Allianz Trade

Export Toolkit

Your guide to succeed in foreign markets while mitigating risks

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How to succeed in foreign markets: tips to build your export plan

Expanding globally is a proven strategy for driving growth. Diversifying gives you access to new customers, new opportunities for mature products and safeguards your business against domestic economic stagnation. However, international growth also involves notable risk. To enter a foreign market successfully, extensive research and thoughtful planning are prerequisites.

3 essential steps for entering a foreign market

Here are several key steps to ensure your bases are covered and your international expansion yields maximum results.

Step 1: Objectively self-evaluate

Before you begin planning for this next step, it's critical to take a hard look at your business to see just how prepared you are.

Your finances
It often takes up to three years for an international expansion to be effective. Can your business sustain itself financially during this time?

Your leadership
Is senior management aligned on this growth strategy? Do you have any expertise gaps to fill before proceeding?

Your teams
Do you have strong marketing, sales and business development teams? Will you need to hire and, if yes, are you prepared to do so?

Your offering
Will your products or services stand out against the local competition? Are you prepared to pivot to address new customer preferences?

Step 2: Identify your target markets

Once you've reflected on the state of your business and decided you are internally prepared to grow abroad, the next step is to explore potential markets. Just as with your business evaluation, objectivity is key.

Look at both opportunities and risks
Is the given market welcoming to foreign businesses? What is the regulatory environment like and what red tape should be accounted for? Is there a clear demand for your offering and is the price point feasible for potential customers in this market?

Consider local culture and customs
From product packaging to marketing tactics, what sells in one market does not necessarily translate to another. Local norms could also affect your business relationships. What are local cultural faux pas?

Get some face time
Before making final decisions on target markets, consider exploring the terrain for yourself. Meeting key contacts in-person is the best way to fully grasp the local competition, regulations and distribution channels. Is there an in-country trade show or industry event you could attend?

Step 3: Plan and execute

Now that you've decided which markets you'll expand into, it's time to develop your plan of attack—your market entry strategy. Much like a business plan, a successful market entry strategy looks at goals, the business landscape and potential pitfalls.

Financing tip
When it comes to funding international growth plans, it's often smarter to borrow than strain your cash flow. Building a strong expansion plan will position you to approach lenders with confidence.

What should your export plan include? This is what our next section is about.

How to create a successful export plan

An export plan is a market-specific document that helps businesses prepare to enter a foreign market. When done well, they can make the difference between increased sales and genuine growth.

An export plan can forecast anywhere from 3-10 years into the future, but it should be considered a living document that evolves as you gain more insight and experience, not a one-time exercise.

What should be included in a strong export plan?

1. Executive summary
An overview of your company's export plan: why you're exporting, what products and/or services you're exporting, where you're exporting, your local competition, logistics and distribution, financials.

2. Export policy commitment statement
A concise 'mission statement' regarding your company's policy on and commitment to exporting.

3. Company details
Background on your company, including a brief history, noteworthy achievements, products selected for export and why, operations and organisational structure.

4. Marketing
Detailed target customers, product selection and pricing, distribution methods, brand awareness and advertising strategies, terms and conditions of sale, pricing, cultural specificities.

5. Target market analysis
First- and second-tier targets, and why they were chosen; positioning in target market(s), competitor analysis.

6. Budgets and forecasts
Balance sheet, export budget forecast, sales goals (profit and loss forecast), cash-flow analysis, operating budget statement.

7. Production
Competitive advantages of our products and/or services in target market(s), adaptations to products and/or services (packaging, labelling, regulatory considerations), production capacity.

8. Schedule
An actionable calendar for achieving aforementioned goals, milestones, follow-up and review.

4 ways to advance your target market selection

In your company, considering which export markets to enter may already be an ongoing discussion. Selecting your target markets may even appear straight-forward to your business, if for instance competitors are already exporting to specific markets. But taking a step back in the research process may reveal market opportunities you haven't considered before – export markets with a higher potential export gain or a lower risk of trading than anticipated.

Find out which country is the best match for your business

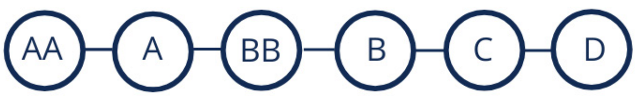
In your research, you can find an updated overview of the export gains per country in our application Trade Match. Using a combination of historical data, our proprietary country risk ratings and sector risk ratings, as well as our trade forecasts, Trade Match identifies the best export markets for companies across the globe, and highlights the export risks and opportunities across 18 sectors in 70 markets around the world.

[Explore Trade Match]

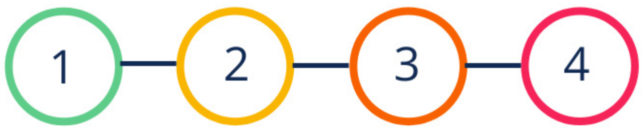
Finetune your country risk assessment

Once you've short-listed your business' export markets in consideration, next you can look into the country credit ratings to move closer to your decision. Our economic experts' country risk analysis can guide your export decision-making process even further.

