USAID
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SOUTHERN AFRICA
TRADE
+INVESTMENT
HUB

LIFECYCLE OF AN EXPORT DEAL

From 2016 – 2022, the USAID Southern Africa Trade and Investment Hub (USAID TradeHub) supported firms in Southern Africa to export to South Africa and the United States. Throughout its implementation, the program has supported export deals at different stages and has learned of the various success and challenging factors to successful export deal closures. To visually depict the lifecycle of an export deal, the program studied successful and failed deals that originated from four sources: tradeshows, buyer missions, business-to-business (B2B) linkages established by an intermediary such as a trade promotion service provider (TPSP) or the USAID TradeHub, and deals prospected independently by export firms.

STAGES AND AVERAGE DURATION IN THE LIFECYCLE OF AN EXPORT DEAL

I. LEAD GENERATION

During this stage, export (supplier) firms prospect (seek) and aim to secure a lead or interest in their product from import (buyer) firms in the target market.

Export deals originating from tradeshows

In deals originating from tradeshows, the lead generation consists of export firms showcasing products to potential buyers in an exhibition location. The USAID TradeHub supported firms' participation in large international tradeshows such as the Summer Fancy Foods Show (specialty foods), Africa Big 7 (food and beverages) and South African International Trade Exhibition (SAITEX; multi-sector). Prospecting was preceded by target market intelligence activities (such as market intel research and workshop sessions with export firms) to support the export firm in their prospecting and to eventually secure interest in their product. At tradeshows, export firms are expected to have a clear narrative of their product offering, samples, branding, production capacity, and an understanding of the target market. This stage, which includes preparatory work for participation at the exhibition, prior market intelligence, promo blasts, and research can take between **three and six months**.

Export deals originating from buyer missions

Export firms (suppliers) are visited by one or more buyers at their facilities for buyers to get an understanding of the product offering, the firm's background, production and supply capacity, ground-truth claims, and to establish a rapport. In some cases, suppliers undertake visits to buyers or send samples as part of the buyer mission. The USAID TradeHub has supported firms to participate in both physical and virtual buyer missions, where the latter is characterized by having the USAID TradeHub support the firms to join online Zoom or Microsoft Teams meetings on video and showcasing their firms and products. Prospecting takes place through the export firm showcasing their offering to the buyer, typically at the exporter's facilities, or through video-meetings. Securing the lead is influenced by the impression of the buyer during the physical or virtual visit. This stage, which includes itinerary preparation, sampling, acquainting the firm with the digital platform and readying their presentation, may last **between two and four months**.

Export deals originating from B2B linkages between firms facilitated by an intermediary (TPSP or the USAID TradeHub)

The intermediary introduces the exporter to the buyer either in person or virtually. Prospecting takes place by the intermediary as they establish the connection between the supplier and potential buyer. Communication and initial trust building between buyer and seller is supported by the intermediary at the start, but the parties continue exploring interest independently. Ahead of the introduction, the firm is expected to refine information to be buyer-ready; a facilitator (TPSP or USAID TradeHub) supports the export firm's efforts to present their product offering in line with buyer requirements. Formal introduction of a supplier to a buyer should only take place once the export firm has been prepared, as unprepared suppliers lead to buyers losing interest. This stage may last **two to two and a half months**.

Export deals originating from independent prospecting by an export firm

Firms explore leads independently, and therefore the time required varies due to sector requirements, export firm readiness and sale/prospecting channels engaged to prospect and secure a lead. Prospecting can range from "cold emails or calling", to using platforms on which exporters can meet potential buyers. In the USAID TradeHub experience of supporting firms, this stage may last between **two and four months** and includes follow-up after initial contact has been established.

LEAD CONVERSION

During this stage, firms pitch specific product offerings to buyers, that could lead to a deal proposal. Firms also assess whether they meet the required standards or entry requirements of the export market.

The successful conversion of potential leads into deal discussions (not yet closure), is subject to the exporter having secured buyer interest and verifying whether the export firm meets target market entry requirements. Irrespective of how the deal originated, the conversion stage may include all or a subset of the following sub-activities:

