

Export to thrive, not just

SMEs can emerge stronger from the credit crunch, says UKTI London

Far from being a deterrent to internationalisation, the current economic situation provides an incentive for UK firms to seek out new markets and evaluate potential for export development, positioning themselves to take full advantage when growth returns.

No one knows how long the downturn will last, but SMEs face issues such as remaining competitive in the current market, the rising cost of importing raw materials, raising finance for capital investment, and taking advantage of opportunities for export, exploiting the reduced value of sterling against key currencies.

The perennial arguments in favour of exporting are now even more compelling. Over 95 per cent of the world's consumers live outside the UK. Exporting enables companies to diversify their portfolios and weather domestic economy changes. It helps small companies grow and become more competitive in all markets.

It is argued that SMEs, with their lower productivity, are less equipped than

larger companies to take advantage of a globalising economy. However, though globalisation has contributed to the worldwide impact of the credit crunch, it also holds a key to survival, recovery and prosperity, presenting growth opportunities to SMEs, as well as challenges. Similarly, while expanding your export base – new markets, spreading risk, reducing dependence on domestic business, creating additional revenue streams – is a sound precautionary tactic, it is also strategically progressive.

Islington-based robotics engineering firm Shadow Robot Company, is one SME using this strategy to good effect. Through UKTI's London international trade team, it took advantage of the Passport to Export scheme of practical advice and support to help it penetrate new markets.

Technical director Rich Walker explained: "Our technology was of interest to organisations in the UK, but it was clear from very early on that potential customers with money were in Europe, Japan and the USA. We were able to use the Passport to Export

scheme to support initial trips out to visit potential customers in those areas, targeting events where we knew we would get a mix of possible customers.

"That support enabled significant sales in the US, as well as raising our profile in other territories. We now see most of our business come from a range of overseas customers, and we continue to reach out abroad to events where we can expect to find new areas to exploit our key technologies. This contact also gives us insight into other customer needs that our R&D group can develop towards."

To get a company and its products and services noticed, effective research, marketing and communications are critical to business expansion.

For many SMEs, internet sales are important for revenue development. A company's website is its shop window to the world, so it should be fit for purpose. Just as a well-presented, user-friendly site can enhance business, a bad one can damage reputations and lose new business. It should be up to date, provide an accurate reflection of your product/service (in different languages, as appropriate), and be optimised so that you appear near the top of search results, driving traffic towards you.

Staff

Get the best out of your most important asset – your staff. Reduce employees' sense of relinquished control of events by getting everyone involved, so they feel part of the solution, for example set up online surveys for employees to suggest cost-cutting ideas and hold brainstorming sessions.

Redundancies can be unavoidable, but if employing new staff is a cost you cannot afford, try investing in your staff, training and developing them to improve performance and acquire much needed skills. Exporting will present various challenges to repay this investment – not least communicating in foreign languages, developing familiarisation with other cultures, or learning to handle import regulations and documentation in overseas markets.

Streamlining

Streamlining business and cutting costs are essential to making a business more resilient, but should be handled judiciously so as not to create false, even damaging, economies. Try not to economise in the areas of R&D, sales and marketing, which are dedicated to improving products/services and getting



Thailand offers exporters a fresh market

survive

them noticed. There is a strong argument for increasing marketing budgets during uncertain economic times, but there are more cost-effective ways to market a business. E-marketing is a powerful tool, literature and information can be sent direct to customers, saving on postage and printing costs. It is also a way of leading them to your website.

Most SME exporters sell to just a few foreign markets, underlining the untapped potential that exists. Look for business in emerging markets. SMEs should view the economic slowdown as an opportunity to take business from larger companies with higher costs. Use this time to your advantage and emerge ahead of the game when the economy bounces back. Act now – not just to survive in the present, but to thrive in the future.