The Country Risk Rating measures the risk of non-payment by companies in a given country. The risk is due to conditions or events outside any company's control, and the overall evaluation is made of two elements: Country Grade and Country Risk Level.



The Country Grade looks at the medium-term risk, based on economic imbalances, the quality of the business climate, and the likelihood of political hazards in a given country. The Country Grade assessment ranges from AA to D, (with D representing the highest risk).



The other parameter, the Country Risk Level, is a short-term rating, focused on more immediate threats to the economic output and macroeconomic indicators of financial crisis. The country risk level provides a rating from 1 to 4 (with 4 being the highest risk level). In combination, the two elements grant your business a good indication of the risk of doing trade in the specific country, and you are a step closer to making an informed decision about your export endeavours.

[Explore our country reports here: Country Risk Maps]

Focus on risks in your sector

While making your export considerations, the risk landscape you are looking at can vary a lot depending on which sector your business operates in. To support business, we analyse risk in 18 sectors across 70 countries to provide you with valuable insights and inform your decisions.

More specifically, the Sector Risk Rating assesses the risk of non-payment by companies on a four-level scale from low to high.

The sector risk assessments are based on the forward-looking evaluation of four key parameters: demand, profitability, liquidity, and business environment using our internal data and expert evaluation as well as hard data from other sources.

The output is an easy-to-read measurement of the temperature of your sector in a given country, and can serve as valuable guidance in your final identification of your target market.

Explore our sector reports here: Sector Risk Reports

Ask an expert

As a global partner for businesses across the globe, we have a global presence in many markets. But more importantly, we also have a local presence in your market. Our local account managers and credit specialists have extensive experience in local and global markets and expertise with main export sectors.

If you need a sparring partner in your target market research, feel free to reach out to us, and we can guide you on the topic.

Explore our local risk and sector expertise

Six ways to grow your business using trade credit insurance

Taking out credit insurance is one of the prime ways to limit risk. It allows you to effectively evaluate prospective international customers and protect your company against non-payment from existing ones. And should anything go wrong, you can relax knowing that you are protected and your finances supported during this expansion into a new market.

1. Increase market share
Offer better terms and raise credit limits to grow sales and enhance customer relationships.

2. Boost market penetration
Evaluate credit risks, prequalify customers and have added protection to confidently add new buyers.

3. Expand to foreign markets
Make strategic credit decisions and offer competitive terms overseas, eliminating cash in advance or letters of credit.

4. Grow with a key customer
Aggressively grow sales with a key customer without the worry of concentration risk.

5. Obtain financing
Transform your accounts receivables into secured collateral. Guaranteed payment is a positive asset in the eyes of lenders, which in turn can translate working capital at more favourable rate.

6. Support acquisitions
Create coherent credit processes, take control of receivables in a secure way and understand the creditworthiness of the new customer portfolio..

Smart strategies for mitigating risk in a volatile global trading environment

To help fulfil your company's ambitions to grow its exports, you need to adopt strategies that offset the risks of today's dynamic trading conditions – and turn those challenges into opportunities to expand your business internationally. Here, we explore some valuable options.

Overcoming global trade risk to expand your business

The volatile market conditions have forced some innovative thinking as to **how companies can best protect their trade prospects** from the impact of macroeconomic and geopolitical shocks.

The strategies seek to deal with supply chain constraints, acute resource shortages, threats of further political risks, new environmental, social, and governance (ESG) obligations, just to name a few of them.

So what approaches are organizations taking to mitigate the risks and enable them to **confidently pursue their export goals**?

Strategy 1: Detecting macro risk before it impacts your business

The fallout from recent geopolitical events has underscored just **how exposed international trade can be to risk** – but, above all, to political risk. It highlights how you need to consider, anticipate, and manage that risk so your business doesn't suffer because of instability or political changes within or between countries.

In order to **safeguard your company's trade with customers in different countries**, you need to look out for some of those warning signals. Keep a close eye on the social, political, and economic stability of your target countries. Are their relationships with their neighbors deteriorating? Does a change of government mean the introduction of new foreign trade policies, tariffs, legal and regulatory constraints, and tax regulations that may hamper your trading capabilities? What is the state of industrial unrest?

There is more specialist information that is also worth tracking, such as restrictions on the movement of foreign currency and instances of late or non-payments on government contracts on sovereign debts.

At Allianz Trade, our customers are supported by a team of economists, sector analysts, and locally based experts who are constantly assessing risk levels associated with specific countries. That enables us to provide businesses and financial services companies with the kind of **protection they need when involved in large, multi-year trade transactions**. Essentially, when a major political event is a factor, we insure those transaction against the risk of non-payment.

2. 2022 Allianz Trade Global Survey

Strategy 2:
Strengthen supply chains

To minimize supply chain disruption and protect your business's capability to grow securely and expand internationally, looking into different mitigation strategies may pay off well. Firstly, increasing your in-house knowledge about your business's supply chain and improving your supply chain risk management can improve your planning and help you prevent supply chain shocks. Also, increasing your business's focus on operational ESG management and ensuring to implement ESG due diligence on your business's suppliers can prevent bad surprises that could force a sudden stop in your procurement flow. Moreover, selectively building inventories for specific items could be the most stable option depending on your sector and market risks. Finally, closely monitoring your suppliers' financial health could be more important than any other initiatives.

