

Session 1:

ARE YOU READY TO EXPORT?

Myths and Realities of Exporting



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Hello, I'm Charles Boyanton, Director of the International Trade Center of the Georgia SBDC Network.

Welcome to Export-U.com! -- a set of streaming video mini-seminars designed to assist you in your efforts to enter export marketing. Export-U was developed by the International Trade Center of the University of Georgia SBDC under the sponsorship of.. And in close cooperation with the U.S. Department of Commerce under their Rural Export Initiative program.

In this first session "Are You Ready to Export" we will be addressing some of the "Myths and Realities" of exporting.



EXPLORING TRADE OPPORTUNITIES



Photo: Camel Caravan Shadow, photo by Causalien on Flickr

But, First, let me congratulate you on your interest in exploring the profit potential of export markets!

You have joined the ranks of an increasing number of firms who recognize the value of expanding your markets beyond the U.S. borders.

But– if this is your first look at international you are probably wondering whether you have what it takes to make the leap from local or regional marketing to global marketing.

We certainly hope Export-U can help you make that decision.... And, if your answer is “yes,” we also hope that Export U will become your first guide to how best to

- select markets,
- decide distribution, and
- gain familiarity with all aspects of exporting. how

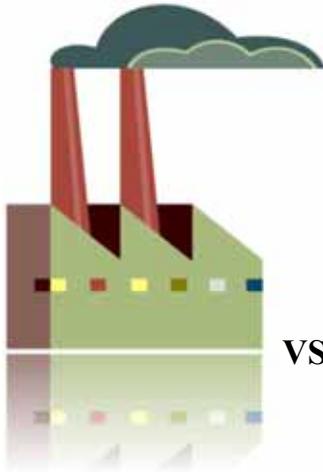
In this section, we will briefly

- discuss some of the myths and realities of exporting, and
- discussing various factors that will influence your market selection (which

will be addressed more fully in the next session).

It is important that you approach exporting with realistic expectations, so let's start first with some basic misconceptions surrounding exporting..... SLIDE

Myth: Exporting = Large Firms



VS.



- ✦ Large Firms = \$ Volume
- ✦ Small = Largest Number
- ✦ \$28 Billion
- ✦ 29% of All Exports

Images: Microsoft clip art

Exporting is not just for large firms.

While large firms

-CLICK-1- do account for the largest dollar volume of exports.

Small firms

-CLICK-2- account for the largest number of exporters – almost 97% of all exporters are small to medium sized businesses. In 2004,

-CLICK-3- the value of small business sales totaled \$28 Billion and accounted for 29% of all U.S. exports.

Small business exporting is big business!



Myth: Exporting Is Easy

(or... Very Difficult)

- ✦ It's not that easy
- ✦ But, it's not that difficult
- ✦ It does require time, effort, and resources



Photo: Earth at Night, AFP PHOTO / NASA Earth Observatory/NOAA NGDC

I am always amazed at the number of companies who think entry into export markets is “easy.”

-CLICK-1- It is not. But I am equally amazed at the number of people who think exporting is “extremely difficult.”

-CLICK-2- It is not that difficult.

-CLICK-3- As in most matters, the reality lies somewhere in between.

Developing export markets does require time, effort, and dedication of human and financial resources – but, then, so would opening a market on the other side of the U.S.

The process and care required to enter a new global market doesn't differ: however, greater patience and commitment will be required as you will be dealing with markets half a world away with differing languages, cultures, and commercial/legal systems.

If export offers no “quick fixes,” it does not also pose any insurmountable problems. Since I mentioned languages, another common misperception is that to export one needs fluency in a foreign language.....SLIDE



MYTH: Fluency in foreign language is essential

- A Plus – but not essential
- Will want to develop it as your markets grow

Photo: Acceso cortado. <http://capl.washaff.edu/14/799.jpg>

Actually, most of the exporters with whom we have worked over the years do not possess second-language capabilities.

-CLICK-1- However, the reality is language capability probably makes entry into new markets easier and probably offers more options in the selection of an in-country partner.

As you know from your own business experience, communication is an important part of developing solid relationships with your “partners” and “multipliers.” So, as you develop profitable relationships overseas, you

-CLICK-2- will want to develop an in-house language capability to better nurture the relationships with your overseas partners.



