensional configuration of electronic circuits in integrated circuit products or layout designs.
- Confidentiality and trade secrets, including know-how and other confidential or proprietary information.

Protecting your intellectual property

You must take formal steps to register IP in your export markets and to obtain the legal rights that come with ownership. If IP is not registered companies must revert to common law. The proof of ownership falls on the claimant to claim ownership and demonstrable prior use for non-registered IP.

Copyright and layout rights are automatic.

Different IP protection mechanisms vary in the types and extent of protection they provide. Often more than one type may be necessary to fully protect your creation.

Registering your IP is the simplest way to protect your rights. However, registration in one country does not offer international protection. You must apply for this separately within each country of export, as there are currently no international patents.

Because of the territorial nature of most intellectual property rights, a product or service being offered into an overseas country may infringe an intellectual property right in that country. This may not be apparent from a search which only includes intellectual property rights in New Zealand. For this reason you should seek advice from an intellectual property specialist before exporting.

You may risk being shut out of a market if the New Zealand trade name is already taken.

A failure to trademark ‘kiwi’ early on means that the bird is no longer solely associated with New Zealand. Registration of the word ‘kiwi’ by a French winemaker for wine sold in Europe is one example of how the word been taken up by others. Failure to protect the word ‘kiwifruit’, despite huge expenditure marketing the fruit itself, enabled other countries to also market their fruit as kiwifruit. The Zespri brand was created and protected in the mid-1990s.

NZTE has protected the fern mark used by government agencies for official branding. Called the Brand New Zealand Fern, it is owned by a company jointly owned by Tourism New Zealand and NZTE.

Businesses hoping to go global should choose a name with no association to the product they are selling, or use a ‘made-up’ word. There is less chance that a made-up name such as Xerox, Kodak and Fonterra is already being used.

Step six: freight, documentation and finance

A good understanding of freight and delivery options is needed to price your goods accurately and get them to market cost-effectively. You also need to understand the services provided by freight forwarders, customs brokers, transport companies, couriers, air express companies, airlines, shipping companies and others in the freight industry.

Your chosen delivery method will depend on the type and value of your product, the urgency of the order, and level of market development.

Large shipments and most bulk exports still travel by sea, but more products are now leaving New Zealand by air. This trend is accelerating as we export more fresh or chilled, value-added and specialised products.

Freight arrangements need to take account of manufacturing and purchasing which is increasingly done 'just in time'. There is also growing demand for quick delivery of specialised products, spare parts and replacements. Airlines, couriers, air express and air freight consolidators are all responding to this trend to fast delivery from New Zealand into our major export markets.

Freight forwarders and air express companies provide a wide range of services, allowing exporters to offer door-to-door delivery and minimum delivery periods. These include overnight services into most Australia centres from major New Zealand centres.

They also offer warehousing and other distribution services from major international hubs in Australia, Asia, North America and Europe.

Some common freight terms are provided below. More information on the terms most often used in quoting and payment is provided further in this section under Getting paid and Terms of sale.

Glossary of common freight terms (Incoterms)

Term	Definition
Ad val or Ad Valorem	According to the value of the goods
AF	Advance freight
ANZCERTA	Australia New Zealand Closer Economic Relations (CER)
AWB	Air way bill
B/E	Bill of exchange; bill of entry
B/L	Bill of lading
B/S	Bill of sale
C&D	Collected and delivered
C&F	Cost and freight
C/N	Consignment note/Credit note
CAD	Cash against documents
CDV	Current domestic value
CIF	Cost, insurance, freight
CIFC	Cost, insurance, freight and commission
CIFE	Cost, insurance, freight and exchange
CIP	Carriage and insurance to the named point of destination (similar to CIF but useful for multi-modal transportation).
COD	Cash on delivery
D/A	Documents against acceptance, deposit account, days after acceptance
D/D	Demand draft, deliver at docks, days after date
D/N	Debit note
D/O	Delivery order
D/P	Documents against payment
D/S	Days after sight
DBK	Drawback
DDP	Delivered duty paid/Free into store (free domicile and free delivery)
DDU	Delivery duty unpaid
E&OE	Errors and omissions excepted
EXW	Ex works
FAS	Free alongside ship
FOB	Free on board
FRC	Free carrier (similar principle to FOB)
FRT.FWD	Freight forward
FRT.PPD	Freight prepaid
GBO	Goods in bad order
In Trans	In transit

Term	Definition
IV	Invoice value
L/C	Letter of credit
LDG & DELY	Landing and delivery
MM	Made merchantable
MMA	Merchandise Marks Act
ND	Non-delivery
NR	No risk
O/A	On account of
O/C	Overcharge
O/D	On demand
OR	Owner’s risk
P/C	Price current
P/L	Partial loss
PD	Port dues
POD	Pay on delivery
S/N	Shipping note
SD	Short delivery
SO	Seller’s option
ST	Short ton (USA)
TE	Trade expenses
U/W	Underwriter
W/W	Warehouse warrant
WP	Without prejudice
WTO	World Trade Organisation

Export documentation

Extensive export transaction documentation is required. It:

- sets out how export controls are applied, such as health regulations, packaging requirements and conditions of carriage
- facilitates payment through international banking channels
- provides statistical information for exporting and importing countries, including New Zealand.

The contract between buyer and seller sets out the terms of the export shipment. These include prices, specifications of goods, packing, conditions of carriage, dates of shipment and payment arrangements.

All details must be carefully recorded and checked, as they will be included on other documentation. Any defects in documentation, such as omissions or conflicting information, will inevitably cause delays. These can put payment at risk, incur additional and unnecessary expense, and ultimately damage the exporter's reputation.

Electronic documentation and reporting procedures are becoming more common. However, even if documents are transmitted electronically, hard copies and paper files are still important for legal and tax purposes when moving products across borders.

Freight forwarders, freight consultants and banks can explain your documentation requirements. The most common documents for export transactions are listed below.

Basic export documentation

Every country has its own requirements, but a number of documents are commonly used in the export process:

- **Commercial invoice (certified invoice)**

  This is the 'charge' document, containing details of the seller, buyer, goods, price, terms of sale, such as FOB or CIF. It must follow the requirements for Customs in the importing country as it is used to clear goods.

  Goods being sold under a letter of credit must be described on the invoice exactly as in the letter of credit. This invoice must also meet any other requirements stipulated in the letter of credit, and show marks and numbers of packages as on the bill of lading or other transport documents.

- **Bill of lading (B/L)**

  This is issued by or for the shipping company and serves as a receipt for goods uplifted for shipment. It is also a contract of carriage and a legal document of title. On delivery of the goods the consignee is required to surrender a negotiable copy of the bill of lading to take possession.

  The bill of lading is now used less frequently in international trade due to extensive containerisation and multi-mode transport, such as land/sea, used under one contract of carriage.

  Variations of these documents are a marine bill of lading, a combined transport document, or house bill of lading.

- **Airway bill (AWB**)

  The AWB is equivalent to a bill of lading for goods sent by air. In addition, courier companies often have their own documentation, unique to that transaction, which travels with the goods.

- **Certificate of origin**

  The origin of goods has a direct bearing on the rate of customs duty. Certification of origin may be incorporated in the commercial invoice, but a separate document, issued or countersigned by the Chamber of Commerce in the country of origin may often be necessary.

- **Export entry**

All exports with a value over NZ$1000 FOB (unless otherwise exempted) must be supported by an export entry lodged with the New Zealand Customs Service. Information declared on Customs export entries is passed daily to Statistics New Zealand for direct input into balance of trade reporting. The information also forms part of the assessment of particular industries and markets, assisting in the identification of development and trade opportunities. This means it is vital that all exporters comply with the requirement to lodge entries. Failure to lodge an export entry may incur penalties.

Export entries may be lodged electronically by accessing on the NZ Customs Online Declarations web site www.cusweb.co.nz. Electronic Data Interchange (EDI) software is often purchased by companies with a high volume of entries so they can electronically transfer their entries to Customs.

Unless Customs has otherwise approved, entries must be lodged with them 48 hours prior to export. Information required on the entry includes description of goods, including:

- tariff item number
- statistical quantity where required number and kind of packages
- $NZ FOB value
- gross weight
- travelling by ship/aircraft, and ship name or flight number.

Your local Customs office can send a frontline officer to help you get started with this documentation.

