

Export Seminar 2021

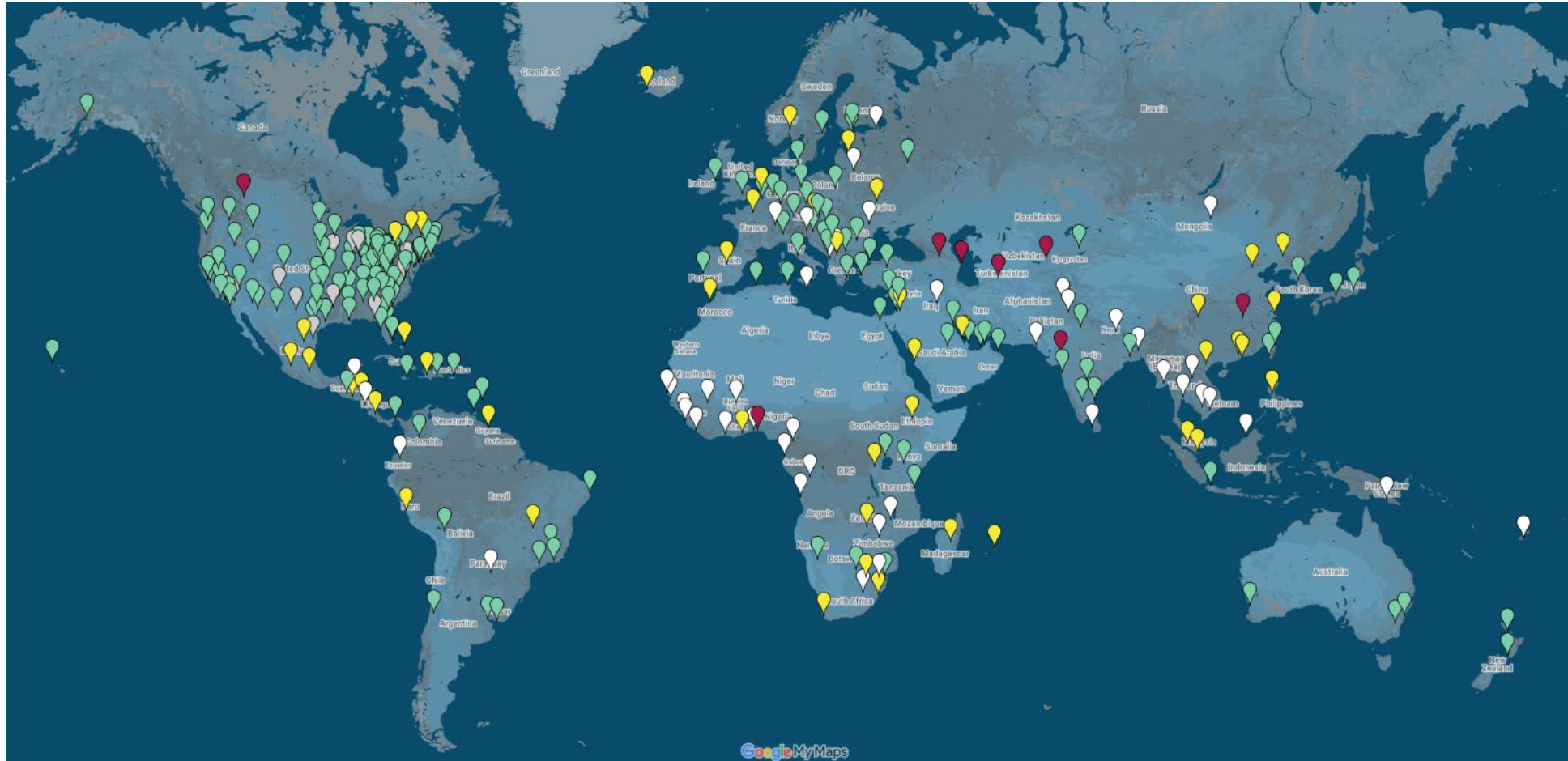
Session 5

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U.S. Commercial Service

Who we are – Connecting you to global markets



The U.S. Commercial Service is the lead trade promotion agency of the U.S. government. Trade professionals in over 100 U.S. cities and more than 75 countries help U.S. companies get started in exporting or increase sales to new global markets.

