

Moving A to B:

the logistics of exporting



IS EXPORTING PART OF YOUR BUSINESS PLAN? ARE YOU CONTEMPLATING FOREIGN MARKETS FOR YOUR PRODUCT OR SERVICE? OR PERHAPS YOU'RE WORKING WITH OVERSEAS CLIENTS OR SHIPPING ITEMS INTERNATIONALLY BUT DON'T THINK OF YOURSELF AS AN 'EXPORTER'? (IT HAPPENS.)

Exporting can rocket your business into new, lucrative markets, and offers the opportunity for big profit margins. It involves a new set of business skills and understanding of exporting jargon, and there are cultural and language issues and a different level of business challenges. So given these challenges, why would someone choose to export?

The number one reason: for growth. New Zealand is a small market with limited growth prospects. Your product or service might be more marketable overseas. By having more than one market, you're insulated against downturns in any one market. You would also be supporting New Zealand's trade deficit and earning foreign currency.

We talked with two exporting specialists passionate about helping small and medium New Zealand businesses get involved in, and profit from, exporting.

David Catty, the International Manager at the Auckland Chamber of Commerce, was an inaugural member of the Export Institute more than thirty years ago and at one time was National Vice President. Catty has held key export-related positions in the forestry industry as well as fourteen years as General Manager Marketing at Ports of Auckland and General Manager at the Port of Wellington. His last contract was setting up a new Export Marketing service specialising in Korea with offices in Auckland and Seoul.

We also talk with Glen McLuckie, Managing Director of MARCH Logistics, a freight forwarder who helps small and medium New Zealand businesses trade internationally. McLuckie is an expert at the practical nitty-gritty of how to move products from A to B.

How easy can it be to take a successful product or service overseas?

CATTY: If you've done your homework and identified a market – and you're price, quality and delivery-competitive – it can be quite straightforward.

From a logistics perspective is it relatively simple for small or medium-sized businesses to get into exporting?

MCLUCKIE: Fundamentally, the act of exporting your product to another country is similar to shipping to someone in New Zealand. The difference lies in the mode of transport and the Customs requirements here and in the destination country.

How does exporting relate to a company's core business?

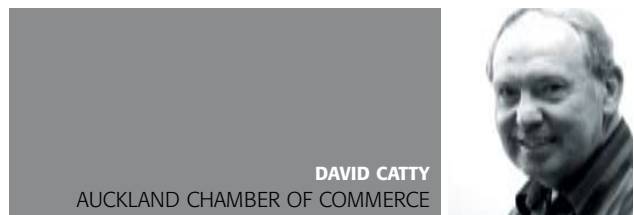
CATTY: If your decision to export is not regarded as part of your core business, it's probably doomed to mediocrity at best. Going into export must be a strategic decision, based on a compelling business reason. Any decision to be involved in exporting will inevitably require a long-term perspective to be successful. It will also require the commitment of resources. Short-term fly-by-night approaches will suffer the same fate overseas as they would if applied to your domestic business.

What do you think is the key factor that suggests a company is ready to begin exporting?

MCLUCKIE: The business owner. Exporting is taking a step into the unknown. A number of successful start-ups have begun with exporting as their core focus and built their business around this. The business owner decided from the outset that this was the path they would follow to make their business successful.

What kinds of products make great items for export?

CATTY: The areas of opportunity are very broad. The world is hungry and New Zealand is brilliantly positioned to increase its exports from the food sector. Indeed, the world is thirsty and enjoys our wine, beer



DAVID CATTY
AUCKLAND CHAMBER OF COMMERCE



and other beverages. However, increasingly we are finding niches in such areas as fashion and processed wood (adding value in the timber industry). Importantly, we are also exporting services – such as contracting engineering, movies and IT software.

The growing consumerism in, for instance, emerging Asian markets provides opportunities for almost any product – particularly if it has a point of differentiation which can't be replicated using cheaper labour elsewhere, (for instance Phil&Teds recently won an award for innovative exporting, making sophisticated baby buggies in a shed behind the house in Lower Hutt).

Is exporting becoming more popular in your opinion and if so, why do you think that is?

MCLUCKIE: The media have definitely been putting exporting in the spotlight due to the Government's aim to increase New Zealand's long-term export performance. The high exchange rate has been one of the biggest challenges established exporters have had to face.

I've seen some New Zealand businesses lose out on a significant amount of trade to other countries over the last five years due mostly to the exchange rate climbing from 0.4 to 0.7 against the US Dollar. Essentially, the cost to the overseas buyer either climbed by nearly 75% or the New Zealand exporter's profit margin was severely eroded.

It strikes me that currently the most successful exporters are the 'new' businesses who offer quality products and strong brand marketing, or alternatively businesses that have been exporting for the last twenty or thirty years with a product that's well regarded in overseas markets.

Has the internet, specifically e-commerce and the ability to sell online, created 'accidental' exporters?

CATTY: I've certainly come across examples of this and it's a relatively new feature of the export scene. In fact, I was recently talking with a Chamber member who was offering online services from New Zealand and receiving orders from overseas. When I referred to him as an 'exporter' he was quite taken aback, never having seen himself in that light, but was then justifiably proud of himself!

How different is exporting now from a few decades ago?

CATTY: Completely different. Until the Export Institute was established

and initiated training and educational schemes, and encouraged networking, we all had to learn by our mistakes. And we were often out there overseas on our own with no communication except international cablegrammes and occasionally phone.