If the exported goods contain imported goods upon which duty has been paid, or they are excisable goods upon which excise duty has been paid, you may be entitled to claim drawback of this duty. Details are available on the Customs web site, or call your local Customs office.

- **Certificate of content**

You may sometimes be required to provide this informal document. It demonstrates the New Zealand content if you are claiming any preferences on entry into some markets (especially Australia), or avoiding penalties in others.

New Zealand Trade and Enterprise or your freight forwarder can help with deciding what is accepted content. The rules for content between Australia and New Zealand are part of the Closer Economic Relations (CER) agreement between the two countries.

- **Insurance policy certificate**

The insurance document must comply with any terms in a letter of credit. The insurance coverage of goods being shipped without a letter of credit is determined by arrangements between buyer and seller.

Cargo insurance

Export goods must be well covered by insurance, and both parties to the export transaction must be fully aware of their responsibilities.

Exporters may often have an insurable interest long after the goods have left their possession, while buyers could be 'on risk' before the goods are actually received.

The terms of cover are usually laid down in the sale contract or letter of credit. Three common categories have been developed by the Institute of London Underwriters.

- These 'Institute Clauses' are used internationally. Free of particular average (FPA) is restricted cover, and is basically confined to total losses from marine perils of a package during loading, transhipment or discharge. Claims for partial loss or damage cannot be recovered unless the vessel is stranded, sunk, burnt or in collision.

- With average (WA) cover extends the FPA clause to include partial loss arising from heavy weather and sea-water damage.
- All risks (AR) covers all risks of loss or damage. However, it excludes loss or damage arising from delay, inherent vice or the nature of the goods insured. Events such as goods lost because of inadequate packaging, weight loss from drying out or market loss are not covered by this clause.

Marine open cover

Marine cover guarantees cover up to a specified amount for all goods in which you have an interest. Exporters must provide details of each shipment made. However, if the declaration is delayed or lost, continuity of cover is guaranteed even after a claim has been made.

Marine open cover is generally open-ended with no expiry date. Either party can cancel, if they wish, with prior notice.

Obtaining export finance

Exporting can put considerable financial strain on a business. It may simply not have the financial resources required for export, or insuffcent funds to move into some markets as quickly as desired.

A sound financial base becomes even more critical if products are being specifically developed for a market, or where they involve prototype development and testing. Technology-based companies, service providers and consultants can also experience problems with finance, either at start-up stage or when they are actually exporting.

Companies may at some stage have to consider investment or equity arrangements in order to implement their export plan.

It is important to get financial planning advice as early as possible to minimise any cash flow and capital difficulties in the future. The following list explains some financial terms commonly used in the export process.

Bank financing

Banks provide finance for short and long-term exporting plans. Credit-worthiness, a satisfactory cash flow and security are essential for any borrowers. However, bankers will also look at an exporter's prospective market, and their marketing and exporting plans.

Bank overdraft

Overdrafts are useful for short periods. As pre-shipment finance, they can help with purchasing raw materials or processing. Post-shipment they can help you maintain your production programme until you receive payment.

Term loans

Term loans are usually used for financing capital investment projects, such as setting up new plant. Terms are six months to five years, and repayment is usually spread over the period of the loan.

Foreign direct investment

Foreign direct investment (FDI) occurs when an overseas investor directly funds or finances a New Zealand-owned or -based facility or company. It is often directed into new export development involving manufacturing or export of services.

FDI can involve buying shares in existing companies, or creating new companies that may be directly owned from overseas, or formed as joint ventures with New Zealand or other overseas-based interests. FDI should bring benefits to both the New Zealand and overseas parties.

Venture capital

Venture capital involves investments in 'riskier' ventures. It often includes starting up or expanding products or services that have not been fully developed, or are unproven in the market.

When the investment is seen as too risky for conventional investors it demands a higher rate of return. In some cases the return on investment is in the form of high interest on loans. In other cases the venture capitalist intends to sell shares in the company at a higher-than-usual price when the company starts to succeed.

There are only a few sources of venture capital in New Zealand. The market very much depends on specialist agencies and brokers to match venture capital needs with investors' interests.

The Escalator service, supported by NZTE, provides advice and assistance to raise funding. For more information visit www.nzte.govt.nz/escalator.

Angels

An 'angel' is an independent person, usually an individual, who invests in someone else's company. The investment usually occurs when an idea or product is being developed or commercialised, or when the company is growing.

Angels often have special interests and can add their personal skills to the company's particular requirements.

They work closely with the company owners and sometimes take an equity share during their association. However, they usually do not seek a long-term ownership or association, but aim to help grow the company as a way of increasing their investment. They usually seek to sell their share once the product or service or company starts to mature.

Angels find these companies and ideas in different ways - not always through conventional, financial or other professional channels. You might come across them through business networking opportunities or even through your customer base.

Getting paid for your exports

How you are paid for your export consignments will vary depending on the market, your relationship with your customer and your type of exporting. Payment terms are usually set by your buyer, depending on their sector and preferred methods. You need to establish in advance the basis for payment.

Bear in mind that typical terms of payment offshore are 60 or 90 days open account. This will have implications for your cashflow, as it could mean up to three months elapses between shipping and payment. It is helpful if you have a sound New Zealand sales base to help cushion any delays.

Other key finance considerations include:

- in which currency you will be paid
- when payment will be made
- how you will be paid.

Payment in advance

Payment in advance is obviously highly desirable, but it is unusual. It generally occurs when there is a high level of perceived payment risk, and perishable or specialised one-off products are being exported.

On consignment

On consignment is generally limited to affiliated companies or relationships with a firm mutual trust.

The exporter ships the goods directly to the buyer, arranging for payment to be made when the buyer receives or sells the goods. In effect, the seller extends credit to the buyer. This is an attractive proposition for the buyer, but it can strain the seller's financial resources. Selling on consignment is a high-risk method for the exporter, as control of the goods is lost on consignment and it is hard to enforce payment if the importer defaults.

Sight drafts

Exporters send the bill of exchange, with relevant shipping documents, through their bank to the buyer's bank.

Buyers pay the bill of exchange on presentation by their bank, in other words 'on sight', which allows them to receive the necessary documentation and uplift the goods on arrival.

There is an element of risk in this method. If the bill is not paid on presentation, goods can lie at the overseas port incurring warehousing and insurance costs.

Term drafts

Exporters wanting to extend credit can arrange for documents to be released to the buyer on acceptance of the draft or bill. The buyer signs the document as a promise to pay by the nominated time, such as 30, 60 or 90 days. Exporters can sell or discount the draft or bill to their bank.

Discounting of export bills

Discounting is a useful service provided by banks. It is widely used by exporters as a way of obtaining payment for exported goods.

So that exporters are not disadvantaged by having to wait for payment, they can sell or 'discount' the draft or bill to their bank, which collects the payment when it falls due. Some fees will apply. The exporter is still responsible for non-payment if the buyer defaults.

Letter of credit

Export letters of credit for payment are commonly used. They give a high degree of security, especially when the exporter and the customer have not yet built up a strong relationship.

The overseas buyer arranges with their bank for a letter of credit in favour of the New Zealand supplier. The buyer gives the bank details of the transaction and the goods, all required documents, the amount to be paid, and the credit's expiry date.

The bank then notifies the exporter's bank in New Zealand of the terms and conditions. These details are passed on to the exporter, who should examine them carefully to check whether they will be able to comply.

Any doubts about the terms and conditions should be negotiated with the buyer at this stage, either directly or through the banks. These changes are then recorded with an official letter of credit amendment.

The exporter can have additional protection by asking their bank to confirm the credit for a small fee. This joins the local bank in the issuing bank's undertaking to honour drafts drawn in terms of the letter of credit. However, if the issuing bank is well-known and has a secure reputation, confirmation has little practical value.

Letters of credit are usually irrevocable, which means they cannot be amended or cancelled without the agreement of all parties.

After shipment, the exporter presents the draft and documents to their bank. The bank checks the terms and conditions have been complied with and then negotiates the draft and obtains reimbursement from the overseas bank.

Factoring

Factoring involves arranging payment for transactions by a third party ahead of when payment might otherwise become due, or where there is some potential risk or difficulty in getting payment.

It is widely used in markets such as the Middle East as a way of financing sales. It mirrors discounting, but is most often offered through specialists working independently or sometimes in association with banks.

Factoring can be useful as an alternative way of improving cash flow or meeting order requirements.

Payment options

Common payment options for new exporters are bank transfers, local foreign accounts, and offshore foreign accounts.