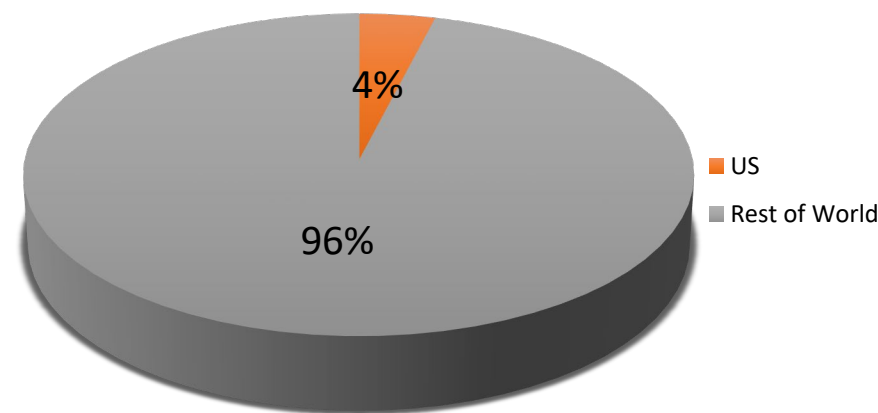


Why Export?

Why would a company consider exporting its products and/or services?

- It's where the money is
- It's where the people are
- It's where the growth will be

Percentage of World Population



Why Export?



The potential

- More than 70% of the world's purchasing power is outside of the United States.
- Companies that export, grow faster and are 8.5% less likely to go out of business.
- **Advantages of "Made in USA"**
 - Innovative, creative, cutting edge
 - Flexible and prepared to modify products and services
 - **High quality, durable, safe**
 - Positive brand values and awareness
 - **Reputation for excellent after-sales service and warranty coverage**
 - Creative marketing materials
 - Easy to reach and communicate with
 - **Honest, ethical business dealings**

Why Export?

