



## ***Build Your Business***

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grow their companies.

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***You've decided to double sales by  
"Going international." Now what?***

Exporting isn't simply an add-on to your existing business. It should be part of an overall strategy to develop your business. This article takes a close look at the opportunities and threats that exporting can bring to your company.

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# *You've decided to double sales by "Going international." Now what?*

You've made a great decision – export markets are huge (China and India together have 10 times the US population), they are growing quickly all around the globe and most have a hunger for quality American products and services. Sounds like your idea to 'go international' is going to be a winning strategy. With so much positiveness it surely must be the easiest and quickest way to grow your company?

Going Global may be an obvious decision to make but where do you start? A planned approach helps you to identify the best opportunities. It ensures that you understand what's involved, and have the resources and skills you need. This paper sets out how you can assess whether you are ready to start exporting and helps you decide the best way to go about it.

Exporting can extend your company's market, boost revenues and prevent you having too great a dependence on your US-based customers. But it isn't always an easy option. Exporting poses challenges, from identifying promising markets and customers to ensuring that you can fulfill your export contracts. Developing new export markets takes time and money.

American companies have historically done a poor job of exporting but those roaming the corridors of power in Washington DC are betting on this changing - and changing rapidly. The recent economic downturn in the domestic market has forced companies large and small to consider where geographically their next customer resides. The U.S. population makes up approx. 4.4% of the World's population [1] – surely it makes sense to think of export growth as a priority? Today only 1% of US companies do any exporting and exports make up just 12% of the US GDP [2]. This compares poorly to the 30% or more of most European GDPs and more than 40% of Germany's. Of US based companies that do export (there are 280,000 of them), 58% export to just one country. So there is a tremendous opportunity that they have yet to take advantage.

[1] Population Division of the United Nations Department of Economic and Social Affairs

[2] US & Foreign Commercial Service October 2010

## Rule 1 - Understand the challenges of exporting

Exporting isn't simply an add-on to your existing business. It should be part of an overall strategy to develop your business. Before you start exporting, it's worth making sure you have developed a complete export plan that looks at all the costs and risks involved:

- *Exporting presents all the normal challenges of marketing in the US and more.* You have to find the customers and convince them to buy from you. Understanding what customers abroad want and how the market operates is vital. It's essential to research overseas markets before you market and sell your product or service within them. To be successful, you need to find the right market and the best way to approach it.
- *Every overseas market is different.* To boost your chances of success you need a clear understanding of the market and how your product will fit within it. Entering a market without this knowledge can lead to costly mistakes.
- *Think carefully about the customer.* Who will buy your product, who is your competition and what is the market situation? You should also investigate practical issues such as route to market, logistics, regulation and local suppliers in your chosen market.
- *Logistical problems, contractual issues and paperwork.* You'll probably want a contract drawn up using internationally recognised terms and conditions and standard commercial practices to make it clear what your responsibilities are. There's also a range of official procedures for sorting out transport, customs clearance and payments. When trading internationally the right paperwork is crucial. Missing or inaccurate documents can increase risks, lead to delays and extra costs, or even prevent a deal being completed.
- *EU and VAT.* If you are VAT (value added tax) registered, you must provide details of all your transactions with other European Union (EU) member states on your VAT return. If the value of goods you buy from or sell to other EU countries reaches a certain level you must submit additional monthly supplementary declarations. This all amounts to increased accounting and administration costs.
- *Compliance.* Some goods sold in the US might not satisfy another country's standards or even be legal in that country. Examples include anticompetitive laws, recycled capability, pollution emissions and warranty terms that have to be offered by law.
- *Exporting demands additional resources.* While exporting is a great opportunity to develop new customers and increase profits, trading internationally presents its own set of new risks and challenges. You can't eliminate these risks altogether, but you can manage and minimise them. Insurance against non-payment, liability and more can help, but the importance of understanding your overseas market, surrounding yourself by local companies and experts are just as important. Strong international agreements can reduce financial and legal risks and help qualify your partners.