MYTH: PROFIT MARGINS ARE LARGER

- ☛ For most products....NO!
- ☛ Margins about the same

Image: Microsoft clip art, and NASA

One of the most pervasive myths surrounding exporting is that export profit margins are larger than domestic profit margins.

-CLICK-1- For most products, that is not true. To be sure, cutting edge products may command a larger market when introduced to the world market, and unique products or products in limited supply may command above average margins overseas as well as at home.

-CLICK-2- However, countless studies have shown that, for most products, export margins are about the same as domestic margins.

It makes sense: after all, the global market is highly competitive with lots of players.

Which brings us to another pervasive myth:



MYTH: ANYBODY CAN EXPORT!

- Yes....probably...but...
- Proactive exporting takes **commitment**
- Approach **best markets** for long-term success
- Need adequate **resources**
(financial and human)



Can everybody export? Based on our experience, the answer is a very guarded “yes”...

-CLICK-1- there is probably someone out there in the world who will buy your product. But the answer is “no”-- if by export marketing you mean..

-CLICK-2- pro-active marketing of your product globally over time. That requires commitment and resources that not everyone possesses. Long-term success in exporting (which translates into long-term profitability) is built on doing your homework to find

-CLICK-3- the best markets and approaching them in a way which will assure continuous success.

-CLICK-4- As with any new business venture you undertake, exporting requires careful planning and the commitment of sufficient financial and human resources to assure success.

Having looked at the myths, lets now look at the benefits that can be realistically expected to result from your marketing efforts.....

BENEFIT: GREATER PROFITABILITY OVER TIME

- Exporters outperform non-exporters
- Increased market size
- More potential clients
- Better use of capacity



Image: Clipart from Photobucket.com

While it is unrealistic to expect export profit margins to exceed those of domestic sales, it is *quite* realistic to expect corporate profits to increase over time.

-CLICK-1- *Indeed*, Studies have shown that exporting companies, in a specific industry sector, will consistently outperform their non-exporting counterparts in sales growth and in profits. Exporters also project faster future growth of sales and profits than non-exporters.

Why is that? There are a number of factors contributing to exporters' success:

-CLICK-2- Exporting increases the total market into which you can move products, which of course translates into

-CLICK-3- More potential clients to whom you can sell, and

-CLICK-4- Increased production to meet those sales, allows exporting firms to better and more efficiently utilize capacity and all their resources more efficiently.

But there are other benefits to exporting that contribute to increased sales and profits.



Benefit: Market Diversification

- Extend product life cycles
- Counter economic cycles
- Maintain level production



Twilight at Sydney Opera House (November 2011) / CC BY-ND 3.0

By diversifying your base of potential clients, you have the possibility

-CLICK-1- Extending the life cycle of your products. “Dated” products in this market, may well be suited to another market for a variety of reasons. For example, an overseas market with limited access to high tech technicians may prefer a piece of equipment with mechanical linkage over one with electronic controls. In addition, having a presence in overseas markets may help you

-CLICK-2- Counter economic cycles in the U.S. market.

It is unlikely that all world markets will be in a down cycle at the same point in time. Some experienced exporters say that export sales provides “recession proofing” against down cycles in the home market.

For those businesses that are highly seasonal in nature, exporting may offer an additional advantage:

-CLICK-3- For products that are highly seasonal (such as agricultural equipment), the impact of export marketing can be dramatic since the seasons reverse on the other side of the equator, meaning that production and sales can be maintained

throughout the year. While agricultural products are an extreme example, almost all businesses experience some periods of decreased sales and production throughout the year. Exporting can help smooth out the valleys and provide more level production .



Benefit: Foreign Competitor Insights

Photo: Dusk on Chang Jiang (Yangtze), photographer Andrew Hitchcock. All rights reserved. © 2014 Andrew Hitchcock. All rights reserved.

One last observation: in conversations with experienced exporters, one of the unexpected plusses of exporting almost always mentioned is

-CLICK - the ability to meet product innovations of foreign competitors off-shore.

Apparently many foreign manufacturers “beta test” their new products in other markets before introducing them into the U.S. market. Exporters will first encounter new product innovations overseas – getting , in essence, a “sneak preview” of the competitors’ new product. This allows the U.S. firm time to adjust their product line, before the competitor’s new product is introduced into the U.S. One of our clients whose product is subject to constant innovation and improvement actually considered this the primary advantage of exporting and one reason why he could maintain his U.S. market share.