1. Ensuring export firm meets target market requirements for products. This includes compliance such as U.S. Food and Drug Administration (FDA) and compliant packaging and labelling. This step may last **three to six months.**
2. Buyers will conduct due diligence and background checks on the export firm. This may last **six** months.
3. Exporters may investigate applicable target market trade preference programs which affect products to be exported (such as to the United States under the African Growth and Opportunity Act, AGOA). This may last **a week.**
4. Exporters may send product samples of proposed products in the prospective deal. This may last a month. Buyers may need to do own product testing after receipt of samples: this can include products being adapted or refined, packaging modified, and private label prototypes developed and agreed to, etc., which adds **another month to the process.**
5. Discussing product transport, shipment, and related logistics as inclusive/exclusive in the ensuing deal proposal. Very often, this may lead to deal success or failure. The buyer and exporter discuss and agree to which aspects of the product transport, shipment, and related logistics (e.g., warehouse storage and distribution in target market) each would be responsible for. For example, if a buyer is not acquainted with importing products, the supplier might take the lead on delivering the products and spur on trust with the buyer as other suppliers may not be willing or able to do this.
6. In compiling the deal terms, the exporter starts structuring the offer by detailing the proposed product consignment in terms of product range, quantities, value, and other sale terms. The exporter responds to queries and further requests for information, including lead times, delivery schedules, delivery options and suitability of proposals by the buyer. This usually takes up to **two weeks** and is an important part of the start of negotiations.

Depending on which of activities 1-6 were undertaken, this stage may last **between six and 13 months**, if not longer for first-time exporters.

2. EXPORT DEAL CLOSURE

During this stage, deal closure is subject to how well the negotiation and discussions go between buyer and exporter after the deal proposal is issued. Irrespective of how the deal originated, the deal closure stage may include all or a subset of the following sub-activities:

1. After receipt of the deal proposal, the buyer reviews and prepares questions for the exporter on the deal terms.
    1. In several cases, the buyer and exporter have jointly established the terms of the deal during the previous stage (lead conversion). This is advisable as it shortens the negotiation steps and reduces deal closure delays significantly.
    2. In other cases, the buyer may expect a proposal independently developed by the exporter, which they can discuss and negotiate.

   The negotiations may include pricing, quantity/volumes, product range, packaging, and International Commercial Terms (incoterms; a set of internationally recognized rules that define the responsibilities of buyers and sellers in export transactions) and are estimated at around **one month**. If the supplier is not ready, this may take longer.
2. If a tentative understanding is reached, the buyer may request samples. Typically, this is where the bulk of the work is done, unless the product is off the shelf (i.e., no special development required). This may take **two to three months** as product development and packaging commences and there is discussion on the sample. More time may be required if more samples are required (i.e., for tasting/testing) and subject to the procurement processes of large retailers.
3. In cases where the exporter issued product samples, the buyer may review the samples along with the structured deal proposal to also prepare questions on quality of the products.
4. The exporter ensures that all requirements (such as certification for food safety in case of food product exports) are in place. This includes ensuring product testing and that batches to be shipped are within the accepted export standards.
5. Product transport, shipment, and related logistics are undertaken. The buyer and exporter discuss and agree to which aspects of the product transport, shipment, and related logistics each party is responsible for.
    1. In cases where the exporter is unable to pay for aspects of the transaction, the exporter may seek trade finance, which can further lengthen the deal closure stage.
6. The export deal is finalized, and the purchase order issued.

The deal closure stage may last between **six and 12 months**.

SUCCESS FACTORS

LEAD GENERATION

1. Using the most appropriate sales channel or prospecting platform is key to generating leads. Firms should therefore first understand their target buyer and their preferred, most active or relevant platform before engaging on any platform to meet prospective buyers.

2. With the rise in conscious consumerism, buyers are increasingly approaching sellers that "have a story" behind their products and that engages different (often marginalized) groups such as women, youth, differently abled in their supply chains. Leads are often generated from buyers who are interested in products and firms with "authentic stories".

3. Export firms should conduct market intelligence activities (research) before engaging any sales channel or platform to generate leads. Especially in the case of tradeshows where several buyers may be present, export firms need to have insight on their destination market and consumer preference.

4. Having high quality marketing material helps establish the prospecting firm as a credible and serious potential trade partner. Generating leads are supported by having product information available through high quality marketing materials both physical (print) and digital.

5. Export firms should be transparent and avail information to prospective buyers at their request. The earlier more information is available, the quicker a lead or interest can be established. Additionally, the more information is known about buyer requirements and the supplier capabilities, the better matchmaking can happen in the lead conversion stage.

6. Trade enhancing services, such as support to attend tradeshows, introductions during buyer missions and sharing the cost to feature in e-catalogues – assists Southern African exporters to increase their exposure exponentially. The USAID TradeHub provided trade enhancing services that enabled Southern African export firms to participate in international tradeshows and buyer missions, and featured firms in sector-specific e-catalogues that reach niche markets.

LEAD CONVERSION

1. After buyer interest is secured, export firms should ensure consistent communication with the buyer, especially as the firms prepare the deal proposal.

2. Samples shipment helps buyers get an appreciation for the product proposed in the deal. The buyer can assess the quality of the product – if they have not yet done so during the lead generation stage. Samples shipment also gives exporters and buyers an understanding and appreciation of the logistics and planning required when the full consignment is shipped in future.