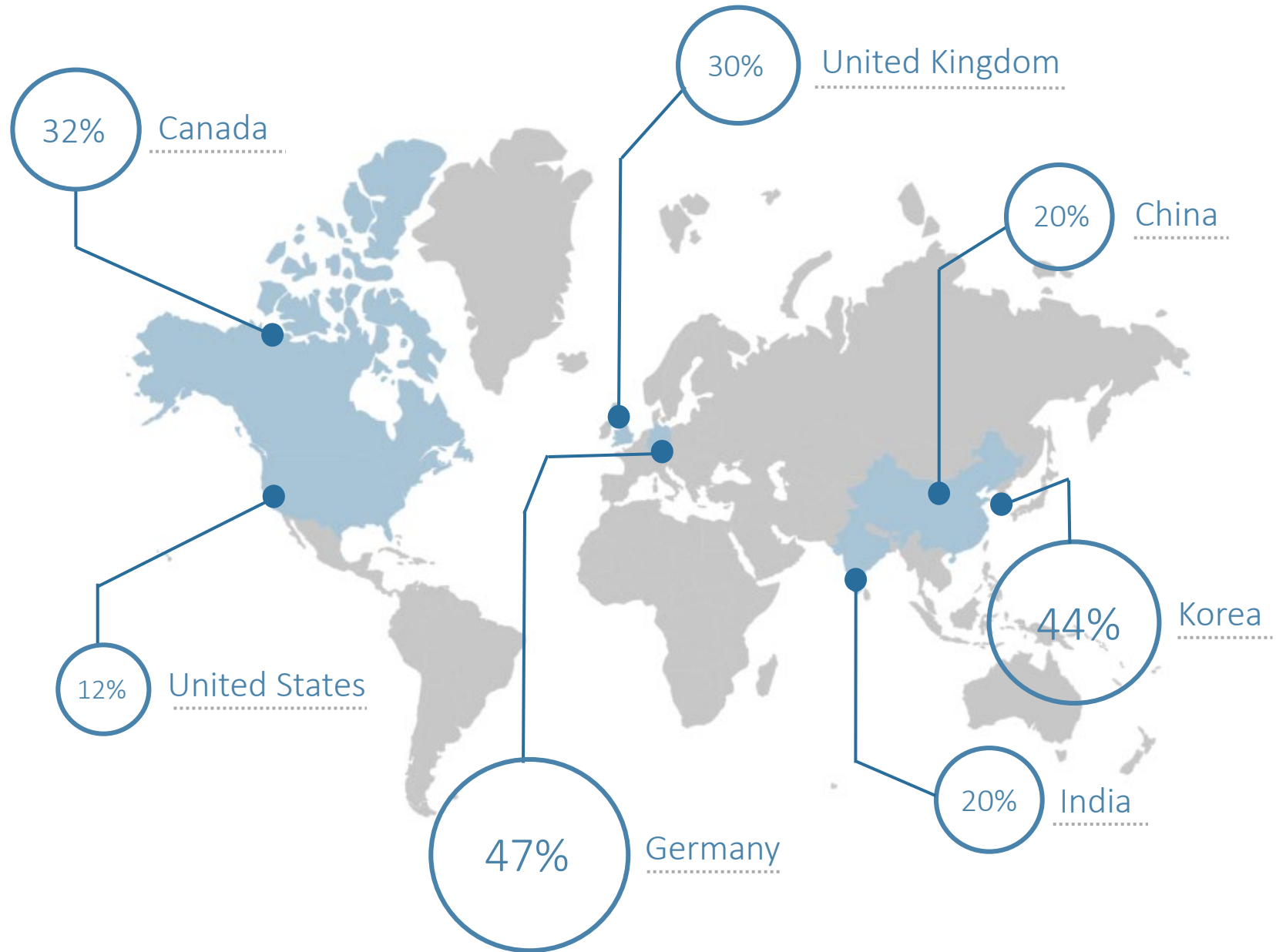


The reality

- A little-known fact is that companies that don't make the products exported comprise the majority of exporting companies – passively filling orders from domestic buyers , who then export the product.
- Less than 5% of U.S. SME's export; and of those that do, 58% sell to just one market.
- Competitors are increasing their global market share while the U.S. is underperforming.
- If your company is not exporting, it's highly likely your competitors are or will be selling internationally.
- Exporting enables companies to diversify their portfolios and weather changes in the marketplace, and to grow and become more competitive.
- Nearly three-quarters of exporters have fewer than 20 employees.

With only 12% of our GDP generated by exports...

It's safe to say we have a lot of room for growth.



Exports of goods & services (% GDP)

Source: World Bank 2017

Sales Channels and Go To Market Strategies



Sales Agent / Rep

- Uses your company's product literature & samples to present the product to potential buyers
- Usually works on commission and assumes no risk or responsibility.
- Under contract for a period of time (can be renewed)
- Contract defines territory, terms of sale, compensation method, reasons & procedures for terminating contract

Distributors

- Foreign distributor is a merchant who purchases goods from a US exporter and resells them for a profit
- Generally provides support and service for the product
- Usually carries an inventory, maintains adequate facilities, and personnel for normal servicing operations
- Can handle a range of noncompeting (or competing), complementary products

Foreign Retailers

- May sell directly to foreign retailers but limited to consumer lines
- Direct mail has the benefits of eliminating commissions, reducing travel costs, and reaching a wider audience
- Requires good marketing methods

Direct Sales to End-Users

- Buyers can be identified at trade shows, int'l publications, search engines, purchase of online ads, using the US Commercial Service, etc.
- Company usually responsible for the shipping, payment collection, product servicing. Make sure to build these costs into your export price
- E-Commerce platforms

The 4 eCommerce Sales Channels

1. Your Website- selling directly, or generating product awareness
 - Content marketing requires search engine optimization (SEO) best practice
 - Content strategy development is key
2. Online Marketplaces- overseas and domestic B2B and B2C marketplaces
 - Local or international marketplaces, reach more consumers
 - Fee structures, payment received in other currencies
 - Returns/dispute resolutions
 - Can boost website SEO
3. Social Media- Consumer brand recognition may drive sales
 - Focus on target markets
 - Build image and brand through leadership
 - Can boost SEO
4. 3rd party In-County Distributor Sales Channels- already has established network, reputation, and consumer credibility in market
 - Established reputation and network
 - Localized campaigns
 - Find a local partner/distributor
 - Can boost SEO



3 “Barriers” that keep US Companies from Exporting!

