



## GLOBAL EXPANSION ON A SHOESTRING

British businesses don't need to open an overseas office to start trading internationally. **Todd Cardy** reports on smart ways for companies to expand their customer base geographically without making a massive and risky investment

While international expansion and exporting are on the radar for most growing companies, too few make the jump due to steep entry prices or insufficient knowledge, or simply because they are daunted by the prospect. According to data from UK Trade and Investment (UKTI), only one in 25 British companies currently exports.

That's a shame, because the gains can be great. In addition to new revenue streams and

increased sales, research by Richard Harris and Qian Cher Li, of the University of Glasgow and Imperial College London respectively, finds that productivity soars by 34 per cent in the first year after a business internationalises.

There are a number of options for the canny owner-manager or CEO who wants to embark on overseas operations without setting up international bureaux. They include getting involved with international trade shows, hiring an agent or distributor,

tapping into networks and franchising.

'It's not easy though,' warns William Chase, the founder of Tyrrells Potato Chips and Chase Distillery – two companies that have grown significantly by exporting products without setting up overseas offices.

'Nowadays, people think they will go abroad and suddenly have massive exports, but it takes years and years to build,' he adds. 'The key is: the sooner you actually get on that train, the sooner you actually have something.'

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#### MARKET RESEARCH

Clive Drinkwater, the North-West director of UKTI, agrees, saying that the first step for businesses planning to export should be to arm themselves with knowledge.

UKTI is one of a number of private and public sector organisations that provide market research services ahead of entry. Many will help hopeful exporters understand key issues such as whether to sell via agents (who take a commission) or distributors (who buy the product first before selling on), the legal requirements and how to protect intellectual property.

'First understand where the markets are and the requirements, and where the product or service fits,' Drinkwater advises. 'It can save you a lot of money and heartache in the long run. It's the five Ps: perfect planning prevents poor performance.'

Chase selected trade shows as his first export path. The entrepreneur, who founded Tyrrells in 2002, explains that he used the services of former quango Food for Britain, which has since been shut down, to meet international distributors and networks.

Contrary to Drinkwater's advice, Chase says he didn't do much research on potential export markets, preferring to focus on meeting people to assess partnership suitability. 'It's best to link up with small people who take ownership of your brand and who want to build the business with you,' says the former farmer. 'If you plant the seeds into different countries, most will flourish, while a few might take some time to grow.'

As an example, Chase points to his efforts with Tyrrells in France, where the business started selling crisps in 2002 but didn't earn more than £1 million in sales until 2007.

Also, expect the unexpected. 'With Tyrrells, [our best country] was Greece, but when I went out to export I thought Greece would be the last country we'd ever be exporting a lot to. Another was Russia, which has also grown steadily.'

#### SMOOTH OPERATOR

Initially, Bulldog Natural Grooming followed the distributor path when the skincare products maker began exporting to Sweden in late 2009 after launching in Britain two years earlier. Its organic toiletries products can now be found in supermarkets across the UK, Sweden, Finland, Norway, the US and Japan.

Co-founder Simon Duffy says he and partner Rhodri Ferrier wanted the first overseas venture to be done 'in a careful way', choosing Sweden because the country is close to home, male grooming is popular and natural ingredients are understood.

After attending a few UK trade shows, the two met a husband-and-wife team who offered to distribute their products. Duffy remembers feeling nervous about the arrangement at first. 'In the UK, it is 100 per cent hands-on – we do everything ourselves. So that was the most nerve-racking thing about launching in Sweden for the first time. It was a leap of faith.'

Bulldog's entry into the US followed a different path: a buyer approached them.

Duffy explains that Bulldog had been selling well with US retailer Whole Foods in London when a buyer from the Texas headquarters rang the pair in April 2008 to ask if they would consider supplying stores on the other side of the Atlantic.

'It is a very fortunate position as a small brand if you've got a big retailer asking to list you, but at that time we were just very focused on the UK, so we turned him down, saying that, while we were very flattered, it was just too early to do America.'