3. Meeting target market certification and other compliance requirements help expedite the firm's finalization of the deal proposal. Firms should timeously prepare different applications for target market entry requirement compliance. The USAID TradeHub has supported firms to obtain required certification and target market entry compliance by cost-sharing; TPSPs can achieve the same through cost-share arrangements with their export firm members to obtain the required certification and meet other compliance requirements.

4. Having prior export experience is not a requirement but does contribute to an export firm's understanding of a buyer in the target market, and the duration of deals. It also gives the firm an appreciation of the various compliance requirements of the target market.

5. Employ digital means to fill gaps where physical meetings are not possible. For example, the use of video meetings for virtual factory visits or showcasing products to buyers, in case follow-up visits are not possible.

EXPORT DEAL CLOSURE

1. During negotiation, export firms should have realistic pricing expectations, and should ideally have worked with their prospective buyer during the lead conversion stage to discuss the different terms of the deal, including quantities and values.

2. Consistent communication and transparency are key in the negotiation stage.

3. Firms who can access trade finance are able to pay for aspects such as product shipment and other logistics costs.

CHALLENGES

LEAD GENERATION

1. Matchmaking of firms is challenging when buyer needs, and preferences are not well known. These requirements often emerge as part of a courtship process between the buyer and supplier in a series of trade-offs between the parties in the negotiation process.

2. Lack of product photos, professional product brochures, and company profiles delay timely information sharing requested by buyers. If a buyer showed interest, the supplier should provide the requested information quickly to maintain the interest in the prospective supplier.

3. Lack of digital skill hampers effective participation in all online sales / prospecting channels, including virtual tradeshows and virtual buyer missions.

4. Targeting and finding the right buyer who understands Southern Africa dynamics. Import / buyer firms often do not understand the challenges in the region and may not have the necessary skill or interest to take discussions beyond lead generation stage.

5. There is limited support by regional trade and investment promotion agencies to support buyer missions, trade shows or other arrangements that allow for buyer-seller linkages. In the USAID TradeHub experience, these platforms allow for significant exposure to leads for export firms.

LEAD CONVERSION

1. Suppliers tend to lose interest and responsiveness deteriorates when they lose confidence in their ability to meet the buyers' requirements. Resilience is required to navigate through the process and communicate in the face of adversity. Additionally, having a trusted intermediary such as a TPSP provide the necessary support to navigate the challenges, will assist the firm in staying the course.

2. There is a myriad of issues that can go wrong or changes that can happen during the lead conversion stage. Parties to the agreement need to maintain open lines of communication to ensure the lead progresses. Inconsistent, unclear or untransparent communication hinders the process.

3. This stage often fails due to non-convergence on mutually beneficial terms (payment and incoterms), where the buyer has the upper hand, and the seller is desperate for a deal. If the deal terms are not satisfactory for both parties, these need to be revised until there is convergence and agreement on terms that benefit both parties.

EXPORT DEAL CLOSURE

1. Export deals need to be considered as part of the development of a long-term relationship for the firm and the region. Non-performance by one supplier can impact other regional suppliers. This is not often well understood and can undo delicate relationship management in the Southern Africa region.

2. Availability of trade finance that address pre-and post-shipment working capital is critical to deal closure. If financing is not available, the shipment, logistics and related costs become challenging for the export firm to meet and can cause delays, and even deal failure. Accessing trade finance is a challenge for many firms in the region when closing export deals.

LIFECYCLE OF AN EXPORT DEAL

Experiences from the USAID Southern Africa Trade and Investment Hub in facilitating export deals from Southern African countries to South Africa and to the United States, 2016 – 2022.

1 LEAD GENERATION → 2 LEAD CONVERSION → 3 DEAL CLOSURE

1.1. Prospecting and 1.2. Securing lead → 2.1. Market entry preparation and 2.2. Deal proposal preparation → 3.1. Negotiation and 3.2. Closure

DESCRIPTION

1.1. Prospecting and 1.2. Securing lead

▌
- Market intelligence, research and understanding buyer demand
- Firms attend tradeshows virtually or in-person to prospect and secure leads

▌
- Market intelligence, research and understanding buyer demand
- Buyers visit export firms or vice versa (by arrangement)

▌
- Intermediary prospects and introduces buyer and seller
- Trust building takes place at start, parties continue independently. Market intel and research implicit.

▌
- Export firm independently targets buyers.