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1 – Documents!!

3 “Barriers” that keep US Companies from Exporting!

2 – Logistics!!

3 Things that keep US “Barriers” from Exporting!

3 – Fear!!

Logistics: Schedule B



The U.S. uses a 10-digit code to classify products for export, known as a **Schedule B number**, with the first six digits being the HS number. There is a Schedule B number for every physical product, from paperclips to airplanes and you can find your using the Census Department's [Schedule B Search Engine](#).

The [Harmonized System](#) (HS) Code – An international classification system for traded physical products. It is used by customs authorities around the world to identify products when assessing duties and taxes and for gathering statistics. The HS code is standardized between countries at a basic 6-digit level, with country-specific definitions for the 8- and 10-digit levels.

A screenshot of the "Schedule B Search Engine" website. The header is dark blue with the "United States Census Bureau" logo and the title "Schedule B Search Engine". Below the header is a light gray search area containing a white input box with the placeholder text "DESCRIBE YOUR PRODUCT" and a blue "Classify" button with a magnifying glass icon. Below the search area is a diagram showing the structure of an HS code: "Chapter" (81), "Heading" (01), "Subheading" (10), and "Statistical Classification" (XXXX). The first six digits (810110) are highlighted in green, blue, and purple, while the last four (XXXX) are in gold. A caption below the diagram states: "The first 6 digits of HS codes are usually the same worldwide".

How to find qualified export buyers/partners, trade events



- Use US Dept of Commerce export services!
- Use SBA export services!
- Use SBDC export services!
- Use your State's export services!

Let our global network work for you.

Worldwide Recognition

As the U.S. government, we can open doors that no one else can in markets around the world.

Global Network

Our unmatched global network with trade experts in more than 80 countries can provide you with on-the-ground knowledge and connections.

Results Driven

Our expert, in-person counseling is unparalleled and designed to help you succeed in global markets.



The world is open for your business.

Our global network of experienced trade professionals is located throughout the United States and in U.S. Embassies and Consulates worldwide. Whether you're looking to make your first export sale or expand to additional markets, we offer the expertise you need to connect with lucrative opportunities and increase your bottom line.

Our Services



Export Counseling

- Develop effective market entry and sales strategies.
- Understand export documentation requirements and import regulations of foreign markets.
- Navigate U.S. government export controls, compliance and trade financing options.



Market Intelligence

- Analyze market potential and foreign competitors.
- Obtain useful information on best prospects, financing, laws, and cultural issues.
- Conduct background checks on potential buyers and distributors.



Business Matchmaking

- Connect with pre-screened potential partners.
- Promote your product or service to prospective buyers at trade events worldwide.
- Meet with international industry and government decision makers in your target markets.



Commercial Diplomacy

- Overcome trade obstacles to successfully enter international markets.
- Benefit from coordinated U.S. government engagement with foreign governments to protect U.S. business interests.

How to find qualified buyers and partners?



The U.S. Commercial Service can help exporters identify potential buyers, distributors, joint-venture partners, and licensees from both private and public sources.

Single Company Promotion

Provides U.S. companies with promotional services to help increase the awareness of their product or service in a specific market.

The promotional event may consist of a technical seminar, press conference, luncheon, dinner, or reception with targeted direct mail or email campaigns.

International Partner Search

Provides U.S. firms with a list of up to five agents, distributors and partners that have expressed an interest in your product or service. Virtual introduction via teleconference to the identified contacts also available.



Initial Market Check

The Initial Market Check is an initial assessment of the market potential of your product or service in the targeted market. The service gauges the potential of a specific product or service in a market by gathering feedback from up to five industry participants and provides recommendations on whether to pursue the target market.

International Company Profile

The International Company Profile provides U.S. companies and economic development organizations with a comprehensive background report and full analysis on a specific foreign company. Reports provide general business information, background and product information, key officials, references contacted by ITA, financial data/credit worthiness, reputation, results of site visits and interviews with principals; information sources consulted in preparing the report; and analysis of information collected.

Gold Key Service

Provides U.S. firms traveling to a foreign market with up to five pre-screened appointments to establish relationships with potential overseas agents, distributors, sales representatives, business partners and other local, in-country entities.