Having mentioned a few of the advantages that can accrue to exporters, lets take a quick look at what it takes to successfully enter the export market SLIDE



As noted earlier: The number one indicator of success in export is success in the domestic market.

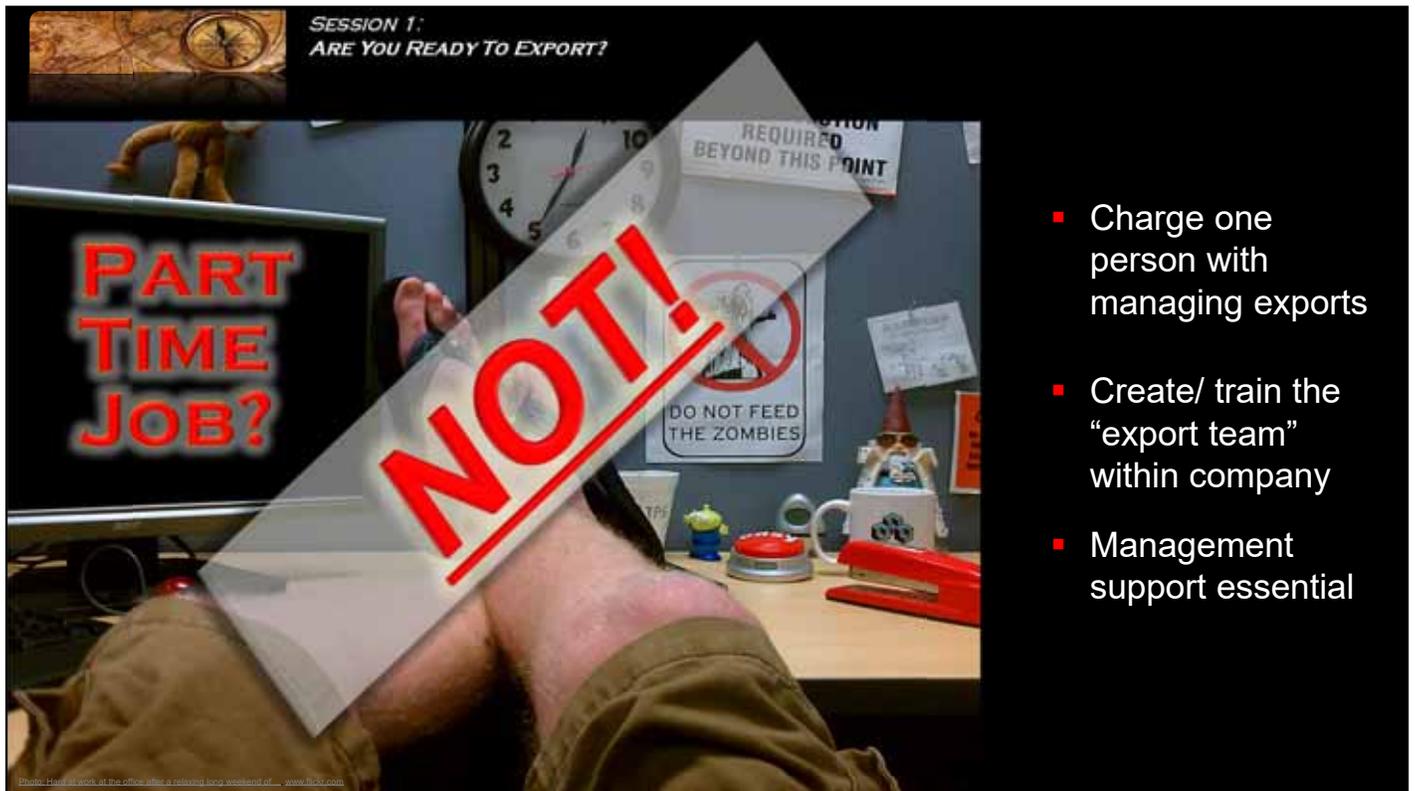
Chances are that a successful domestic company will have the

-CLICK- resources needed to investigate the export market thoroughly, identify opportunities, and commit the resources needed to take advantage of export opportunities.

