

# **A Basic Guide to Exporting, 3rd Edition**

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### **Introduction**

#### **Ten Keys to Export Success**

Exports have become an engine of growth for the U.S. economy. U.S. merchandise and service exports account for an increasingly large percentage of the Gross National Product (GNP). Today, many firms export occasionally but want exporting fully integrated into their marketing plans. Others export regularly to one or two markets and want to expand into additional countries.

There is tremendous potential for U.S. business to become more active in exporting. Just 15 percent of U.S. exporters account for 85 percent of the value of U.S.-manufactured exports. The majority of exporters sell in only one foreign market. Only about 20 percent of exporters—less than 3 percent of U.S. companies overall—export to more than five markets.

There is profit to be made by U.S. firms in exports. The international market is more than four times larger than the U.S. market. Growth rates in many overseas markets far outpace domestic market growth. And meeting and beating innovative competitors abroad can help companies keep the edge they need at home.

There are also real costs and risks associated with exporting. It is up to each company to weigh the necessary commitment against the potential benefit.

Ten important recommendations for successful exporting should be kept in mind:

1. Obtain qualified export counseling and develop a master international marketing plan before starting an export business. The plan should clearly define goals, objectives, and problems encountered.
2. Secure a commitment from top management to overcome the initial difficulties and financial requirements of exporting. Although the early delays and costs involved in exporting may seem difficult to justify in comparison with established domestic sales, the exporter should take a long-range view of the process and carefully monitor international marketing efforts.
3. Take sufficient care in selecting overseas distributors. The complications involved in overseas communications and transportation require international distributors to act more independently than their domestic counterparts.
4. Establish a basis for profitable operations and orderly growth. Although no overseas inquiry should be ignored, the firm that acts mainly in response to unsolicited trade leads is trusting success to the element of chance.
5. Devote continuing attention to export business when the U.S. market booms. Too many companies turn to exporting when business falls off in the United States. When domestic business starts to boom again, they neglect their export trade or relegate it to a secondary position.
6. Treat international distributors on an equal basis with domestic counterparts. Companies often carry out institutional advertising campaigns, special discount offers, sales incentive programs, special credit term programs, warranty offers, and so on in the U.S. market but fail to make similar offers to their international distributors.
7. Do not assume that a given market technique and product will automatically be successful in all countries. What works in Japan may fall flat in Saudi Arabia. Each market has to be treated separately to ensure maximum success.
8. Be willing to modify products to meet regulations or cultural preferences of other countries. Local safety and security codes as well as import restrictions cannot be ignored by foreign distributors.
9. Print service, sale, and warranty messages in locally understood languages. Although a distributor's top management may speak English, it is unlikely that all sales and service personnel have this capability.
10. Provide readily available servicing for the product. A product without the necessary service support can acquire a bad reputation quickly.

## **Using A Basic Guide to Exporting**

*A Basic Guide to Exporting* is designed to help U.S. firms learn the costs and risks associated with exporting and develop a strategy for exporting. The 10 keys to export success that have been mentioned will be explored, along with ways to avoid the pitfalls and roadblocks that may be encountered. Five appendices are provided for reference: I, Export Glossary; II, Directory of Federal Export Assistance; III, State and Local Sources of Assistance; IV, U.S. and Overseas Contacts for Major Foreign Markets; and V, Selected Bibliography.

This guide discusses what decisions need to be made and where to get the knowledge to make those decisions. You will be directed to sources of assistance throughout the federal and state governments as well as the private sector.

## **Chapter 1**

### **Export Strategy**

#### **Assessing a Product's Export Potential**

There are several ways to gauge the overseas market potential of products and services. (For ease of reading, products are mentioned more than services in this guide, but much of the discussion applies to both.) One of the most important ways is to assess the product's success in domestic markets. If a company succeeds at selling in the U.S. market, there is a good chance that it will also be successful in markets abroad, wherever similar needs and conditions exist.

In markets that differ significantly from the U.S. market, some products may have limited potential. Those differences may be climate and environmental factors, social and cultural factors, local availability of raw materials or product alternatives, lower wage costs, lower purchasing power, the availability of foreign exchange (hard currencies like the dollar, the British pound, and the Japanese yen), government import controls, and many other factors. If a product is successful in the United States, one strategy for export success may be a careful analysis of why it sells here, followed by a selection of similar markets abroad. In this way, little or no product modification is required.

If a product is not new or unique, low-cost market research may already be available to help assess its overseas market potential ( *refer to* Chapter 3, for more information on market research techniques and resources). In addition, international trade statistics, available in many local libraries, can give a preliminary indication of overseas markets for a particular product by showing where similar or related products are already being sold in significant quantities. One of the best sources for U.S. export-import statistics is the National Trade Data Bank (NTDB), which can be accessed at many libraries and U.S. Department of Commerce district offices across the country. The NTDB is also available on CD-ROM or on the Stat-USA web site for a very reasonable price.

If a product is unique or has important features that are hard to duplicate abroad, chances are good for finding an export market. For a unique product, competition may be nonexistent or very slight, while demand may be quite high.

Finally, even if U.S. sales of a product are now declining, sizeable export markets may exist, especially if the product once did well in the United States but is now losing market share to more technically advanced products. Countries that are less developed than the United States may not need state-of-the-art technology and may be unable to afford the most sophisticated and expensive products. Such markets may instead have a surprisingly healthy demand for U.S. products that are older or that are considered obsolete by U.S. market standards.

#### **Making the Export Decision**

Once a company determines it has exportable products, it must still consider other factors, such as the following:

- What does the company want to gain from exporting?
- Is exporting consistent with other company goals?
- What demands will exporting place on the company's key resources--management and personnel, production capacity, and finance--and how will these demands be met?