Market Research: By Country/Industry



- **Research by Country:** [Country Commercial Guides](#) on market conditions, opportunities, regulations, and customs from U.S. Embassies worldwide.
- **Free Trade Agreements:** [FTAs](#) between the U.S. and select trading partners provide low or duty-free access, strong intellectual property protection, and greater U.S. exporter input into FTA country product standards. Take advantage of FTAs today to increase your competitiveness in markets representing almost 40 percent of U.S. exports. FTA list: Australia, Bahrain, Chile, CAFTA-DR (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras & Nicaragua), Colombia, Israel, Jordan, Korea, Morocco, USMCA (formerly NAFTA: Canada & Mexico), Oman, Panama, Peru, & Singapore.
- **Market Diversification Tool:** Get market recommendations based on your HS Code! Learn about potential new export markets using your current trade patterns. Bookmark this [great tool](#) of ours.
- **Global Market Finder (Census):** An interactive [tool](#) for U.S. exporters that tells you the biggest export markets by product and destination. Great for new exporters or those already exporting but looking to find new export market.
- **Market Destination Videos:** [Short videos](#) on export opportunities and interviews with in-country trade experts for multiple markets.
- **Industry Research:** Find the latest market intelligence, trade events, and trade leads for your [industry](#).
- **Top Markets Reports:** Understand the competitive landscape within a sector, including opportunities and challenges in key markets. Our [Top Market Reports](#) help exporters determine their next export market by comparing opportunities across borders.
- **Commercial Service Newsletters:** [Industry-specific](#) newsletters and/or our local Long Island newsletter highlighting trade leads, events, webinars, seminars, trainings, trade shows, and any other relevant export resources. Let us know if you'd like to be added!

Commercial Service Presented Events

Discover Global Markets

Organized by the U.S. Commercial Service, these annual business development forums focus on an industry and/or world region. The conferences feature one-on-one meetings with U.S. Commercial Service diplomats visiting from abroad; panel discussions on the latest industry trends; export education; and extensive networking with U.S. trade officials and leading private sector experts.

Trade Winds

Organized by the U.S. Commercial Service, Trade Winds is the largest, annual, U.S. Government-led trade mission. Each mission includes a business development forum in its host city, consisting of regional and industry specific conference sessions as well as pre-arranged consultations with U.S. Diplomats representing commercial markets throughout the region. Participating companies can customize a business matchmaking schedule with multiple stops, based on input from our in-country Commercial Specialists, and grow their international sales through meetings with pre-screened potential buyers, agents, distributors and joint-venture partners during the mission.



Trade Events

Certified Trade Missions

Organized with select trade organizations, missions are customized to meet the needs of groups of U.S. companies participating. Missions may include activities such as market briefings, Gold Key Service, receptions, site visits, and technical seminars.

U.S. Dept of Commerce Trade Missions

We organize numerous trade missions each year that are industry specific and involve traveling to foreign countries to meet face-to-face with prescreened int'l business people. Trade Missions target two to four countries per trip and are sometimes led by a senior official such as the Secretary or Under Secretary, which can make a huge impression with foreign buyers.

Domestic Trade Shows

At major domestic industry trade shows, the U.S. Commercial Service provides services including on-site introductions to foreign buyers; networking; export counseling; market analysis; and business matchmaking.



International Trade Fairs

Certified trade fairs feature a U.S. Pavilion and represent a U.S. Department of Commerce endorsement, ensuring a high-quality, multifaceted opportunity for American companies to successfully market their product/services overseas. Participating companies receive U.S. Commercial Service assistance with access to foreign buyers, agents, and industry representatives. Other services include pre-show industry/country market briefings, one-on-one export counseling, onsite promotion, and more.

Trade Show Representation

The Trade Show Representation Service provides U.S. companies and economic development organizations with the ability to increase their marketing exposure at an overseas trade show when they are unable to attend in-person. Multiple clients' products and services may be showcased by the Commercial Service at the event.

Other Resources/Tools

Export Compliance – [Consolidated Screening List](#)

Search the Consolidated Screening List
Search the [screening lists](#) at one time by filling in the search boxes below. If you get too many results, try including more information to the additional fields. If you get too few results, try searching one field at a time.