Exporting seldom lends itself to quick entry. It is rarely the cure for a company that cannot compete successfully in the U.S. market. The companies that succeed in exporting are not looking for “quick fixes.” They look rather to position themselves in the global marketplace for the long term.

In short, they realize that the cost and effort of developing an export market is an investment in future earnings.

Now – how to assure that success: SLIDE



- Charge one person with managing exports
- Create/ train the “export team” within company
- Management support essential

If you wish to enter exporting, realize - first of all - that overseas market development

-CLICK-1- is not a “part-time” job.

It is essential that someone within the company

-CLICK-1- *be charged* to oversee the company’s entry in export - while entry may require the services and cooperation of a number of positions within the company, management of the process is not a group activity.

Organizing for export will involve

-CLICK-2- a number of positions within the organization: the production manager, accounting manager, . traffic manager, credit manager, financial officer, sales staff, etc. because

- each will have to make adjustments to their “normal” operating

procedures and practices to accommodate export sales/marketing.

- And each will need to be involved in the training or learning process at different times.

But - one person needs to be “in charge” and coordinate with the others as the export marketing, accounting, shipping, and sales skills are developed within the organization.

Lastly, that person must have

-CLICK-3- management’s support as he/she brings the company into international sales, since exporting does require commitment of company resources

Indeed, management support is needed as the exporting will require commitment of company resources.....SLIDE



FINANCIAL RESOURCES



- Market development
- Cost sharing
- Product mods
- Regulatory compliance
- Capital to sustain sales
- Travel and overhead

Photo: Chilean Currency by Isaias Campbell www.fotopedia.com

It would be great to say that entry into export markets requires little to no funding; but--it wouldn't be honest.

Staff time alone represents a significant monetary investment....and there will be other opportunities to expend cash.

How much will be required depends on a number of factors, for example:

- CLICK-1- Market development/research costs
- CLICK-2- Cost sharing arrangements with your overseas partners,
- CLICK-3- Cost of required product modifications, if any
- CLICK-4- The costs to comply with various regulatory or safety standards
- CLICK-5- Working capital costs in support of export sales, plus
- CLICK-6- The normal travel, and marketing expenses.

While most of these costs are recoverable from the overseas buyers, nonetheless the prospective exporter needs to be aware of his/her financial

capacity when selecting markets....indeed, it should be one of the primary considerations in market selection. Simply put: be careful not to bite off more than you can financially digest!

Which again brings us back to Management Commitment.... SLIDE



Management needs to be wed to the idea of exporting!

Unless the management team is fully committed to the effort, nothing happens ... or else the “something” will go in fits and starts.

Giving the task to one person to ramrod is fine.... But the rest of the team needs to know that top management will support that person’s efforts.

And part of that team will be people outside your organization..... SLIDE



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YOUR EXPORT ASSISTANCE TEAM

- US Export Assistance Center
- SBDC International Trade Center
- State Global Commerce Division
- Freight forwarder
- Banker
- International attorney



Photo: Israeli Rugby Team, http://simbabu.blogspot.com/2010_12_01_archive.html

As you begin your efforts at exporting, build yourself a solid

-CLICK-1- team of resources on whom you can call for assistance. Chief among these are the resources who can help you in finding the right markets for your company, identifying trade opportunities, and much, much more. These are

-CLICK-2-the US Export Assistance Centers,

-CLICK-3- International Trade Center of the SBDC Network, ...and the

-CLICK-4- Global Commerce Divisions of your state's Department of Commerce. For actually handling logistics, protecting you against errors in shipping, etc., you will want to find a

-CLICK-5- reliable Freight Forwarder , and since money will be involved,

-CLICK-6- a banker who is familiar with international trade and the various payment mechanisms utilized in trading and -of course-

-CLICK-7- An international attorney to review any representation and other agreements with overseas partners.... And one other resource we hope you can rely on.



We hope that you will continue to utilize Export-U.com to help guide you through the export process.

In the next session, for example, you will begin the process of identifying where markets exist overseas for your products. Step by step, and click by click!

Best of Luck In your export endeavors!



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For assistance call :

1-800-USA TRADE

or consult your nearest

US Export Assistance Center

In Georgia you can also call the SBDC International Trade Center at
678-985-6820

photo by NASA Goddard Photo and Video on Flickr

Session 1:

THE END

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The End