Innovation

Essential elements in creating business growth and longevity, these aspects are even more relevant in unstable economic times. They are particularly relevant for exporters. Overseas sales can prolong product life, appealing to new markets where they may still have potential, and helping to offset the significant cost of developing the next generation of products. They will also make a company more competitive in international markets, and provide a source of learning to enhance competitiveness at home.

The pressure to innovate is the greater for UK companies that do not have the advantages of economies of scale and cost that manufacturers in Asia, for example, do. Concentrate on improvement and innovation, to distinguish your company from the competition. A well-maintained marketing and sales infrastructure are vital to keep your customers (retailers or end-users) aware.

Some commentators say current market trends may wipe out SMEs unable to compete with competitors manufacturing low-cost products. However, those that demonstrate committed leadership, the ability to adapt to changing economic conditions, effective market planning, dedication to quality and innovation, and the persistence to remain competitive are more likely to emerge stronger, more competitive and with a greater chance of long-term success and growth.

You are not alone. There are many expert organisations to which companies can turn for advice and support in tough economic times, including UKTI, Business Link, and chambers of commerce.

Postal-based gift business enjoys export success

Local entrepreneur Nico Nicholas has developed an innovative greeting card, containing a tray of cleverly packaged luxury Belgian chocolates that are ready to post

LetterBoxChocs is a simple but ingenious product, for which Nicholas has already secured intellectual property protection. It fits through a standard UK letterbox and the sender simply writes a personal message on the card, secures the package's self-seal fastening, adds an address and postage and pops it in the post box.

Launched last October, the Enfield-based company already has a turnover of more than £100,000. The product is stocked by all branches of WH Smith, and is on sale in Fenwick's, Beales and around 100 other independent retail outlets. Other major UK retailers have also shown strong interest in the product and Nicholas has appointed five sales agents in the UK to develop distribution.



In January, keen to increase export sales, which already accounted for ten per cent of the company's turnover, Nicholas approached UKTI for support. Under UKTI's Tradeshow Access Programme (TAP), the product's international launch was at the world's biggest confectionery trade fair in Cologne, ISM 2009.

Nicholas also enquired about additional export development advice, in order to raise the company's international profile and develop an export distribution network focusing on existing interest from Europe and the USA.

Following advice from London international trade advisor Mel Langton, Nicholas was able to secure a solo show support grant under the Tradeshow Access Programme. He has also signed up to UKTI's Passport to Export scheme, which provides a tailored package of practical guidance and support for new and inexperienced exporters to develop and implement an export action

plan over a period of 12 months. For LetterBoxChocs, this package will include UKTI's Overseas Market Introduction Service (OMIS), for conducting distributor searches in target markets.

Nicholas also intends to take full advantage of the recently announced package of government support for SMEs, under the Small Business Finance Scheme, to access the bank finance needed to capitalise the company's significant expansion plans.

Returning from ISM 2009, Nicholas said: "We had the smallest stand in the show – a bit like having a house in the middle of New York skyscrapers. But we were absolutely inundated with visitors. We practically had riots on the stand, and even had US big store buyers outbidding each other as to who would buy more for three months exclusivity, the latest

bid being for 250,000 units.

"We had so much interest with distributors from nearly everywhere and if we convert this into orders, we will be doing really well. Mel was right. We were also filmed for RTL news in Germany, Austria and

Switzerland, and were used as the opening statement for the show."

Langton said: "LetterBoxChocs is a highly innovative, 'born global' business that straddles both the greetings card market – worth approximately £1.3 billion per annum in the UK alone – and the sizeable 'small' giftware market, both of which have huge international potential.

"Nico has an exceptionally strong management team with an ideal blend of skills, knowledge and experience. His sights are set on achieving turnover of approximately £6 million by 2011, and he is forecasting sales of £1 million in the first full year's trading. The internet launch at ISM 2009 in Cologne has set them firmly on course to do just that, but this is just the beginning. I have no doubt there is much more to come."

For more information about LetterBoxChocs visit www.letterboxchocs.com

www.northlondonbusiness.com