Keyword
Search for words in the name, alternative names (aliases), title of the entity, and additional remarks regarding the entity.

Name
Search for an entity's name or one of its alternative names.

Fuzzy Name
When set to off, the spelling of the Name you search for must be correct to get results. When set to on, the spelling for the Name you search for may be slightly off. Check the score for each result to determine how close a match it is to the entity's name or its alternative names. A score of 100 is an exact match. Results are returned with the highest scores first.
Fuzzy search filters out the following common words: co, company, corp, corporation, inc, incorporated, limited, ltd, mrs, ms, mr, organization, sa, sas, llc, university, and univ. For example, 'Water Corporation' returns the same results as 'Water' because 'Corporation' is one of the common words.

Address
Search for the street address, city, province, and postal code of an entity.

Sources
Choose which of the screening lists that you want to search.

Countries
Choose which countries that you want to search. Note, the Nonproliferation Sanctions and ITAR Debarred lists do not include the country with an entity. If you choose to search for entities by country then you will not be searching these two lists.

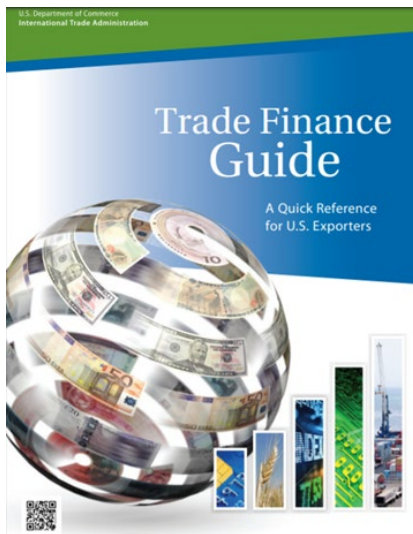
Intellectual Property

Most U.S. small businesses are not aware that their U.S. patent or trademark does not protect them in other countries. USPTO found that only 15 percent of small businesses that conduct business overseas know that they need to file for IP protection abroad.

www.stopfakes.gov



[Trade Finance Guide](#) (English and Spanish)



Strategic Export Planning

- Develop an [export plan](#)
- [Sample Outline](#)
- [Webinar](#) on How To Write an Export Plan



Freight Forwarder!!



- **Find 1-2 Freight Forwarders that can help you develop your export business!!**
- **Pay them a Premium for the extra service!**
- **Find a Vet owned freight forwarder**

Export Travel Strategy



- “New School” Desk Jockey
- “Old School” Road Warrior
- Japanese “Soga Shosha” style
- Hybrid Strategy

Export Travel Strategy



- Prepare for “battle” – preparation is key!
- Arrive to battlefield well rested
- Arrange meetings in advance– 4 companies per day!!
- Coordinate with Commercial Service offices



Export Travel Strategy



- Breakfast meeting at your Hotel (little player)
- Lunch meeting
- Afternoon meeting
- Dinner Meeting
- Drinking meeting



Export Travel Strategy



- 4 companies per day! 6 day trip, 2 days per country!
- 3 countries - 24 potential partners!!
- 20% conversion rate = 5 new customers! Book sales to pay for trip!
- If trip costs \$5000 and your margin is 15%, you need to book 2 sales of \$33,500 each to pay for the trip and show some profit!
- Bring some gifts! Something local where you are from!
- Study their history and culture before you go!

Export Strategy



- Target Countries
- Target Sales Channels
- Target Products



Export Pricing



- Product Price
 - - Less fixed costs that support US sales
 - + export crating or heat treated wood pallets
 - + truck freight to port
 - + Ocean or air freight
 - + Interest charges if offering credit
Example: $8\% / 365 \text{ days} \times 30 \text{ days}$... If Net 30 days
- Price breaks, the lower the price the higher the volume the lower the freight per unit! The more sales you will develop!

