

Is Exporting for Me?

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Every day we have things in our lives that remind us that we truly live in a global society. The morning news on TV that tells of some world event in another country, the car we drive to work, and the computer we use in the office are all products that have probably been manufactured overseas. Each serves as an indicator of how the global market affects our daily living.

Today's business world is also global. Consumer items should remind us that products we manufacture and sell domestically can also serve needs overseas. Countries worldwide represent markets for our products and services. Just the number of countries that exist is, in itself, an indicator of great sales potential.

In fact, the potential is so great that one of the first dilemmas faced when entering foreign markets is selecting primary target markets. The U.S. Department of Commerce (DOC), Commercial Service (the international component of Commerce) states that "the lion's share of business is actually occurring in 117 markets." Depending on your product (or service) most, if not all, might be markets for you.

Reasons for exporting

Why should you consider entering foreign markets when you may still have many opportunities here in the United States. Well, there are some excellent reasons for you to consider adding international markets to your marketing effort even if you aren't fully serving your domestic market. Of course, this is after you have established some base of national sales.

Increased sales. Many companies are successful in establishing initial export sales within a reasonable time. Once they become exporters, most have a significant portion of their company sales from exporting and generally experience higher profits.

Seasonality. It makes sense to consider looking at markets that have reverse seasons compared with North America. This is particularly true for seasonal products such as swim wear. When snow skiing here, they are swimming in Australia.

Market diversification. Despite the fact that the United States is the world's largest market, it is still a single market that fluctuates. By serving foreign markets, you may be able to balance market changes that occur. The same applies for product diversification.

Company image. Positioning your company globally tells customers that you understand a company must be truly global in today's market. This creates a new perception for your company. It also provides the appearance of a well-established firm with 21st century-type management.

There are numerous other reasons why companies find it beneficial to enter foreign marketplaces, and you may find some specific to your situation. Regardless of why your company goes global, there are many benefits to exporting.

Resources to assist

There are excellent resources available to help you in exporting, both private and government.

Private services

Although the number of private resources is too great to list here, there are a select few that are essential to every exporter. They are:

- An international banker for getting your money from export sales.
- A foreign freight forwarder for shipping and documenting your exports.
- An attorney for reviewing intellectual property rights, and developing agent and distributor contracts.

Additionally, you may find the services provided by an accountant, insurance agent and export packer to be useful. These, and other resources, can be accessed through the Yellow Pages, by other firms already exporting and using these services, or by most export assistance service providers.

Government services

There are two key agencies that are generally available to provide export promotion services to companies in Missouri and across the nation:

1. Department of Economic Development, Office of International Marketing (OIM)

The Missouri OIM office consists of seven highly qualified trade specialists and support staff that cover the major continents. Here, direct export marketing assistance is readily available to firms. In addition, they have 11 overseas offices located in Europe, the Pacific Rim and Latin America to help with in-country assistance. They also provide numerous trade promotion services for firms ready to develop their global market potential. They do this by helping with global marketing and making overseas contacts.

Almost all states have an international group within their Department of Economic Development (some states refer to this agency as the Department of Commerce). Most will offer comparable services to those available in Missouri.

2. U.S. Department of Commerce (DOC), Commercial Service

Commercial Service is the name for the domestic offices of DOC that help companies with international trade. They are commonly known as Export Assistance Centers (EAC). They are located in 70 cities nationwide, with 19 of them designated as USEAC (includes services from SBA and Ex-Im Bank). Missouri is served by an USEAC office in St. Louis, and an EAC in Kansas City. Most metropolitan cities have a Commercial Service (EAC) office. There are 142 Foreign Commercial Service posts located in 69 countries working as a team with Commercial Service offices. Together they can assist companies in making contacts in almost any market worldwide.

Other agencies

As you begin your search for resources you may find other agencies that provide special services that help you in your export development. These include the SBA; Service Core of Retired Executives (SCORE); Small Business Development Centers (SBDC); Chambers of Commerce; local or regional economic development agencies; university and community college extension and outreach offices; and special organizations that focus on specific areas of international activities.

Note: There is a Catch-22 that you should be aware of in using these services. *They are promoted as services to assist the firm that is export ready.* Most of their efforts help you identify and contact international intermediary prospects (distributors, agents, representatives) in a given foreign country. It is vitally important that you are prepared to respond to inquiries they generate, and are ready to serve those who are willing to represent you in their market.

Export readiness development

How do you become export ready? That's a good question, and there is no definite answer. Although many agencies may have a questionnaire or form to help determine your export-readiness status, there is no clear-cut definition of export ready.

Export service providers have determined some aspects that you should be aware of when becoming export ready. Use these as a guideline for helping you prepare for global market entry. In most cases, these items are extensions of existing marketing-related items you do to successfully serve your domestic market. Key aspects to consider when becoming export ready include:

- **Export readiness evaluation**

To check for export readiness, start with a company assessment. Determine your strengths, weaknesses and management commitment. If you cannot determine that sufficient commitment is present, you need not go any further. Most firms can be successful in establishing some international sales and distribution during the first year, but it can be a much longer process and require more perseverance than your domestic efforts.

- **Market research**

Initially you can probably serve up to a dozen foreign markets with your existing staff. Many firms considered to be successful exporters serve fewer than 30 overseas markets. Europe, the Pacific Rim countries, Latin America and a few other select countries easily represent more than 30 potential markets for most products.

