

8 Benefits of Exporting For Small Businesses

Small and medium-sized enterprises (SMEs) provide the majority of jobs in developing countries, yet they have low productivity and exports. International trade can spur the growth of SMEs.

International trade has traditionally been viewed as an economic activity that mainly benefits large companies. However, a growing body of research suggests that exporting may offer substantial gains for smaller firms as well. Exporting allows firms to reach bigger markets and learn new skills that increase their profitability, and raises consumption for firm owners, workers, and their families.

SMEs employ a large proportion of the labour force in developing countries. Compared to large firms, however, few SMEs export – direct exports represent just 3% of total SME manufacturing sales, compared to 14% for large enterprises (World Trade Organisation, 2016).

Recent research has found that exporting provides important gains for small firms. An innovative project in Egypt found that exporting raised rug firms' profits by 26%, with similarly dramatic rises in productivity (Atkin et al., 2017). By learning new skills from intermediaries and foreign buyers, exporting firms increased the quality of their products as well as their efficiency.

1. Exporting benefits small and medium-sized enterprises (SMEs) and their owners by increasing profits.

The profitability of small firms increases by 26% when they are given the opportunity to export to sophisticated foreign buyers. The families of the exporter also benefit as a result of higher household incomes, which is reflected by a 24% increase in household meat consumption.

2. Small firms can learn important new skills from exporting.

Knowledge and skills are transferred from buyers and intermediaries to domestic firms when they start exporting. International trade thereby generates lasting productivity gains for SMEs that would otherwise not be realised. This increases the overall gains from trade and justifies increased trade facilitation.

3. Reducing the costs of matching domestic firms with foreign buyers or sellers would boost trade.

The cost and time involved in finding foreign customers and starting an initial trade relationship makes up a substantial proportion of trade costs. Reducing these costs should be a key policy goal for governments and

export promotion agencies hoping to increase the growth of SMEs and push SMEs into global value chains.

4. Higher Demand

Your country's heritage, story or reputation can be a real selling point when trading overseas. For example, 'Brand Britain' is still a big deal in some countries, so the phrase 'Made In Britain' can give certain types of product an edge over similar items made elsewhere.

5. Diversify Risks

A wider geographical spread lessens the impact from local downturns or disasters.

Sometimes the domestic markets come under threat of natural calamities, political crisis, or economic slow down. In such cases, if the business is solely depending on a single domestic market, the business suffers drastically and in most cases need to be closed down.

Exports help you to diversify the risk of markets, and your business can survive despite of domestic issues, as some of the other markets in the world will be thriving at the same time.

6. Lower production costs

Increased sales should translate to lower manufacturing costs as you can order in higher quantities.

China is a great example of producing on a very large scale, and as a result reduce the cost of entire product. This makes it possible to offer the product in a competitive rate in the market and win more clients.

Thus economy of scale can be achieved by leveraging the market size, by exporting your product.

7. Education & Innovation

You will be exposed to new and different ways of doing things, new technology etc. This will lead to better products and services.

This is very important for your personal as well as organizational growth. As a person, you will experience a completely new level of thinking and new perspectives to look at the life as it comes.

As an organization, it will help you to thrive by getting inspired by the best practices in the international market. This will automatically result in bringing best out of your team, giving you a high competitive advantage in your domestic markets.

8. Increased Lifetime of Product

You can circumvent the standard lifecycle of a product (launch - growth - maturity - decline) by staggering the launch in different locations. So, as the product reaches maturity at home you can launch elsewhere.

Some of the products that may be obsolete in your domestic market, might be still in high demand in another markets. Good example of this are technologies used in advanced countries, are still a great selling product in the developing countries.

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