Export Pricing



- **Pricing – go to bare margin then increase by 4-5% to GIVE BACK DURING NEGOTIATION!!**
- **Most countries NEED to negotiate! Taiwan, China, Mexico, Costa Rica , Honduras, part of their culture!!**
- **Not Germany or Japan!! Must give best price to Germans!!**
- **For Japanese, must allow for extra costs of super high level of customer service – add it into price**

Ocean Insurance



- Insurance!! Rates = $0.0025-0.005 \times 110\%$ of shipment value! Always over insure by 10% so you are paid for the hassle if there is a Transit Claim!
- Rates should be 0.25%-0.5% of insured value of shipment
- So if order is \$50,000 it will cost you \$250 to insure it!! Best \$ you will ever spend!!
- Also make sure ocean policy covers GENERAL AVERAGE!! (Semiconductors overboard!!! – You pay!!)

Export Marketing



- Pricing
- Knowing who NOT to respond to...
- Web site
- Foreign language catalogs & manuals
- Quick Responses

How to find qualified buyers/partners, trade events



- Competitors
- Press Releases
- Kompass.com
- Pangiva/Datamyne
- Buy Data!
- Buy Trade Show Attendee Lists



Export Marketing



- Shipping/Quality Claims
- Don't Mark Up Freight!
- International trade shows
- Exclusive Distributorships
- US Department of Commerce services!



The Export Process



- **START EXPORTING NOW!!!!**



The Export Process



- The Evangelist (1-2 years)
- The Mid-Size Player (1.5-3 years)
- The Big Dog



Finding Markets/Distributors - “Burger King” Strategy



- Find Similar Product Lines / Competitors
- Analyze their Global Distribution
- Follow their Target Markets
- Piggy-Back on an Established Distribution Network

5 Key Attributes of Successful International Distributor Partners



- 1) Salespeople
- 2) Warehouse
- 3) Customer Credit Lines
- 4) Breadth of Product Line
- 5) C **CENSORED** IS

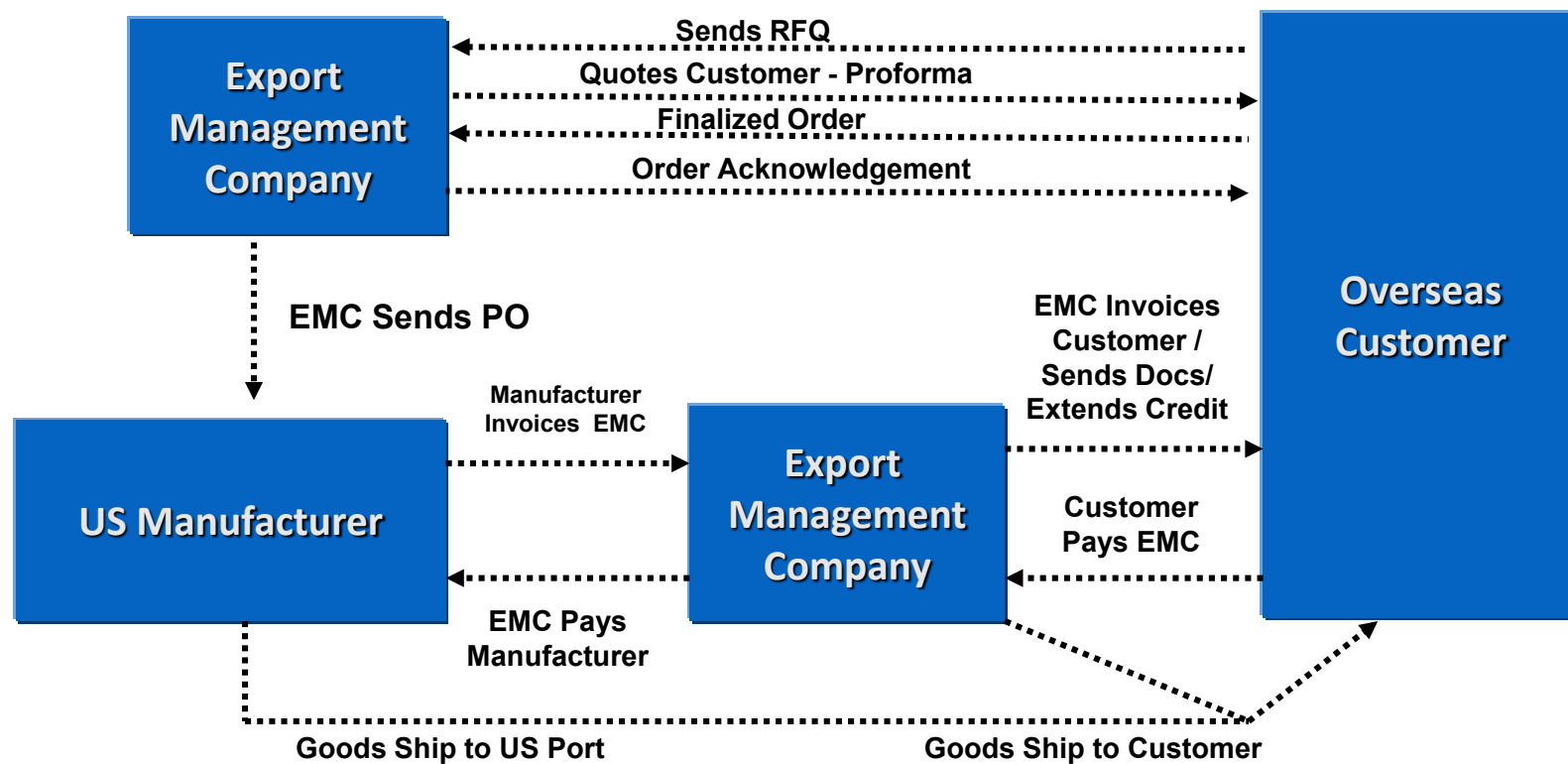
What is an EMC?