2.1. Market entry preparation and 2.2. Deal proposal preparation

ALL DEAL ORIGINS

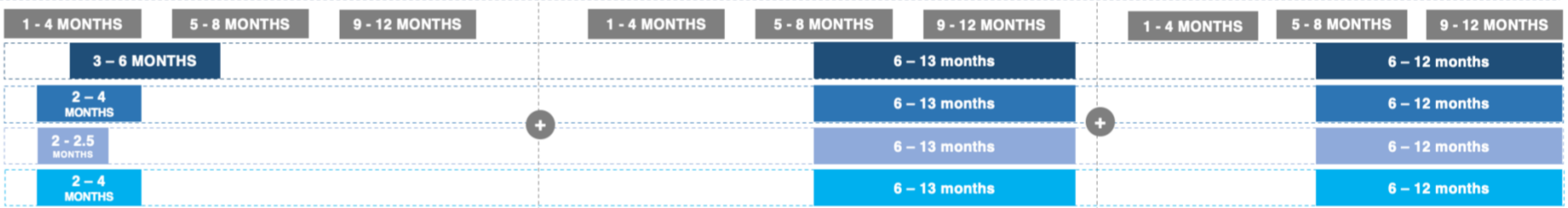
- Export firm to meet target market requirements for products
- Buyers conduct due diligence and background check on export firm
- Exporters investigate market trade preference programs, e.g. AGOA
- Exporters send samples of proposed products
- Buyers may need to do own product testing and adaptation
- Parties discuss product transport, shipment, and related logistics as inclusive/exclusive in the ensuing deal proposal.
- Exporter structures offer by detailing proposed product consignment and product range, quantities, value, and other sale terms.
- Exporter responds to queries from buyer including lead times, delivery schedules, delivery options and suitability of proposal.

3.1. Negotiation and 3.2. Closure

ALL DEAL ORIGINS

- Price, quantity, product range, volumes, packaging and incoterms negotiation and review takes place.
- If a tentative understanding is reached, buyer may request samples (if not during lead conversion stage). Bulk of review work is done here to test product and review alongside deal proposal.
- Certification and other market entry requirements should be in place.
- Product transport, shipment, and related logistics should be agreed to.
- Exporter may seek trade finance based on affordability.
- The deal is finalized, and the purchase order issued.

DURATION



CHALLENGES

1 LEAD GENERATION

1. Unknown buyer needs and preferences and mismatch with supplier capability.
2. Lack of product photos, professional product brochures, and company profiles delay timely information sharing
3. Lack of digital skill hampers effective participation in all online sales / prospecting channels
4. Targeting and finding the right buyer who understands Southern Africa dynamics.
5. Limited support by regional trade and investment promotion agencies to support buyer missions, trade shows or other arrangements that allow for buyer-seller linkages

2 LEAD CONVERSION

1. Lack of responsiveness from exporter when they lose confidence in their ability to meet buyer requirements. Resilience is required and support from trusted intermediary such as a TPSP.
2. Inconsistent, unclear or untransparent communication hinders the process.
3. Non-convergence on mutually beneficial terms (payment and incoterms), where the buyer has the upper hand. If deal terms are not satisfactory for both parties, communication may break down.

3 DEAL CLOSURE

1. Deals need to be considered as part of the development of a long-term relationship for the firm and the region. Non-performance by one supplier can impact on other regional suppliers.
2. Availability of trade finance that address pre-and post-shipment working capital. If financing is not available, the shipment, logistics and related costs become challenging for the export firm to meet and can cause delays and even deal failure. Accessing trade finance is a challenge for many firms in the region when closing export deals.

SUCCESS FACTORS

1 LEAD GENERATION

1. Using appropriate sales channel or prospecting platform to generate lead (tradeshow, buyer mission, b2b linkage through intermediary or direct prospecting)
2. Authentic and coherent product and business narratives
3. Market intelligence: understanding buyer and consumer preference.
4. High quality marketing materials – print and digital media
5. Transparent and continuous communication with lead
6. Export firms should access trade enhancing services that enable greater exposure to variety of leads

2 LEAD CONVERSION

1. Ensure consistent communication with buyer
2. Samples shipment helps with appreciation of product and of logistics and planning required with future deal shipment.
3. Meeting target market certification and other compliance requirements help expedite the firm's finalization of deal
4. Prior export experience is not a requirement but a bonus as it aids understanding of a buyer in the target market.
5. Employ digital means to fill gaps where physical meetings are not possible.

3 DEAL CLOSURE

1. During negotiation, export firms should have realistic pricing expectations, and should ideally have worked with their prospective buyer during the lead conversion stage to discuss the different terms of the deal, including quantities and values.
2. Consistent communication and transparency are key in the negotiation stage.
3. Firms who are able to access trade finance are able to pay for aspects such as product shipment and other logistics costs.

What stages do export deals go through before closure?

The USAID TradeHub studied deals from 2016 – 2022, originating from:

▌ Tradeshows

▌ Buyer missions

▌ B2B Linkages

▌ Independent prospecting

to reflect the **Lifecycle of an Export Deal.**

USAID TRADEHUB EXPERIENCE OF AVERAGE DURATION IN THE LIFECYCLE OF AN EXPORT DEAL:

Minimum: 14 months ●————————————————● Maximum: 31 months