3 How COVID-19 is reshaping supply chains.

Strategy 3: Learn from the industries that are built for disruption

Companies can insulate themselves better from macro shocks by appreciating the dynamics of more volatile sectors, such as cyclical industries.

Cyclical industries, are industries that typically perform well during periods of economic expansion and poorly during periods of economic downturn. By their nature, they have to be structured and run in ways that allow them to **respond to volatility when it inevitably comes along**.

Learning how cyclical industries such as airlines, luxury goods or real estate manage and plan for periods of expansion and contraction can be highly instructive. "Have more experience in shifting tactics or bringing in new measures to tackle such changes. Not all industries will have that kind of room to maneuver, but they should look at the **models, practices and in-build resilience** that enable an ability to ride both peaks and troughs.

Cyclical industry approaches often involve:

- **Leasing capital equipment and buildings rather than buying them.** The airline industry's is a great example. Half of the world's aircraft are leased, and the pandemic just underscored the importance of that model as customer demand has ebbed and flowed.
- **Using third-party workforces, service and manufacturing partners, with contracts structured for flexibility.** Again many airlines apply this approach to the maintenance, repair, and overhaul (MRO) of their aircraft, using specialist companies such as HAECO, ST Aerospace and MRO Holdings.
- **Anticipating large waves of both recruitment and layoffs.** Cyclical companies often use short-term contracts that offer modest base salaries but which reward employee with significant bonuses in boom times, with the understanding both job security and bonuses disappear during the downturn cycle.

Strategy 4:
Grow your business's talent pool

One way your company can support the expansion of its international trade is to increase its total addressable talent pool. And that can be achieved by **taking advantage of new workforce models.**

Our recent Allianz Trade Global Survey[2] of around 3,000 trade executives found they had **major concerns about securing access to the right skills**. Labor shortages is perceived among the top five challenges and risks in 2023 in the US, Germany and Poland.

The second most popular government policy, if the survey respondents were to decide, was the implementation of active labor policies for labor upskilling, especially among corporates in Germany, France, Italy and Spain.

2. 2022 Allianz Trade Global Survey

Mitigating risk when expanding global trade

The list of strategic approaches outlined here is by no means exhaustive, and companies are mitigating current risk factors in many other imaginative ways, including by **accelerating their commitments to digitalization and ecommerce and by optimizing cash flow and credit management**.

As those scenarios highlight, engaging in international markets can involve **significant amounts of credit, political, and currency risk** that might result in non-payment, expropriation of your assets by a foreign government and fluctuations in the value of your currency relative to the target market's currency.[4]
To mitigate those risks, companies can **safeguard their international expansion** with trade credit insurance. Trade credit insurance can help mitigate the risk of non-payment from foreign business partners and help you secure additional working capital from your financial backers to support your international expansion.

"Even when your clients have a longstanding and good payments history with your company, sometimes the only way you can get an early warning on their true financial health is knowing how well they are paying other suppliers," he says. "By coupling that with in-depth global research and country-specific knowledge of risk, trade credit insurance helps you **trade safely even when things get uncertain**."

4. How to assess country risk for international expansion.

Tips & Resources

After your extensive research process, the time has come to the decision phase. Will it be “go”, “no-go” or “not right now” for your business? Each outcome can be the right one for your business, but if you sense that you need further insights and guidance for your business’ export journey, here are a few tips.

Monitor your markets of interest

Remaining in the waiting position can be the right decision for your business right now. This is a good chance to acquire further insights about your potential future export journey.

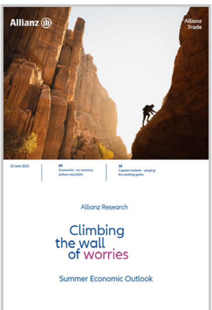
Take advantage of the various online resources and continue to evaluate your current opportunities and risks. The resources outlined in this whitepaper can help you during this process.

Tap into expert analysis publications

The global team of macroeconomists and sector analysts at Allianz Research deliver valuable insights in the quarterly Economic Outlook, the Global Insolvency Report, Global Days Sales Outstanding Report, and many other analyses of trade and business risks. Our experts’ economic intelligence, market knowledge and industry risk analysis help businesses better anticipate, analyze and respond to changes in market conditions and shape new opportunities ahead of the competition.

All the publications from Allianz Research are available to you on Allianz-Trade.com.

Explore publications from Allianz Research



Contact our local representatives

We are present locally! If you want to talk with us about your export decision, reach out to us. Our local account managers and credit specialists have strong combined experience in local markets and sectors. And they do their best to make international trade and export considerations as approachable as possible. Don’t hesitate to contact us, it is completely non-committal on your side.

Reach out to us

We hope you found this toolkit useful. Remember that Allianz Trade is on hand to support your export strategies.

Visit allianz-trade.com to contact us or get more information.