- An Export Management Company or EMC is a company that acts as an outside export department for small and mid-size US manufacturers. By representing several similar, but non-competing US products, an EMC can leverage its expertise to systematically develop overseas distribution channels for several manufacturers.
- Japan – Soga Shosha
- Korea – Chonghap Mooeuyuk Sangsa – Hyundai, Samsung
- Germany – Hamburg alone has over 300 export companies

How EMCs work...

Trade Mechanics



What you will get using an EMC



- Global Credit and Collections
- Overseas Field Sales
- International Customer Service
- Strategic Planning
- Electronic Direct Marketing - International Reseller Database Compilation & Management
- Facilitating EXIM Bank-backed or Private Trade Financing
- Export Traffic & Logistics

What you will NOT get using an EMC



- First hand knowledge of customers and markets
- An internal expertise on logistics and trade financing
- Full potential profit margins
- Total control of company's international direction

How EMCs work...

Economies of Scale



- As EMCs represent a handful of non-competing US companies in each of its overseas markets, they can leverage their economies of scale in the following areas:
- Travel Costs: If an EMC employee is traveling to Australia to represent 3-4 companies, they can spread these travel costs more efficiently as compared to each company flying to Australia for one product line.
- Import Regulations: If an EMC is an expert on the import regulations of a particular country, they can easily apply this knowledge to facilitate exports of several US product types.
- Business Cultures: Instead of a US manufacturer trying to figure out how to do business successfully in China, Brazil, Thailand, etc. a manufacturer can partner with an EMC which already has extensive experience in their target markets.

How EMCs work...

Export Program Costs



- **Purchase Price:** 8-18% Discount to Export Management Company below the normal distribution discount. This discount represents the EMC's only fee for helping manage your export program. They cover all travel and marketing costs. They succeed only if they successfully develop exports of your company's products...
- **Marketing:** Co-op trade shows and/or distribution advertising program.
(Optional but recommended) For example: 1-2% end of year rebate based on a distributor's total annual sales. The overseas reseller must provide proof of advertising or trade show costs to qualify for any such advertising support.
- **Warranty:** 1% Rebate in lieu of an International Warranty. (Optional but recommended)
For example: 1% end of year rebate based on total annual sales. (This is used by distributors to cover any repair costs instead of shipping back faulty products for replacement.)
- **Sales Terms** (Payment terms to EMC) Manufacturers typically invoice EMCs for all export orders; EMC in turn pays the manufacturer in accordance with the terms set forth in the export agreement. EMC assumes sole responsibility for collecting the foreign receivable, with no recourse to the manufacturer in the event of non-payment.

EMCs – International Trade “*Special Forces*”

- Drops behind enemy lines
- Learns the lay of the land
- Makes friendly with the locals
- Coordinates the attack