'When he came around to thinking about new products the following year, he got back in touch, and we thought, "Sweden is going well, let's give this a go."'

Bulldog launched in Boston in May last year, and now supplies a number of stores in the US with retail partners Whole Foods and Urban Outfitters.

#### TOE IN THE WATER

Nic Brisbane, partner at venture fund DFJ Esprit, says in choosing potential export markets, 'the smart way' is to test the water first. 'If there is enough demand for your product to justify an office then you should be able to make a few sales using the phone and make a few trips by aeroplane, which will also help you get to know where in the country you should locate your office.'

Brisbane adds that one tactic is to use commission-only representatives, or agents, as a way to break into a new market, but he warns entrepreneurs to watch out for people who seek a retainer. 'Given that they aren't

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cannibalising your existing business, you can offer them a big cut in the early days,' he says. 'You should plan to give them support, though, and figure on either moving them to employee status or ending the relationship if the new location starts to take off.'

#### THE FRANCHISE ROUTE

Neil Waller and James Street, co-founders of MyDestinationInfo.com, took another avenue, requiring even less investment. They franchised their online travel information business around the world.

The former University of Bath students, who left in their final year to launch their first website, MyMarbellaInfo.com, in 2008, initially attempted to grow by employing a content producer in Portugal's Algarve region.

However, Waller says the experience was a 'nightmare'. 'That is when franchising dawned on us,' he continues.

Over the next year, Waller says they would 'camp out' in target cities to build each respective website, as well as the supply and advertising channels. Then they would advertise locally for an interested franchisee.

It was slow in the beginning – by the second year the business had expanded to just three destinations. When they launched the fifth, they approached franchise consultants for advice on how to formalise all the deals that had been made.

Waller says the pair no longer have to set up each website, and each franchise advertisement has about ten enquiries. With annual turnover of about £1.5 million, the business has grown to 85 franchises, each featuring a destination, and in total attracts 750,000 unique visitors each month.

'We have a long way to go,' he says, adding that the US is on the horizon, 'but we love what we are doing, we are passionate and we are planning to triple [in size] this year.'

#### GRAPE EXPECTATIONS

New to the export market is Soul Tree, which was founded by Oxford University's Saïd Business School graduates Alok Mathur and Melvin D'Souza in April 2009. The business imports wine made from grapes grown in the Nasik region of India into the UK, and exports to continental Europe.

In September 2010, the wines became available in Berlin, and are set for a Paris launch. Soul Tree will trade between 20,000 and 25,000 bottles of wine by the end of the first year, with plans to more than quadruple within two years. A 'big order' for the US is currently being negotiated.

Mathur says tapping into the pair's network of contacts has been the 'most valuable asset' for the business, which is linked to entrepreneur network TiE.

'The world has become so small today that with a little bit of work, you can find primary, secondary and tertiary contacts in almost any country in the world,' he comments. 'We have leveraged those contacts and got them to work for us to find potential business partners – that is how Germany and France worked for us, and why we have the connections we do in the US.'

'In the absence of those, we would be spending a huge amount of money and resources flying to these destinations and probably camping out there. We just can't afford to do that – having contacts bypasses all that effort.' ■

#### TRADING PLACES

Expanding globally entails dealing with a number of issues that a business will not have had to face before, such as customs controls, cultural nuances, currency issues and language barriers.

Not least among these concerns will be finding the most appropriate distribution channel for the company's goods. A business may have the best product on the market, a superb marketing strategy and access to a wide range of customers, but if it lacks an efficient supply chain then it will struggle to successfully enter new markets.

Setting up new distribution channels for each new country you move into can be time consuming and expensive. You'll also need to have services that meet your specific needs, as the urgency of each shipment can vary. There is no point paying for a next-day service when it's not important to your customers.

At FedEx, we are seeing increasing demand within the Asia-Europe trade lane. The economies of India, China and smaller Asian nations are still booming and offering significant opportunities to UK-based companies. Distribution channels to this region are strengthening and it is certainly an area that SMEs thinking of expanding internationally would do well to explore.

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