

Expand Internationally in the Credit Crunch – Shrink or Expand – Why not do both !

There's no denying it, times are tough globally, with the exception of a few fast moving consumer goods (fmcg) companies, most are feeling the pinch. So when posed with any suggestions about expanding these are considered by many managers as taboo. But why?

As the saying goes 'every problem is an opportunity' so it's time for management to take advantage of the current economic climate and shrink down the areas of their businesses that are under-performing and take a long hard look at improving their cash position. This is not just to target manpower but take close scrutiny of the product and services portfolio, get rid of the dross and focus on the winners.

Once the balance sheet is in good shape and is sustainable then it's time to review the market strategy and consider areas for expansion. There couldn't be a better time than right now to consider international expansion as Sterling has dropped against many foreign currencies over the last 2 years making our UK offerings so much more competitive and really attractive to import. For instance the £ is now worth about 157 Japanese Yen versus 248 (that's a massive 37% cheaper our offerings are today compared with 2 years ago). Likewise, China at 26%, Singapore at 22%, Taiwan at 17%, Euro at 22%, USA at 18% and so on.

Another reason to consider going global is scale of economies associated with volume sales. We are a relatively small population of 61 Million so we have a smallish market to saturate, whereas Japan is twice our size and China is huge at 1,33 billion with many more countries populous overshadowing us.

However, breaking out of the UK can have its' pitfalls as well as being very lucrative. If your plan is to expand into Asia then careful research will need to be done on which Asian markets may best suit your offerings, what changes you will need to make to your product or service and what challenges you will face. Fortunately, there is a lot of help available with regard to export services and international trade services to guide you in the right direction but be careful with your budget. Don't go overboard by initially recruiting expensive international managers or setting up offices overseas, rather bring in some experts who have done this many times before to help and advise you through the set-up stages, take a look at www.expandinternationally.com you may be surprised at the help available!

By being strategic you can shrink and expand at the same time !

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Note: exchange rate comparisons taken from www.oanda.com historical rates comparing rates as of July 1st, 2007 and July 1st, 2009