Bank transfers involve the buyer transferring money directly to your account. This involves foreign exchange risk at the time of transaction.

A local foreign account is an account with a New Zealand bank, but operated in a foreign currency. This will transfer the foreign exchange risk to the time when you withdraw funds from your account.

If you establish a bank account with an offshore bank you can receive payment in the local currency. This transfers the foreign exchange risk to the time when you choose to bring the funds back to New Zealand.

You should speak to your bank and to a tax advisor about the implications of any payment arrangement.

Credit card payment

Credit card payments can only occur if the exporter has a merchant agreement with an international credit card company.

Many purchases relating to mail order or other forms of distance selling depend on customers providing a valid credit card number. They must also sign or otherwise confirm their wish to purchase.

In most cases this will be with a company operating out of New Zealand and the transaction will be settled in New Zealand dollars.

Opening a merchant account with a credit card company in a non-New Zealand currency depends on the exporter having an account with the participating bank in the country of settlement.

Purchasing at a distance by providing credit card details on coupons, by fax or over the telephone or by email involves risk for the cardholder.

People may be able to intercept the transaction to gain card details which they then use illegally to buy goods and services, or in some other way defraud the cardholder.

The technology is improving, but online credit card security remains an issue, despite fast growth in electronic trading. Discuss payment methods and potential risks with your bank.

Terms of sale

The most common contracts of sale are:

- **Loco or ex works**

  The buyer is responsible for arranging and ensuring the entire transit from place of sale to final destination. The exporter does not need to arrange insurance.

- **Free on board (FOB)**

  The buyer is responsible for freight and insurance from the port of loading specified, such as on board the ship, to delivery at the final destination. The seller is responsible for insurance and transport to the port of loading, and export document up until that point. Other variations that sometimes apply are free on rail (FOR), free on quay (FOQ) and free alongside ship (FAS).

- **Cost Insurance and Freight (CIF)**

  The exporter arranges insurance and freight for the entire transit of goods to the port specified. The buyer may require additional cover for increased value owing to charges payable at the destination or rising market prices.

- **CFR**

  The same as CIF, but excluding marine insurance.

- **Cost and freight (C&F)**

  The responsibilities are similar to those of a CIF contract, except the buyer arranges and pays for the insurance.

- **Delivery duty paid (DDP)**

  The products will be cleared through customs by the seller, who will also pay any local duties and taxes and internal freight costs to the customer's store.

- **Delivery duty unpaid (DDU)**

  The products will be cleared through customs by the seller and delivered to the buyer, but any local duties and taxes and internal freight costs will be paid for by the buyer.

These terms are commonly referred to as Incoterms, which are explained earlier in this section. A full list of commonly used terms and their definitions and interpretation is contained in the 'Guide to Incoterms' published by the International Chamber of Commerce, and available from your local Chamber of Commerce.

Risk

It is important to consider the many types of risk when planning for export. Your exposure to risk will depend on your market and product or service.

Some risks, such as freight and country risk, are covered by insurance. You can also insure against product and professional liability, and product recall or tampering. You should take advice from banks or specialist brokers about foreign exchange risk.

Contingency planning is another important aspect of risk management. It helps prepare you for situations that may be outside your control. For example, service providers need to consider risks associated with the health and welfare of any staff who spend long periods overseas.

Foreign exchange risk

The New Zealand dollar can have a wide range against key trading currencies in any given year. Exporters need to ask themselves what the impact of an adverse currency rate change would be on their profit margins.

Consider, for example, the impact of the following potential currency rate of change by December 2006 from the New Zealand dollar / United States dollar at 0.7500 or NZD / USD at 0.5700. You should consider what impact changes such as these would have on your quoted fee before payment is sent or received by your company over any given period.

Exporters should consider their foreign exchange risk early in their venture and discuss with their bank appropriate tools to minimise this risk.

Foreign exchange risk can be managed in several ways. These include:

- borrowing and selling in the same foreign currency
- maintaining foreign-currency accounts
- offsetting component import costs with export receipts in the same foreign currency.

You should discuss your options with your foreign exchange advisor.

The risks of trading with a floating exchange rate can be avoided by covering your foreign exchange transactions. With proper management, exporting with a floating exchange rate should be no more risky than any other normal commercial undertaking.

Covering foreign exchange risk enables a company to plan and develop its trade with a high degree of certainty. Again, you should discuss your options with your foreign exchange advisor.

Exporters wishing to minimise their exposure in overseas markets should get professional advice on how the foreign market operates.

Trading banks are the largest dealers in foreign exchange, and provide a range of services for exporters in foreign exchange and financing.

A number of companies also hold exchange dealer licences, and are members of the New Zealand Futures Exchange or are foreign exchange consultants. Smaller dealers often occupy specialist market niches such as long-term forward contracts, or services in particular currencies.

Whatever your requirements, it is advisable to shop around for the best terms. Foreign exchange service costs are usually negotiable, and contracts can nearly always be arranged to meet your particular exporting needs.

Spot market

Very short-term foreign exchange transactions are made on the spot market, and usually occurs where foreign exchange is required for delivery immediately or in one or two days' time.

Costs vary, but are higher for bank notes and smaller transactions than for larger deals. Costs are mainly reflected in the 'spread' or difference between the dealer's buying and selling prices.

Spreads fluctuate according to expectations of economic and political conditions and daily market conditions.

Forward market

Forward contracts are the most useful way for exporters to cover their foreign exchange risk.

A forward contract between dealer and client is an agreement to buy or sell foreign exchange at some future date at a rate specified in the contract.

Exchange rate movements during the term of the contract do not affect the contract rate. Forward contracts are generally available for up to 12 months.

Futures market

Futures contracts involve transferring risk from someone not willing to accept it, to someone who is. They usually require 5 to 10 percent of the transaction's total value put up in advance and are traded in multiples of $50,000. Fees will apply to this service.

Futures are effectively speculative contracts, and for this reason tend to be more attractive to larger exporters with capital to spare.

Treasury approach

Running internal treasury operations is often used by large exporters or companies with a large number of transactions involving overseas currencies.

Smaller exporters can also benefit from treasury-type operations if most of their overall operations involve overseas currencies or transactions. This may happen where companies directly import componentry, supplies or services and export a large proportion of their production.

Working in a single currency is more appropriate to the main market or source of components. It is also appropriate if travel or promotion costs are high in a major market or region. This is something you can talk through with an accountant, your bank or with a specialist foreign-exchange dealer.

You should remember that major commodities, raw materials, travel and freight usually relate to the United States dollar, so fluctuations in New Zealand dollar costs for services and products from overseas can be critical.

Service exporters and consultants can also benefit when they have large promotional, set-up or delivery costs offshore and for which they are paid offshore.

Payment risk

Not getting paid

All businesses should prepare for the risk of not getting paid. This means assessing the market and the contract, and making appropriate credit and other checks.

Payment arrangements will depend on what is most usual for the particular market and on advice from your bank. Your experience of doing business in the market and the type of transaction or contract will also determine your options and appropriate terms of supply.

Credit insurance

Credit insurance is available for some markets, and for supply to major or known clients in most markets.

Country risk

Country risk relates to the risk associated with political and other significant events in your market that may affect your chances of getting paid.

They are almost always outside your control, and are always higher in unstable countries or regions where some change is taking place that might affect a bank's overall ability to meet its' obligations.

While country risk insurance is available, it still needs to be negotiated and may be prohibitively expensive. It often only applies to major projects or purchases involving government activity in the marketplace.

You can manage your risk by:

- considering risk factors when selecting your export markets
- doing thorough checking on potential partners, including credit reports
- getting expert banking advice
- making sure you get advice from compliance and regulatory experts.

Operational risk

Product recall and other contingency planning

Considerable loss can result from a costly product recall due to a production or quality failure that could not have been foreseen or prevented. In some cases, circumstances beyond your control, such as tampering, may lead to a recall.

Costs are incurred not only at the time the product is first recalled and needs to be replaced. It is also a result of the longer-term loss of market and the need to overcome negative publicity.

Companies exposed to this or other sorts of risk need contingency measures. You should discuss your insurance conditions with your insurer or broker.

You should be aware of local product recall procedures in your sector so that you can respond quickly to any issues that arise. This can be done by checking the web site of the relevant government agency or regulatory body in the market.

Step seven: visit the market

Visiting your potential market is part of your export planning. Good planning is essential to get maximum benefit for the amount of time, energy and money invested in your visit.

