

The Basics of Exporting

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Agenda

Exporting: Factors to Consider

Exporting: First Steps

Models for the Initial Stages of Exporting

Top 10 Mistakes Beginning Exporters Make

Resources for Beginning Exporters

Exporting: Factors to Consider

The Basic Differences Between Domestic Business and Exporting

- Time Zones
 - Culture
 - Currency
- Payment Mechanisms
 - Regulations
 - Shipping & Insurance
- Border Crossing Procedures
 - Paperwork

Exporting: Factors to Consider

Benefits of Exporting

- Increased sales
- Economies of scale
 - Reduced risk
- Knowledge and experience
 - Higher profit margins
 - Public relations

Exporting: Factors to Consider

Challenges of Exporting

- Increased costs
- Increased efforts
- Cultural differences
 - Learning curve
 - Paperwork
 - Regulation
- Payment considerations

Exporting: Factors to Consider

Considerations for Entrepreneurs

If you are just starting your business for both domestic and international sales, it is often wise to wait until you have established yourself domestically before you venture into exporting. Having strong U.S. sales for your products is always a good indicator of potential in foreign markets.

If you are starting out your business focusing entirely upon export, obviously there is no need to wait. In fact, starting out as confidently as possible becomes even more important, so these recommendations have even greater meaning for you.

Exporting: Factors to Consider

Advantages	Disadvantages
Enhance domestic competitiveness	Develop new promotional material
Reduce dependency on existing markets	Forfeit short-term profits for long-term gains
Gain export market share	Incur added administrative costs
Increase in sales and profits	Allocate personnel for travel
Enhance company competitive advantage	Wait longer for payments
Extend the sales potential of existing products	Modify product or packaging
Stabilize seasonal market fluctuations	Apply for additional financing
Enhance potential for corporate expansion	Obtain special export permits and certificates
Sell excess production capacity	Requires long-term commitment to expansion
Gain information about foreign competition	Logistics process more complex than for domestic sales

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Before you start:

1. Identify top markets
2. Define potential customers
3. Recognize main competitors
4. Determine restrictions and regulations on product
5. Understand standard business practices
6. Find support for export development
7. Identify promotional opportunities

Exporting: First Steps

What is a top market?

- **Similarities** in sales and distribution methods to the domestic market
 - A solid **comparative advantage** for the product with good sales potential
 - **Stable** political and economic systems
 - Low tariffs, restrictions and regulations
 - Relative ease of currency conversion and favorable exchange rates
- Realistic transportation costs as a percentage of the cost of goods sold

Exporting: First Steps

Where to Begin

You can start by looking for **similar types of customers** in the destination market that you either sell to or through the United States, and perhaps similar business practices or language.

Over 60% of initial exports from U.S. companies are originally sent to Canada or the United Kingdom, because of the many market similarities. **Mexico** is also a frequent first destination because of the close proximity and the advantages offered through NAFTA. There is a tremendous amount of marketing information available on these countries that allows for entry decisions to be made more quickly and with more confidence.

Exporting: First Steps

Maintaining Focus

The most successful small business exporters are those who stay **focused and committed over the long term**. It is a matter of economies of scale in your efforts, time and money. If you stray from a top market focus initially, your efforts become diluted and your chances for success often fade.

One definition of marketing is not only to attract but to keep customers. If you start out by attracting too many customers, it may put such a strain on your resources that you become overwhelmed and not really satisfy anyone, thus losing valuable business. Applying modern marketing concepts involves customer retention as much as customer attraction.

Exporting: First Steps

Legal Concerns

- Intellectual property
 - Contract law
 - Export controls
 - Product liability
- Foreign Corrupt Practices Act

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Indirect vs. Direct Exporting

Giving up title to the goods in the USA = INDIRECT EXPORTING

- Who is involved? Export Management Companies, Export Trading Companies, Export Merchants or Buying Offices from overseas firms
- Common way for small and medium-sized businesses to enter into foreign markets, as it requires little in the way of capital, time and staff compared to exporting directly.
- After some time and experience in the field of international trade, many companies begin to develop their own export business, often in other markets than the ones served by the exporting company.

Retaining title to the goods until it is transferred to the foreign buyer = DIRECT EXPORTING

- Setting up own export operations; long-term commitment, direct contact with buyers and increased cost and risk.
- Greater control over export marketing
- Often more profitable than indirect exporting as at least one level of distribution is eliminated and the final cost of goods is lowered.

Models for the Initial Stages of Exporting

Finding and Vetting an International Sales Partner:

Indirect Exporting



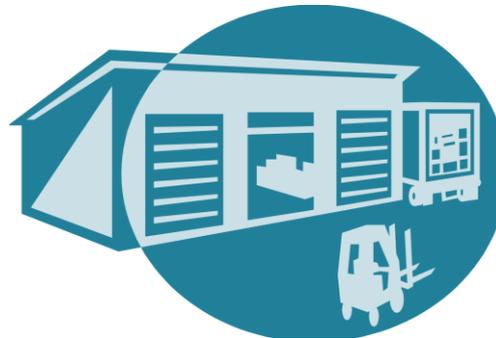
Case Study: Louisiana Hot Sauce to Latin America

Why this sales partner works: Existing food sales in Latin American markets, bilingual sales team, established warehousing/logistics out of Port of Miami, handles all payments from abroad

Models for the Initial Stages of Exporting

Finding and Vetting an International Sales Partner

Sales Agency vs. **Distributor**



Case Study: Animal feed supplement

Why this sales partner works: Capacity to import and warehouse product, built-up regional sales network in geographic target market, industry experience and in-depth knowledge of product

Models for the Initial Stages of Exporting

Finding and Vetting an International Sales Partner

Sales Agency vs. Distributor



Case Study: Infrared measurement systems

Why this sales partner works: Will partner with importer/distributor based in northeast region, specializes in southeastern region with no existing sales, willing to build up the market in this region, will submit orders directly to HQ and work on commission (payment within 60 days of sale), willing to train staff and offer after-sales support

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Top 10 Beginning Exporter Mistakes

Top Reasons Why Exporters Make Mistakes

1. Failed to obtain qualified export counseling.
2. Failed to develop an international marketing plan before beginning to export.
3. Lacked total commitment of top management in the initial stages of exporting.
4. Selected overseas representatives too quickly without thorough investigation.
5. Chased orders around the world instead of using a systematic marketing plan.
6. Neglected new export customers when the domestic market was booming.
7. Failed to treat international and domestic customers on an equal basis.
8. Refused to modify products to meet foreign regulations and local preferences.
9. Did not print sales, service and warranty messages in local languages.
10. Did not consider using an Export Management Company (EMC) or other intermediary in less promising or more complex markets.

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Resources for Beginning Exporters

Resources

US International Trade Commission

Harmonized Tariff Code - <http://hts.usitc.gov/>

US Commercial Service

Market Research Library

http://www.buyusainfo.net/adsearch.cfm?search_type=int&loadnav=no

Country Pages and Resources

<http://export.gov>

Food Export / Foreign Agricultural Service

www.foodexport.org

Market Research Library (GAIN) - <http://gain.fas.usda.gov/Pages/Default.aspx>

State of Illinois

<http://www2.illinois.gov/gov/exports/Pages/default.aspx>