- **Market-entry strategies**

There are numerous strategies available for you to consider, but generally three are basic to most successful exporting companies. These are:

- **Stocking distributors.** The majority of export sales are done through distributors. They are generally responsible for all aspects of marketing and distribution of your product in their country. They purchase your products in stocking quantities, have a sales and support staff much the same as you, and warehouse and ship your products to customers.
- **Piggybacking.** Often firms are able to locate another U.S. manufacturer of a comparable (but non-competing) product that has already established international distribution. They may be interested in helping you establish relationships with their appointed distributors so they become a stronger factor in their own markets. For example, a slow-cook oven manufacturer was able to work closely with a major ice cream freezer manufacturer that was already serving global markets through distributors. The distributors were calling on the same customer base (e.g. restaurants) and providing comparable products (e.g. freezers) facing the same sales issues (e.g. just "cold" instead of "hot").
- **Export management companies.** These are private firms that by definition "serve as the export department for several producers of goods or services, either by taking title or by soliciting and transacting export business on behalf of its clients in return for a commission, salary or retainer plus commission." Also known as export trading companies, they can be very helpful to the firm that either doesn't want to do the actual exporting themselves, or wants to serve countries not considered to be primary markets.

There is no one correct way for a firm to market internationally. As a matter of fact, you'll probably find that a *combination* of these, and other strategies, will be what makes it happen for you. Other strategies to consider include **joint ventures**, which are becoming popular in the Newly Independent States (the former Soviet Union) and **licensing technology** (granting permission for someone overseas to manufacture in return for royalties or other payment).

1. International marketing plan

Just as you determined how to serve your markets here, you must determine how you will go about serving global markets. Most domestic marketing plans have common elements that can be successfully used to plan your global market entry. These generally include (1) a current marketing situation assessment, (2) identifying key problems and opportunities, (3) establishing quantifiable goals and recognizing any key issues, (4) developing strategies and (5) creating action plans. You should also include in your planning a (6) budget to support your efforts, and (7) possible alternatives if things don't work out the way you anticipate.

2. Communication preparation

Once you have determined your plan, you will need to consider how you are going to present your company and product information to interested parties overseas; and in turn, how you can obtain information from them. Most firms use various programs and forms to accomplish this. For instance, you should consider having an international sales program that provides the standard terms and conditions for selling your products overseas. You will probably want to also develop international distributor support programs for advertising and promotion, sales and marketing, and after-sales service.

These include items such as translation, price quotations, discount structures, warranties, services, parts and training.

3. Proactive strategies

Once you have made your commitment, assessed your ability to serve global markets, developed an international marketing plan and created your communication tools, you are considered to be export ready. Now you can use the numerous programs and services available by state and federal agencies.

A great place to get started is with a trade show. They are a key method for exposing your company and products to prequalified trade prospects and potential buyers.

International trade shows are the single best method for making contact with distributor prospects, and are widely attended. For example, Germany has more than 100 major trade shows every year (that's two per week). But many companies new to export cannot afford the expense of participating in an international trade show.

However, most major U.S. trade shows have an international component. In fact, one of the more popular programs offered by DOC is their **Foreign Buyers Program**. This program promotes and brings international visitors to many of those U.S. trade shows.

Getting started

Now is the time to explore your global market potential. How? You can start with an I/COR (Industry/Company Opportunity Report) from the Export Development Program.

This report provides generic information regarding exports of your product or similar product, international market reports, overseas trade contacts and a list of service providers who can help you. You can then form your own "export team," those private and government service providers that assist you in each step of your export development process. Then simply begin your export development by following the steps provided in this publication (numbers 1 - 6) using your support team.

If you are not a Missouri company, you can obtain the same information by contacting your nearest Commercial Service office. Ask them to help you access National Trade Data Bank (NTDB) for the following information:

- U.S. exports of your type of product (they can also help you to determine your Harmonized Code for obtaining the data) taken from the Bureau of Census Merchandise Trade - Exports by Commodity.
- Titles of appropriate international market reports, particularly Industry Sector Analysis (ISA) and International Market Information (IMI) reports.
- Trade contact information from their Commercial Services International Contacts (CSIC) service, and if it's no longer available ask about the Agent/Distributor Service (ADS).

In addition, you might want to obtain some publications about exporting in general. There are numerous ones available, but four to consider when getting started that won't cost you a fortune are:

1. *A Basic Guide to Exporting*
Contact the Department of Commerce (314)
425-3304
\$14.95
2. *Breaking into the Trade Game*
Contact the Small Business Administration
(314) 425-3304
Free
3. *Trade Secrets: The Export Answer Book*
Contact the Michigan SBDC (313)
964-1798
\$25.00
4. *Preparing for Global Marketing*
Contact MU Extension Publications 1-
800-292-0969
\$12.50

Each will give you an insight into specific areas of exporting. The first two are published by the government and serve as reference tools for key aspects of exporting including marketing, finance, shipping and documentation, and legal considerations.

The third provides answers for the most frequently asked questions about exporting. And the last focuses on the international marketing plan and provides details to accomplish the export-readiness steps provided in this publication. Together they provide a wealth of information to assist your export development process.

With a strong support team, powerful marketing tools (your people, product, plan, promotion and prices) and an energetic approach you will be well on your way to global marketing success. **Just do it!**

The Export Development Program (EDP) of University of Missouri Outreach and Extension worked cooperatively with the Missouri Department of Economic Development, Office of International Marketing (OIM), to provide you with a copy of this publication.

EDP focuses on helping small to medium-sized firms develop their export readiness, principally through training and education programs. OIM provides marketing and trade promotion services that help firms make contact overseas for developing sales and distribution. The combined services of EDP and OIM can assist a firm with the complete export development process, from getting started to successfully serving global markets.

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