New Zealand Trade and Enterprise Country Briefs provide a useful introduction to key export markets. NZTE can also assess your business plan, and may be able to assist businesses capable of internationalising with identifying potential business partners and setting up in-market appointments. The Country Briefs are available at www.marketnewzealand.com/countrybriefs.

Planning

Carefully plan your dates, taking into account non-working days, public holidays, religious festivals and buying seasons. You should also find out if there is a trade fair at the time of your visit that may be relevant to your product and market.

Although you should have already read up on the market through your desk research, you will probably need some travel information before you leave. This should include aspects such as business hours, currency and entry requirements.

Arrange for business cards to be printed in the language of the market if required. Make sure your phone numbers are printed in full for international callers, including the country code for New Zealand. Make sure the cards include your web site address. Your web site address will look more professional if it is a domain name specific to your company, rather than a generic service provider domain name. For example www.possumsocks.co.nz is preferable to www.xtra.co.nz/~possumsocks (note: example only).

Your email address should also use a specific domain name, rather than Hotmail or an internet service provider. For the example above, your email could be sales@possumsocks.co.nz.

Before you leave New Zealand, reconfirm any appointments, hotel or travel bookings. Double-checking gives you peace of mind.

Cultural and social customs

New Zealand Trade and Enterprise's Country Briefs provide information about important business and cultural tips that apply to visitors in our major export markets. For example, in Japan it is considered polite to present a gift to your business host. You will need to buy and wrap appropriate gifts, preferably with a New Zealand 'feel' to them, before you leave.

Travel

We recommend that you use a travel agent experienced in booking business travel. They can provide a complete service, booking air tickets, hotels and rental cars. Some travel agents will also arrange visas on your behalf. You should check any useful discounts or special offers they may have access to. Other exporters may be able to recommend experienced travel agents to you.

Many business people now use online services such as Wotif.com to book discounted accommodation. This may prove useful in familiar or nearby markets, for example Australia. However, travel agents are generally the best way to book in markets that you have not been to before.

Hotels

Choose your hotel carefully. Selecting one close to the commercial centre is likely to save you money by reducing the amount you spend on taxis. If you need to use your hotel as a reception or entertaining base, check whether it has the facilities and quality of service that meet your needs. Other exporters may be able to suggest suitable hotels.

The New Zealand Trade and Enterprise City Guides often list hotels close to New Zealand Trade and Enterprise offices. These guides are available from www.marketnewzealand.com/cityguides.

On arrival

Reconfirm any ongoing travel arrangements and appointments with buyers and contacts when you arrive. Double-checking gives you peace of mind and is well worth the effort.

Give yourself time

In addition to your meetings, build time into your schedule to visit the marketplace, especially if you are selling a consumer product.

You will gain valuable insight into pricing, distribution, promotion methods and competition by looking at relevant retail outlets, or likely end-users of your product or service in the marketplace.

Carrying samples

Travelling with samples, demonstration material or prototypes, and in some cases tools or service equipment, can present logistical problems.

In general, all samples and specialised equipment you are carrying need to be declared at customs on entering the export market. In many instances, you will be asked to confirm values and ownership at the border and intention to re-export.

In some countries deposits are required for products and equipment. In others, promotional material can attract instant taxes at the border. Check these issues with your local Chamber of Commerce before you leave New Zealand.

Issues involved in carrying samples and equipment can often be overcome by using a carnet, which is a type of passport for items you are carrying. Carnets allow you to take whatever is declared in the carnet into and out of the specified countries without payments or deposits.

The carnet system works by agreement between participating countries. In New Zealand the agents and issuers for the carnet are the Chambers of Commerce.

Step eight: decide your market entry method

There are a number of options for entering your chosen market. Most New Zealand exporters initially choose to work through agents or distributors. Eventually, however, you may consider other options, such as taking more direct control of your market, more direct selling or promotion, or seeking alliances or agreements.

Intellectual property considerations are also important at this point, as they directly relate to market entry options, and are often a major contributing factor to market entry costs. Intellectual property is also a key issue in establishing agreements for when you go 'beyond exporting'. This is covered in more depth under Beyond Exporting.

The internet provides another option for market entry, and is increasingly used by exporters. However, selling via the internet must be part of a wider strategy for market entry.

The Exporter Education workshop ‘Winning Market Entry Strategies and Effective Partner Relationships’ is designed to help companies determine their market entry strategy. For more information visit www.exported.co.nz.

Representation in-market

A 'middle person', such as an agent or distributor, enables strong market representation and a reliable distribution system that can function at a distance.

A number of factors will drive your choice, such as market size, the type of product, and the degree of control you wish to exercise, or are able to exercise in the market.

You need to build up a positive relationship with your in-market representative to develop a 'win-win' partnership. A critical aspect of agency and distribution arrangements is also the strength of the agreement.

Agent

An agent is employed or contracted by you, works for you and is paid by you in an agreed manner, generally in relation to sales commissions. You retain the customers, and you are responsible for the costs incurred by your agent. The agent represents your company in-market and must do so to your best advantage. While customer ownership is technically yours, many well-established agents have their own customer base, and some wholesalers may only buy through a certain agent.

Distributors

A distributor buys product from you and on-sells to their customers.

Choosing an agent or distributor

Selecting the right partner to be your representative in-market is vital to your export success. The New Zealand Trade and Enterprise ‘Agent and Distribution Checklist’ by Robert Auerbach offers practical advice on the differences between agents and distributors, how to select representatives, and how to develop a suitable agreement with an in-market partner The guide can be downloaded from www.marketnewzealand.com/auerbach.

You could also consider using third-party market research firms in-market to establish the attributes of your target market.

Getting the right agent or distributor is vital, as these structures can be very difficult and costly to change once you are in the market. The most crucial factor is that you and your representative must get on well. You need to be able to build a strong, positive relationship based on open two-way communication, a genuine liking for each other, and high trust levels.

Personal contact is essential. After establishing a list of possible agents you need to visit the market to meet them and assess market conditions.

The prospective agent or distributor should have a good knowledge of the local market and be confident about your company, your product and your chances for success. You should also ask retailers and customers for recommendations of importers or distributors with good reputations for professional service and support.

It is important to ask agents what other product lines they represent. If these are too similar to your own there could be a conflict of interest, and your products may suffer at the expense of competitive brands.

When appointing a representative it is best to select an expert with an established distribution channel selling to your target clients.

Distribution agreement

The agent's agreement sets out the terms of reference for your agent. It should include territory, market, product range, stock levels, and target sales or performance levels.

You should develop a heads of agreement between you and your agent or distributor so that arrangements are clearly understood at the outset. The agreement includes a timeframe, targets, performance measures and termination clauses.

The New Zealand Trade and Enterprise checklist 'Distribution agreements' by Robert Auerbach offers helpful advice and tips on dealing with distributors. It emphasises the importance of due diligence before entering into a distributor agreement. View this guide at www.marketnewzealand.com/auerbach.

In some countries agents and distribution agreements are significant documents, and some standard conditions might apply.

You may want to consider a 'wait-and-see' approach before entering into a formal agreement.

Direct control of the market

Exporters are increasingly taking more responsibility for what happens to their products in-market. This is particularly appropriate where there is direct access to buyers or clients, and contracts can be serviced from New Zealand.

Direct mail, mail order and e-business via the internet also enable more direct control in a market. Delivery can be handled either directly from, or co-ordinated from, New Zealand.

Establishing an office overseas is the best choice for control and efficiency. This approach has been taken successfully by some New Zealand companies.

The office acts as importer and distributor, and provides a convenient point of communication for overseas customers. It can be staffed by New Zealanders who know your product well, or you can appoint local staff who know the market well, possibly enabling them to promote your product more effectively.

However, setting up your own overseas office is expensive, and not an immediate possibility for most New Zealand exporters. Set-up costs include rent, equipment hire or purchase, insurances and staff salaries. Setting up a dedicated sales or marketing office in one market will cost at least $NZ1 million per year. The cost will be even higher in markets where business costs are higher, such as the United States, Europe and Japan.

Direct marketing

Direct marketing, or distance selling, is a well established sales method in many markets. It is becoming more sophisticated, and is being used more widely in new markets as more people develop either more disposable income or a taste for different products.

