
Export Company

A new firm type called “Export Company”

Functional Units

It will have the following functional units:

- Purchasing Unit
- Export Unit
 - It will set the export distribution price.
- Inventory

Export to countries all over the world

Each overseas country will have a competitiveness rating.

It will lists all major countries in the world, including the US, Germany, France, UK, China and etc.

Typically, the larger the market, the higher the competitiveness rating, which means tougher competition.

Types of Export

There are 3 possible ways to export your products:

- 1) Set up a wholly-owned overseas subsidiary to market and sell your products in an overseas market
- 2) Form a joint-venture with a local company to market and sell your products in an overseas market
- 3) Let local companies do the entire job of marketing and selling your products in an overseas market. You will just make your products available to them via your export company.

Find a local partner in an overseas market

- 1) Find a business partner that buys the goods from you, and market and sell your products in the overseas market for you.

Joint Venture

- 1) To form a JV, you will have to make an initial investment upfront.
- 2) Joint venture – you partner with a local company to form a JV. You will have to inject capital into the JV, which will use the fund for marketing and set up sales and retail infrastructure to sell your products.
- 3) After that, you may inject new fund to expand the JV and increase its marketing capability. This will increase your products’ brand ratings in overseas market.

- 4) The cash reserve of your JV will be displayed. When you inject cash, the cash reserve will increase. Your partner may or may not invest at the same time as you. If they don't, your equity share in the JV will increase.
- 5) Your partner and your share percentages in the JV will be displayed.
- 6) If your share percentage is too high, your partner may lose motivation to work hard to promote your products, and it may behave more like a direct subsidiary.
- 7) The advantage of using JV over a direct subsidiary is that a local partner has expertise in local market and the expertise can instantly benefit your products.
- 8) It will display the "Marketing" expertise value on the JV's display.
- 9) Profits from JV: besides making profits by selling products to JV, when the JV makes profits, the profits will be kept in profit reserves account. You may request the JV to issue dividends using cash from that account. If you are the majority shareholder (>50%), you may make the decisions without getting the consent of your partner.

Direct Subsidiary – marketing office

- 1) It is similar to JV, but it is entirely funded by you. And it won't have any expertise in the beginning.
- 2) The "Marketing" expertise will grow slowly over time.

Pros and Cons

Pros for using JV: instant "marketing" expertise

Cons for using JV: less control, lower profit margin due to profit sharing with the JV

Income statements of subsidiary / JV

Sales

Costs of goods sold

Operating Expenses

Marketing Expenses

Information about Export

- 1) The brand ratings, and overall ratings of your export products in the overseas markets will be displayed.
- 2) Your products' market shares

Note: it won't show your products' selling prices, as it will be based on the prices you sell to export.