

FINANCING EXPORT MARKET DEVELOPMENT

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Many governments have export financing schemes for manufacturers, but few offer any assistance to service exporters (other than capital project financing). In order to act on potential niche market opportunities, you need to have the financial resources to move quickly. At the same time, developing credibility in a market abroad takes time and often requires two to six visits to the market before you get a contract. The two biggest financing challenges you will face are *foreign travel* and *export project cash flow*.

Because of the need to travel abroad in order to build networks and establish credibility, most service firms find financing foreign travel a particular challenge. Hopefully, your firm will have corporate credit cards that can be used to charge travel expenses so that you do not need to use your personal credit to do so. Here are several strategies you could consider to help with financing travel abroad:

- Choose target markets close to places that you normally travel so that you reduce the additional air fare that you need to pay.
- Combine export market development travel with attendance at important conferences and trade events abroad so that you do not incur two separate expenses.
- See if you can get financed to go to conferences or meetings near or in your target market in return for providing a report to the financing organization.

In some instances, winning an export project is the easiest step. Particularly if you are involved in projects funded by international financial institutions (IFIs), there may be a requirement to fund initial stages of equipment purchase or travel before you can invoice the funder. Here are several strategies that may help you with cash flow:

- See if your banker will provide you with a working capital loan specific to the project you need to finance, secured by the contract itself.
- If you need to acquire project equipment, see if the funder will pay against a purchase order (rather than a paid invoice) so that you do not have to use your own funds.
- If you have subcontractors whom you need to pay, negotiate terms with them such that you do not need to pay them until after you have been paid by the funder.