Direct marketing works best with specialised products, especially niche consumer products targeted at specific buyers in specific markets. Catalogue wholesaling and television infomercials are two examples of direct marketing methods:

Catalogue wholesaling

Customers select goods from a catalogue and are supplied immediately from stocks held at a warehouse. Catalogue wholesaling is usually a low-mark-up/high-volume operation where the wholesaler bulk purchases directly from the manufacturer to achieve volume discounts. However, a high degree of price competitiveness means this is often not a suitable option for New Zealand products.

Television infomercials

Infomercials are special interest programmes which companies pay to broadcast. Some markets have shopping channels devoted to television sales.

A number of shopping programmes and channels promote themselves to New Zealand exporters. Some shopping channels offer a choice of market coverage by satellite with telephone orders, or enquiries can be handled by international call centres.

This type of direct selling seems to work for some types of product more than others. It works especially well for impulse buy products or products which are part of the latest trends. However, you need to carefully evaluate the channel's coverage, and the timing of the infomercials. Infomercials are not guaranteed to be an effective marketing strategy.

Conventional television advertising is usually prohibitively expensive, but it can work for certain products, particularly those outlined above. Advertising in a specialist trade magazine is probably a more efficient way of reaching your target audience if your product is specialised or has a well-defined market, such as medical aids, children's play products or handcraft supplies.

Special services available to exporters in key markets

Exporters should also consider alternatives to agents and distributors for delivering products in-market. Alternative methods such as contract services enable you to take more control of the market. In many cases this is the best way to maintain contact with and service customers, or to meet customer expectations of delivery and after-sales service.

Contract services

In many markets you can contract services for:

- mail-outs of print material
- email marketing
- importing and warehousing
- distribution
- direct delivery
- invoicing and payment
- after-sales service and handling returns.

The companies providing these and other services are known in some countries as fulfilment centres.

They can provide an important means of establishing direct relationships with customers, cutting distribution costs and ensuring prompt delivery. It is worth considering fulfilment centres in markets such as the United States of America where stock availability is an important factor due to distance and the size of the market.

Communication

Exporters can use the following communication/finance tools to reach and support their clients:

- web sites

- international 0800 numbers
- email
- commercial answering services
- call centres
- electronic banking.

These tools are particularly relevant for businesses based in New Zealand and selling from a distance into their export markets. Sectors such as information technology, high-value service products, management and other consultancy services are particularly suited to this approach. They also apply to spare parts and technical servicing, help desks, order-taking and servicing technical, consultancy or training products.

E-business on the internet

The internet offers many opportunities to New Zealand exporters.

Internet technologies can help New Zealand's small and medium-sized exporters transcend the constraints of time, distance, language and currency. It also enables New Zealand businesses to collaborate with other businesses and virtual networks, which further reduce time and business size issues.

Many exporters already use email, and provide information about their company and products on their web sites.

The next step is e-business, where marketing and sales are conducted over the internet, transactions and payments are handled online, and supply and distribution systems are managed electronically. E-markets offer online marketplaces where you can negotiate, buy, sell, distribute and collaborate.

Business to business (B2B) activity on the internet is another global trend. It enables New Zealand exporters to work with importers, distributors, retailers, suppliers and agents electronically, rather than using traditional methods such as fax, phone, and hard copy paperwork.

The major drivers of exporting will remain people, intellectual property, products and services. However, it is important for New Zealand businesses to understand the extent to which e-business is revolutionising traditional business channels.

While the pace of change varies across different industries and sectors, New Zealand businesses should investigate what this means for their particular industry and export markets. You can carry out some basic research, talk to colleagues and allies, attend workshops and seminars, read articles and check relevant web sites to learn more about e-business.

E-business strategy

An e-business strategy is used mainly for marketing, rather than selling. It is not a 'quick win' sales solution. It is important to begin by clearly defining who and where your customers are. You should also look carefully at what your competitors are doing before going online. Ask yourself the following three questions:

- are my customers online?
- are my competitors online?
- does my product lend itself to online sales?

The Exporter Education Programme includes a workshop on 'Exporting Online'. It will assist existing and new exporters get started with their online strategy. For more information visit www.exported.co.nz.

E-business Guide

Individual businesses can find advice on getting more value from information technology from the e-business guide at www.biz.org.nz, or by phoning 0800 324 948. A one-to-one advisory service is also available to ensure information technology really meets the needs and capabilities of a business manager.

New Zealand Trade and Enterprise has an e-business initiative to help small to medium exporters in particular achieve e-business capability. The MarketNewZealand.com web site at www.marketnewzealand.com will help you understand what e-business means for your business, and enable you to pursue new overseas business by marketing your products and services online. Any New Zealand business with a demonstrable commitment to exporting and the capability to successfully carry out international business can apply to profile their company on the web site. You can apply to be profiled online on www.marketnewzealand.com.

Intellectual property

Protecting your intellectual property, also known as IP, is an important part of effective exporting.

New Zealand is a small, highly integrated market where activities are conducted under the mantle of the Fair Trading Act 1986, and well-established intellectual property laws. An established market position in New Zealand may be of advantage overseas when you export, but it does not provide any freedom from parasitic competition where someone 'piggy-backs' on your designs and products.

Patent attorneys can help you establish and maintain ownership of any intellectual property you develop or seek to exploit. They can advise you about legal mechanisms for protecting intellectual property in New Zealand, and when you should seek protection in overseas markets. Getting the right mix and timing depends on the type of product or idea and your plans for its commercialisation, marketing and distribution.

Patents

Patents can provide an enforceable monopoly for 20 years to any person or company to exploit new and innovative products and process. It is essential your patent attorney establish a priority date prior to any disclosure, use or commercial dealing with the innovation. The priority date is the date that a patent application is registered as filed with the Intellectual Property organisation in a market.

Registered design

Registered designs can provide an enforceable monopoly for a period for certain new or original features of design, such as shape, configuration, pattern or ornament embodied in an article. The monopoly period in New Zealand is 15 years.

It is essential your patent attorney establish a priority date prior to any disclosure, use or commercial dealing with the innovation.

Copyright

Copyright gives rights to the creators of original works, including those of literature, drama, music, recordings and computer programs. It also covers art, such as models and working drawings. Copyright, which is noted by the symbol ©, allows the creators to control exploitation, and is granted automatically. In most countries it does not require formal registration.

Registered Trade Mark

A trademark is an identification symbol used to distinguish one company's products from similar products made by others. It is noted with the symbol ® or ™.

The ™ symbol may be used when trademark rights are claimed in relation to a mark, but the mark has not been registered with the government trademarks office of a particular country or jurisdiction, while the ® is used to indicate that the mark has been so registered. It is not mandatory to use either symbol, although the force of convention is such that the symbols are widely used around the world.

It is not necessary to register a trade mark, although this confers a statutory monopoly. Registration can be renewed indefinitely after the initial registration period. It is generally unlawful to use the ® symbol with a mark when that mark is not registered.

Once you to decide to target major markets you cannot rely on your New Zealand trademark protection. You must ensure your trade marks are available for use, and if possible, for registration in other markets.

One disadvantage of the internet is that it is possible for someone to register a domain name in markets where the right to use the trade mark may be owned by another party. If you have a distinctive brand name or trade mark, then you should consider registering the relevant domain names.

If you are selling your products over the internet and your trade marks are already in use in your target markets, this can cause trade mark problems. It is essential that you consult your patent attorney for specific advice on this matter.

Confidentiality

Confidentiality conditions enable one company to disclose confidential information to another while protecting ownership and use. These are best established in writing. In some cases companies are reluctant to receive information under obligations of confidentiality in case the external information overlaps with their own development work. If they then commercialise based on their own work, and confusion arises as to the origin of the intellectual property, this could lead to legal action.

Other ways to ensure partial continued control of your intellectual property when exporting include:

- continuous rapid improvement which keeps you ahead of the field
- maintaining low operating costs to create a price advantage
- targeting niche markets
- maintaining product design and quality ahead of likely imitators
- marketing and branding which competitors need time to emulate
- maintaining secrecy about your process or formula
- providing a service valued by customers so they remain loyal.

Developing these traits is an important part of your export plan, as just owning a patent or trade name does not automatically guarantee success. The way in which you use intellectual property as an umbrella for your commercial or licensing activities usually determines your success or failure.

Technology and innovation

Innovative technology plays a major role in many of New Zealand's new exports. Technology-based products or services may need special entry techniques, delivery and support in the market. Companies can experience difficulties when bringing new products to market, caused by the type of technologies used by clients in the target market, and the rapid rate of technological change, combined with a slower than expected adoption rate by mass-market customers.