Now the contrast is dramatic – exporters are no longer regarded as pioneers, while the services available to export have become far more user-friendly and sophisticated. There is an abundance of training and networking opportunities, such as those we offer at the Chamber, so no-one needs to go out into export markets unprepared or without support and advice.

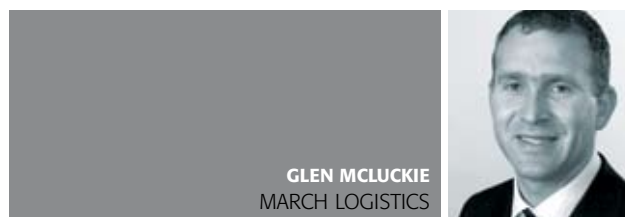
Glen, briefly take us through some of the details of freight forwarding. Like shipping versus airfreight...

MCLUCKIE: As the weight or volume of your cargo increases, different methods of shipping become more cost effective. For commercial shipments up to around 10kg, courier is the best option. The 10kg breakpoint varies on the distance travelled – generally the shorter the distance, the greater the weight you can ship via courier before airfreight becomes more cost-effective. Believe it or not, airfreight can work out cheaper than seafreight, depending on the distance the goods will travel.

Seafreight allows large volumes of cargo to travel the world with considerable savings on shipping costs. Options range from LCL (Less than a Container Load), 20' General Purpose Containers, 40' General Purpose Containers through to special containers to address different needs such as reefers, flat racks, high cubes and so forth. Seafreight has one possible disadvantage – time. If your customer needs something urgently, the choice of airfreight is a simple one.

Packaging and labeling?

MCLUCKIE: Good, solid, secure packaging is a must. Regardless of how the cargo is sent, multiple sets of hands and machines handle your cargo in transit. The extra cost in packaging is offset against your client receiving the cargo damaged and you in turn having to send replacements. Make sure cargo is clearly labelled and any previous



labelling is removed. Cargo can't talk if it goes missing so make sure there are clearly identifiable instructions of where the cargo is going and who sent it.

Also, consider the requirements of the destination country the cargo is being sent to and their MAF-equivalent department. Many countries now have specific requirements as to what types of packaging can and can't be used.

Customs and security?

MCLUCKIE: Customs are involved no matter what the level of exporting. Ideally, you would employ an experienced Customs Broker (most freight forwarders have a Customs service) to get specific advice on your product or products. Security considerations will have an increasingly significant impact on shipping in the future. Again you want to get expert advice.

What about cost versus speed versus safety – or 'risk'?

MCLUCKIE: You need to consider how much risk is acceptable to your business when shipping versus how much money you want to save. For example: if shipping line A is \$2,000 and shipping line B is \$2,750 you might think the decision is straightforward. The first consideration should really be the transit time that is acceptable to you and your client.

Here's why: line B may be a direct option that will take 25 days. However, line A may be a transship service that takes 30 days. On

top of this, the transship port may be suffering delays and backlogs of cargo and be offloading cargo so the transit time becomes 37 days. The question then would be, is \$750 worth paying versus a potential two week longer transit? This is where an experienced, knowledgeable freight forwarder can really help find the option that works for your business.

And the issue of prepaid versus collect?

MCLUCKIE: I am asked about this a lot! The simple answer is, the more of the freight bill you pay, the more control you have over how the shipment is shipped. However, the greater the control, the more risk you accept in the event of loss or damage. In reality, neither way is better than the other and it depends on the situation as it applies to each individual business. Whatever you do decide, make sure you agree to the Incoterms documentation governing the shipment and that this is included in your contract of sale.

Exporting changes your potential market from 4 million people in New Zealand to 6 billion people worldwide! If you're a little tentative about making the leap into exporting – do like others do, take advantage of courses and other available resources and enlist the help of an experienced international freight forwarder. They are already dealing with other like-minded export businesses and have the resources available to help you grow.

Article by Flora Kennedy

Freight forwarding checklist

So you're thinking of starting to import or export? This checklist will help you get started. You might want to use it as a basis for putting together your overall freight plan with the help of an experienced freight forwarder.

Or, if you're already exporting (or importing) and things aren't working the way you expected, use this as a back-to-basics checklist to see what needs attention.

- Do we have a New Zealand Customs code?
- Will joining the New Zealand Customs deferred payment scheme be helpful if we're also importing?
- Do we know if duty is applicable and the amount of GST we will have to pay if importing?
- Are there any applicable concessions for our goods?
- Have we attended to any MAF requirements?
- Does our product need to meet any other government or industry regulations?
- Have we agreed in writing with our client or supplier as to the Incoterms applicable to our transaction?
- Have we agreed with our client or supplier the type of packing

and labelling that will be used? Have we remembered that wood packaging needs to be fumigated to the required standard?

- Have all relevant security requirements been met?
- Does our cargo have any special requirements?
- Could our cargo be classified as 'dangerous goods'?
- Has adequate insurance cover been arranged in the event of loss or damage?
- Have we agreed as to the method of shipping? Does it meet our end customers' requirements?

Discuss with your freight forwarder:

- Is the product supplier able to produce paperwork suitable to our requirements – origin and destination government, Customs and bank requirements?
- Are there any special bank requirements with regard to payment?
- Should we consider a bank account in a foreign currency?
- Do we have the full details of our overseas contact, including the address for delivery or pick up of the goods?

Courtesy of MARCH Logistics © MARCH Logistics (NZ) Ltd