For more information on this topic, read 'Commercialising Innovation', by John O'Hara, available from www.nzte.govt.nz/publications.

Beyond exporting

A successful export plan needs to recognise options for market entry that go beyond conventional production and supply from New Zealand into target markets. It includes a number of options, including:

- contract manufacturing
- franchising
- joint ventures
- manufacturing joint ventures
- licensing
- royalties
- strategic alliances.

Contract manufacturing

Contract manufacturing means having your product, or part of your product, made by another firm under a contractual arrangement. Your relationship with the manufacturer is essentially a customer-supplier one, except that the product or component is made to your own specifications, rather than being a standard item. In many cases you might supply a mould or detailed manufacturing instructions to meet your specifications.

The sale and marketing of the finished product remain your responsibility, not the manufacturer's responsibility. Sometimes contract manufacture of componentry also includes final assembly and packaging of the product, as well as delivery to the point of distribution or sale.

The greatest potential for contract manufacture offshore lies not in being a complete substitute to exporting your product from New Zealand, but as a means of achieving strategic advantages in key areas such as allowing you to manufacture in or closer to your ultimate market, which can create transport and time savings in getting the product to the consumer.

Franchising

Franchising is a form of licensing that groups a product and 'know-how' together to make an attractive investment package. Your product or concept must work well in New Zealand before you try to establish it overseas. Consistent product, service delivery, branding and marketing are all vital when you sell the concept and product. A franchise allows a rapid internationalisation of your product, as the capital costs are normally borne by the franchisee. You will normally have a much closer relationship with the retailer or service provider in this method of in-market representation, depending on how the franchise is established.

There are many examples of franchised businesses in New Zealand, perhaps the most well-known example being McDonalds™. Most countries have industry or other codes about how franchises can be promoted and contracted, as well as the safeguards that apply to franchise agreements.

For more information about franchising, see the web site of the Franchise Association of New Zealand, www.franchise.org.nz.

Joint ventures

A joint venture is the long-term commitment of funds, facilities and services by two or more legally separate interests to a combined enterprise for their mutual benefit.

A joint venture need not be a separate legal entity or company. Other forms of joint ventures include an agreement to work together, which is formalised through a heads of agreement or a strategic cooperation agreement.

Joint ventures can be formed for a variety of purposes and can take a number of forms. A joint venture can:

- manufacture your product, or incorporate your product into a larger one, in a target market or a market that offers free trade with other larger markets
- provide the finance and distribution network needed to penetrate a new market
- establish a marketing and distribution presence in a target market
- add new technology and expertise to your product
- gain access to a market, particularly where a country has strict rules requiring capital injection into the venture.

Manufacturing joint venture

Joint ventures are most commonly entered into to get around a trade barrier that prevents your entry into a target market.

Another way of getting around a trade barrier is to establish a wholly-owned manufacturing or assembly subsidiary in an overseas market. However, many companies find the joint venture route, where the venture partner does the manufacturing in the market a better option. A joint venture achieves many of the advantages of a fully-owned operation, without the long lead-time and at a fraction of the cost.

Licensing

Licensing agreements have potential for companies of all sizes. They harness the production and financial strength of well-established companies to the innovative flair of small and medium-sized organisations.

A licence is a formal agreement between two parties where the licensor gives something of value to the licensee in exchange for certain undertakings and payments for the licensee.

Licensing can cover:

- inventions
- technologies
- software
- manufacturing systems and processes
- products
- artistic and literary material.

Licensing can include the full range of a company's activities and assets, although it is usually confined to unique elements which can be offered in a meaningful package, and something backed by intellectual property rights.

Royalties

This method of distribution is usually attractive to the developer of a product or component without the capital, time or commitment to manufacture and market the product or component themselves.

In effect you sell your intellectual property to someone else to manufacture on your behalf, or to incorporate into a product they are already manufacturing. You then receive an agreed amount, a royalty, every time they make a sale. This method is often used when a small component has been developed that can be used in other processes, such as a microchip for use in computers.

Strategic alliance

A strategic alliance might be used for a one-off activity, or it might focus on just one part of a business. Alternatively, its objective might be new products jointly developed for a particular market.

In most strategic alliances each company will benefit by working together. The arrangement they enter into may not be as formal as a joint venture agreement.

Alliances are usually formed with a written contract, often with agreed termination points, and do not result in the creation of an independent business organisation.

The objective of a strategic alliance is to gain a competitive advantage for the company. When you are a small company, a strategic alliance can allow you to graft your whole business onto the superior manufacturing, marketing and distribution structures of an established international company.

New Zealand Trade and Enterprise's 'Strategic Alliance and Joint Venture How To Guide' is available in the Exporter Information section of www.marketnewzealand.com. It provides information on the benefits and disadvantages of these business structures, outlines joint venture equity variations, and provides a step-by-step guide to setting up a joint venture.

Step nine: use the right promotion

Marketing and promoting your company overseas is a key step in the export process. Prospective customers need to understand the services or products you provide, how these fit into the market, and how to contact you.

The product or service, its name, packaging, presentation and overall delivery and service are critical to how the product or service is received in the market. It all comes down to branding, which is the integrated package of elements that promote your product or company.

Your market entry plan should include finding out about other brands. It helps you learn about potential competitors, products and services already established in your target market. You will gain market information critical to your promotion plan by analysing the promotions of other products and services.

Some of the traditional promotional options are outlined below. Service suppliers and consultants should also consider other forms of marketing specific to their particular services and how their clients buy those products.

New Zealand Trade and Enterprise has produced a helpful 'Marketing Plan Checklist' which will help you develop a simple export marketing blueprint. The checklist is available in the Exporter Information section of www.marketnewzealand.com.

Packaging

Carefully designed and attractive packaging will enhance your product. In some cases it will be a significant form of promotion alongside other promotional activities required by your market. Your packaging should ideally be designed to incorporate colours, graphics and labelling that are culturally appropriate and appealing to your target market.

In-market promotion

In-market promotions allow potential customers to see a product in use, and even try it out for themselves. Such promotions may draw on point-of-sale material, sampling or tasting, competitions or other activities linked by some action or advertising.

Seek the advice of your agent or distributor on appropriate and effective promotional tools.

Trade fair participation

We recommend you carefully research any trade fairs before committing to exhibiting in them. You should be clear about who visits, who else exhibits, how representative it is of the market, and how is it rated by other participants.

It is also useful to discuss potential attendance at shows with your contacts in the market and with New Zealand Trade and Enterprise.

Some international fairs have immense importance as industry or sector gatherings. They are important for identifying trends, and for major launches or order confirmations.

Companies also go to fairs to look for ideas, for distributors or to support their distributors. Published lists of trade fairs around the world can be accessed through government and industry agencies as well as promoters. It is also useful to talk through the options and the appropriateness of participation with your New Zealand Trade and Enterprise client manager or market contacts.

A good starting point for lists of trade fairs and events is the events calendar on the MarketNewZealand.com web site at www.marketnewzealand.com/events. You could also visit the following web sites:

- DMG World Media NZ which organises trade fairs and exhibitions around New Zealand - www.dmgworldmedia.co.nz

- DMG World Media International which organises international trade fairs and public exhibitions - www.dmgworldmedia.com
- M&A Expo Database for international trade fairs - www.expodatabase.com
- Other useful resources for existing and new exporters include:
- The 'Trade Fairs – Critical Success Factors' workshop run by the Exporter Education Programme provides a good understanding of critical success factors and a checklist for planning the event. For more information visit www.exported.co.nz.
- The NZTE document 'Stand Out: Ensuring Success at Trade Shows' provides tips to help you make the most of your presentation opportunity. It can be downloaded from www.marketnewzealand.com in the Exporter Information and Services section.
- NZTE also has a 'Making An Effective Presentation Checklist' available at www.marketnewzealand.com/firststeps.

Advertising

When developing your marketing plan you need to understand the sort of promotion most likely to work for your product or service.

Widespread or general advertising can be very expensive, but you may still need to undertake some form of magazine or newspaper advertising in some markets. Due to the cost of this form of advertising, you should consider alternative ways of obtaining publicity for your products or services. One method is to obtain free editorial coverage in industry magazines. Specialist trade publications often have a section profiling new and unusual products. If your product has an innovative aspect or a novel angle, you should approach the editorial staff of these publications to see if you can gain some free coverage.

Appointing a public relations or other media partner in your market is another option. You should make sure your prospective partners have good media contacts, and, if advertising is key to your promotion strategy, they should also have a media strategy. This is particularly important for apparel companies, but is relevant to most sectors. Ask to see a portfolio of coverage or campaigns the agency has achieved for other clients.

Trade magazines

Editorial content about your product or service in professional or specialist trade magazines can support technical or specialist products or services in some markets.

Lists of trade and other magazines are often available from the internet, or your local library may be able to assist. Some trade magazines from major English language markets are available in New Zealand for casual buying. Other specialist and foreign language magazines are available on subscription.

Marketing on the internet

Your web site should include information which markets your products and services, and provides contacts for your company.

Effective web sites have fresh and timely material, and are kept up-to-date and accurate. Different sections of your site can be tailored to appeal to different target audiences, including translating material into different languages. An attractive, easy-to-navigate site is essential. You could also consider an interactive feature to enhance the appeal of your site such as registering for an email newsletter.

Your web site should integrate with all your other marketing material. Communications specialists, designers and web developers can help you create an effective and successful site. And remember, you need to ensure people know your web site address, so include it on your business cards as well as all your promotional material, e.g. brochures, product packaging, or trade show stands.

Include your full New Zealand physical address details as well as the postal address. This will give overseas buyers confidence in your business's physical presence.

Your web site address will look more professional if it is a domain name specific to your company, rather than a generic service provider domain name. For example, use www.possumsocks.co.nz rather than www.xtra.co.nz/~possumsocks. Your email address should also use a specific domain name, rather than Hotmail or an internet service provider.

Two other options for promotion are:

- direct selling using mail order or on-line shopping malls which integrate promotion and sales generation
- participation in infomercials and shopping channels.

Step ten: finalise pricing

A critical part of researching a market is gaining a thorough understanding of pricing. Your aim should be to charge the price the market will bear. This will often be set by the market for similar products or services. It may be hard to go above certain levels, which are often referred to as 'price points'. Recognising a price point in your market may be your first clue to your ability to enter the market.

Your price should reflect your quality levels, delivery and promotion. It is not easy to increase prices in a market or under a particular contract once you have agreed to deliver at a certain price.

Pricing policy

Your pricing policy for the market should be based on current competitor prices for your type of product or service. The final price should reflect your manufacturing and any other costs at home, plus the estimated costs involved in delivering, promoting and supporting your activities in the market.

Flexibility is needed to allow for variation in shipping and stocking costs, as well as in-market and after-sales servicing costs as your market grows. If you are also selling from a web site, make sure you do not undercut your stockists or licensed suppliers in their markets.

If you are involved in serious price negotiations, you should anticipate as much as possible what you may be asked to do and allow for this in your price. You also need to consider the effects on your costs and returns of any discounts or charges that might be expected in some markets to get the business.

Calculating prices

Pricing a product often means calculating two scenarios, based on both the New Zealand perspective and the in-market perspective.

The first of the following two costing sheets allows you to calculate the costs of getting your product to market by using your production and distribution costs. The second starts at the retail price for similar products in the market and allows you to work backwards to estimate a possible price at each level.

Using both or either costing sheets requires a series of mark-ups or margins at different levels. You may not know these until you have researched the market and observed different prices.

We have used the term 'mark-up' in the cost sheets, but in some markets it may be called a 'margin'. How these are calculated, as add-ons or percentages, will change depending on the market and local ways of doing business. You need to find out how they work in your target market.

New Zealand Trade and Enterprise's ‘Pricing Decision Checklist’ provides further advice on pricing. It is available at www.marketnewzealand.com/pricing.

Costing sheet 1 – prices based on real costs

Step	Item	Unit or rate	Actual
1	Ex-factory – wholesale price (includes your profit)		
2	Export packaging (inner and outer)		
3	Documentation (customs agency/freight forwarder)		
4	Bank charges (forward exchange, payment arrangements, letters of credit, bank drafts, hedging, credit insurance)		
5	Freight to ship or aircraft		
Handling charges, and contingencies			
7.	**Sub-total Free on board (FOB) NZ$**		
7.1	**FOB foreign $**		
8.	Marine insurance (sea or air)		
9	Freight costs		
10	**Sub-total Cost, insurance and freight (CIF) NZ$**		
10.1	**CIF foreign $**		
11	Landing charges		
12	Customs duties and taxes		
13	Clearance charges (customs agency / freight forwarding)		
14	Inland handling and delivery charges		
15	Contingency (such as fumigation)		
16	**Sub-total Delivered duty paid (DDP) NZ$**		
16.1	**DDP foreign $**		
17	**Delivered to buyer TOTAL**		

Costing sheet 2 – export pricing workbook

This all-purpose costing table is particularly useful for comparing prices in the market. You may not need all the steps, and you may need to estimate many of the values used for your calculations. The process can be refined as you learn more about the market and distribution of delivery costs.

* These mark-ups are only examples. You should always carefully research mark-ups that apply in your target market.

		Notes to sample calculation	Examples (unit cost)	Estimated mark-ups or unit rates	Your costing
1	**Retail price**		**60.00**		
	Retail mark-up	40%*			
2a	**Wholesale price**		**42.86**		
	Wholesale mark-up and/or	25%			
2b	**Distributor price**		**34.29**		
	Distributor's mark-up and/or	15%			
2c	**Agent's price**		**29.82**		
	Agent's commission	8%			
3	**Landed price**		**27.62**		
	Landing charges	Est. 1.5%*	0.85		
	Tariffs/duties	(Real rate)	2.65		
	Customs clearing charges	Estimated	0.30		
	Handling and delivery charges (actual or estimated)	Estimated	0.15		
4	**Cost, insurance and freight (CIF)**				
	Market currency		**23.62**		
	Foreign currency at exchange rate	Day's rate			
5	**Cost, insurance and freight (CIF)**				
	NZ$		**33.74**		
	Insurance costs - based on value	Estimated	0.35		
6	**Cost and freight (C&F)**		**33.39**		
	Freight costs	Unit rate	5.75		
	Contingencies	Estimated	0.50		
7	**Free on board (FOB) NZ$**		**27.14**		
	Export expense allocation (as per budget)	Allowance	1.00		
	Export packaging	Estimated	1.50		
	Documentation		0.65		
	Bank charges including collection charges	Estimated	0.20		

		Notes to sample calculation	Examples (unit cost)	Estimated mark-ups or unit rates	Your costing
	Other finance costs (foreign exchange charges)	Estimated	0.15		
	Freight handling (factory to ship or aircraft)		2.20		
	Trade indemnity insurance, export credit insurance		0.10		
8	**Ex factory cost**		**21.34**		
	Profit margin or mark-up		8.00		
9	**Total factory cost**		**13.34**		
	Materials		2.80		
	Direct labour		7.25		
	Fixed		1.35		
	Variable overhead costs		0.84		
	Consumables		1.10		

Step eleven: the sales pitch

Making the final sale often comes down to your ability to negotiate. You are likely to gain the edge over other suppliers based on your knowledge of the market and potential clients, and the ability to deliver what they expect, rather than just finding a lucky opportunity. Customers have an increasingly wide choice of products from many sources.

Price is an important consideration - for some it may sometimes appear the only consideration - but in key markets for specialised products and services the final buying decision will depend on a range of factors. These include:

- appropriateness of the product
- your ability to relate to the buyer
- your willingness to adapt your product or your delivery to the client's needs
- how committed you appear to be
- your history in the market, or, for new exporters, your experiences in your domestic market
- good recommendations
- who else you deal with
- your ability to provide back-up in the market
- what the client knows about New Zealand
- what the buyer knows or believes about other New Zealand suppliers of similar products, or even other products.

Cultural factors

Cultural factors are always involved in successful sales pitches and contract negotiations. You also need to take account of the personalities of individuals or groups you are trying to influence. Identifying the decision-maker amongst a negotiating group may be required, as will finding out at what level within a large organisation the decision to purchase is made.

Make sure you tailor the presentation to the audience, getting the balance right between technical and marketing information, and giving the audience the information they are looking for.

You should practice answering interview questions, preparing positive responses for common objections, and be able to describe briefly your competitive edge, and product or service benefits.

A workshop on Developing Your Winning Sales Pitch is run by the Exporter Education Programme. It will help you to develop your sales pitch and sharpen your negotiation skills. These are both key elements in winning export business. For more information visit www.exported.co.nz.

Step twelve: follow-up

New exporters often think their major task has been accomplished when they have identified willing customers and completed the first contract. In fact this is just the beginning.

The most critical aspects of follow-up are keeping in contact with the market and being ready to adapt. You need to anticipate:

- the way the market and orders are likely to grow
- what else is changing
- what might go wrong and how you will put it right.

You need to be aware of new opportunities and new markets, and look at the longer-term implications of how markets are growing, and what new products are going to be required.

Part of dealing with the future will be recognising successful formula that can be transferred from one market to a new one. But you will also need new ideas and new strategies. This means you also need to review, and update or generate new plans for future exporting activity.

While planning for the future, you also need to maintain regular contacts and relationships with current distributors and customers and others in your markets. This can be done through phone calls, fax, email, and personal visits. You may be able to reduce the cost of international phone calls by using internet telephony services such as Skype, although make sure that your computer system has adequate security and firewalls in place if using these products.

Perhaps your agent or distributor should be brought to New Zealand to learn more about your product or service. You will also need to review agent and distributor performance. You can only do this honestly and effectively when you maintain regular personal contact with them.

As the exporting side of the business grows, you will need to make changes in your business structure. Decisions on how to change will depend on your company's size, structure and the amount of exporting you do, among other factors.

You may need to expand your production capacity, farm-out production of some elements of the product, or look at some element of the 'beyond exporting' strategies. These include contract manufacturing, licensing or joint venturing. Professional advisors can assist you with advice on options as your exporting business evolves.

You need ongoing commitment and continued enthusiasm. You will in all probability have setbacks - even major ones that may mean withdrawing from a particular market.

As in any business venture the most important people to your company are your customers. I It should be company policy to keep them happy wherever they are. Prove yourself a reliable company and this may be more effective in building up your export business than anything else.

Good luck!

CONTACT LIST

Relevant government web sites for business are listed below. For more useful web sites, including business councils, trade fairs and events, industry bodies and business associations, international agencies, export services, business assistance and export and global news, visit the Useful links page on www.marketnewzealand.com.

New Zealand Trade and Enterprise
www.nzte.govt.nz
The corporate website of the New Zealand Government's economic development agency.

biz.org.nz
www.biz.org.nz
Information on growing your business

Companies Office
www.companies.govt.nz
Register or search for a New Zealand company

New Zealand Customs Service
www.customs.govt.nz
Customs information, including export prohibitions and restrictions

eMarketServices
www.emarketservices.com
How to export using electronic marketplaces

Export Credit Office
www.treasury.govt.nz
Addresses gaps in the provision of export credits by the private sector

Govt.nz
www.govt.nz
Listing of central & local New Zealand government services

Investment New Zealand
www.investmentnz.govt.nz
Investment New Zealand is New Zealand's Investment Promotion Agency - the single portal for inbound international business investment

Foundation for Research, Science Technology
www.frst.govt.nz
The Foundation for Research, Science and Technology invests in research, science and technology through a range of support schemes for business, grants for research, and scholarships.

Maori Business Facilitation Service
www.tpk.govt.nz
The Maori Business Facilitation Service is a free business development service for Maori interested in starting up a business, or wanting to improve an existing business.

Ministry of Agriculture and Fisheries
www.maf.govt.nz
Exporting animal or plant products: includes specific country requirements

Ministry of Economic Development
www.med.govt.nz

The economic development and business policy agency

Ministry of Foreign Affairs and Trade
www.mfat.govt.nz
Overseas relations and business policy agency.

NewZealand.com
www.newzealand.com
Tourism, business and study in New Zealand

newzealandthinking.com
www.newzealandthinking.com
Practical resources and tools to help New Zealand businesses tell the story of New Zealand to the world

Reserve Bank of New Zealand
www.rbnz.govt.nz
Exchange rates

Statistics New Zealand
www.stats.govt.nz
Business productivity and overseas trade statistics

Technology New Zealand
www.technz.co.nz
Promotes technology development in business

APPENDIX 1: ARE YOU READY TO EXPORT?

This export assessment guide provides a quick checklist to see if your business is ready to profit from export. It also describes how New Zealand Trade and Enterprise can help you step into export markets.

This guide can also be downloaded from www.marketnewzealand.com/firststeps.

The export assessment guide

Circle the most appropriate answer. At the end, add up the points next to your answer.

Your company already has a product or service available for export

Currently in production	10
At prototype stage	2
An idea only	0

The product is selling in the New Zealand market

Market share is growing, market share is high	10
Selling, but market share is low or stagnant	2
Not selling	0

You are selling product in more than one of the three main centres (Auckland, Wellington, Christchurch)

Selling in more than three cities	10
Selling in more than one city	5
Selling in only one city	0

You have already achieved export sales for your product/service

Regular, proactive sales	10
Occasional sales	5
No sales	0

You will be able to increase production by

Using existing capital equipment and staff	10

Training new staff	5
Investing in new plant and equipment	0

Significant finance is available for export marketing and product development

Working capital/cash flow	10
Bank finance	2
No finance	0

In your business plan you have budgeted for export market development costs, such as market research, visits to the market, samples, brochures and web site development

Yes – up to $20,000	10
Yes – up to $10,000	5
No	0

Describe the management of your company

Executives have experience in export	Yes =	10
Management is committed to sustained export efforts	Yes =	5
Executives have an established track record in meeting deadlines	Yes =	5

Promotional materials such as product brochures or videos are available

Available	5
Being prepared	3
Nothing prepared	0

The company has calculated FOB (free on board) and CIF (cost, insurance, freight) prices for export products

Yes	5
No	0

The company has undertaken research into overseas markets

Detailed research, including visits to the market	5

Desk research	3
No research	0
Total Score	

Score higher than 90

Your preparation is highly advanced. New Zealand Trade and Enterprise can provide specific services to assist your company to take its first professional steps into exporting. A Client Manager experienced in your sector will be happy to make an appointment with you to discuss your needs - phone NZTE on 0800 555 888.

Your business may also be eligible to be profiled on MarketNewZealand.com. Visit the web site at www.marketnewzealand to complete the online application.

Score between 70 and 90

Your preparation is advanced. New Zealand Trade and Enterprise can help you prepare your export strategy. Phone NZTE on 0800 555 888.

Your business may also be eligible to be profiled on MarketNewZealand.com. Visit the web site at www.marketnewzealand.com to complete the online application.

Score between 45 and 69

Your company is on the right track, but we recommend more preparation before you start to export. Your business may not be ready to be profiled on MarketNewZealand.com. You can download a copy of 'The Guide to Exporting' and other useful information from the MarketNewZealand.com web site at www.marketnewzealand.com

You may also wish to investigate Exporter Education training by visiting www.exported.co.nz.

Score less than 45

You are under-prepared to export at this stage. Your business may not be ready to be profiled on MarketNewZealand.com. You can download a copy of 'The Guide to Exporting' and other useful information from the MarketNewZealand.com web site at www.marketnewzealand.com

You may also like to investigate Exporter Education training at www.exported.co.nz, or consider the services on the biz web site at www.biz.org.nz.

Other sources of information

Other sources of information on exporting include:

- other exporters
- Export New Zealand
- freight forwarders
- your accountant
- your bank
- your local chamber of commerce.

How New Zealand Trade and Enterprise can help

It requires more than a competitive product or service to convert export opportunities into orders. You also need to commit effort, money and time.

If you have filled out the Export Assessment Guide and have a score that shows you're advanced in export planning, call NZTE on 0800 555 888 and we will work with you to develop a sound export strategy. We have the expertise and handy tips that will save you time and money. Our global network may be able to open doors for you around the world.

We may be able to offer services and market intelligence to suitable clients that will help you succeed in exporting, including:

- assistance with market selection and market entry
- valuable business contacts worldwide
- advice on export procedures and regulations
- overseas market research.

If you are ready to take your first step into exporting, give us a call so we can help you become a successful and profitable exporter.

Your first steps into export

Stepping out into the global marketplace with your company's products for the first time is an exciting and challenging venture. You will create the opportunity to generate a higher turnover and an increase in profits. And it will probably also change the future of your business.

NZTE has assisted thousands of New Zealand companies of all sizes become better exporters, and we can share that experience to help you enter new markets and achieve your export goals. The most important thing you should do is get the basics right. Exporting is a process. Take things step by step and your chances of success overseas will increase exponentially.

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