## **Rule 2 - Ensure your company has the skills & resources needed**

To succeed in the export market you need to spend time and money planning, researching market opportunities and building relationships. You may also need to invest in modifying (localizing) your product / service to suit overseas customers.

Exporting is usually a way of growing a successful business not a solution for a business that's in trouble. If you're struggling with limited finances or overworked employees, you may not have the resources to take on the extra work.

Once you have planned your exporting activities, you also need to devote extra resources to handling your export business. Marketing to overseas customers tends to be more demanding than selling within the US. Exporting also needs special skills - such as organising international transport and handling customs clearance. Many businesses find the best way to get started is to buy in the services they need, and build in-house skills and resources later. For example, you might use a local agent to sell and a freight forwarder to handle deliveries.

Exporting can be financially demanding. Customers often want credit from the time they receive the goods. For a long distance shipment, this could be weeks after you produced and shipped the goods, so you get paid later than you would by a customer in the US. At the same time, you may have to meet extra costs like transport and insurance.

## **Rule 3 - Understand how to assess export market opportunities**

You might first consider exporting in response to enquiries from potential customers overseas. Or you might actively decide to look for opportunities. In either case, thorough market research is essential. To increase your chances for success, you must understand what overseas customers want and what the competition is like. As well as local suppliers, you may be competing with other exporters from around the world.

It is vital that you have a well constructed export market entry strategy. The best way to sell into an export market depends on your circumstances and the local market conditions. For example, if local wholesalers dominate the market for your product, you might target them rather than trying to sell directly to end-customers.

You need to consider how your company will promote itself. It is vitally important to take local culture and regulations into account. For example, it might be illegal to advertise your product to children, or the name of your product might have an unwanted meaning in the local language. Deciding what to offer is a crucial element in assessing your opportunity. US products and services often need to be modified to suit local regulations and customers' requirements. You'll also need to think about what after-sales service you need to provide and the best way of doing so. The Sale of Goods Act (UK) and other EU directives for example insist protection against faulty

goods is offered even when the manufacturers guarantee has expired. The act says goods must last a reasonable time – and that can be anything up to 6 years from date of purchase.

If you work with a local distributor you will benefit from their local contacts and expertise. In some countries, working with a local partner is almost essential - or even legally required.

You should think about practical aspects as well, such as clearing goods through overseas customs. If you are dealing with experienced importers, they may be prepared to take responsibility for these areas themselves. Otherwise, you might want to work with an experienced agent or freight forwarder who can handle these aspects.

All this adds costs - over and above the additional costs such as delivery. Many exporters find that they need to position their product as a premium brand to justify higher prices and cover all these costs.

#### **Rule 4 - Choose which export market to enter carefully**

Different markets often have different requirements. For example, product modifications that suit customers in Canada might be the opposite of what customers want in China.

Trying to export to several different countries can be very expensive. Unless you tailor what you offer to suit each individual market, you may fail to offer what customers really want.

Many new exporters choose to start by exporting to markets that are relatively easy to deal with. For example, the practicalities of dispatching goods to countries within the European Union (EU) are relatively straightforward. Many trading practices, regulations and standards apply throughout the EU, and key tasks such as accounting for VAT have been standardised.

Developing countries can be riskier to deal with. Ultimately, it's up to you to decide which markets offer the best opportunities and which suit your own export strategy.

#### **Rule 5 - Understand your export responsibilities**

Like any sales contract, you need to agree what goods you will deliver and their Timelines. The agreement should make it clear who is at risk if the goods are lost or damaged at any stage during delivery. Your agreement also needs to cover where you will deliver the goods and whether you will arrange for them to be cleared through customs.

It's good practice to use internationally recognised terms in your contract to set out the responsibilities for transport and insurance. If your company takes on more responsibility you can be seen to be more competitive. But you also face increased costs and risks. Whatever you agree, it's important to understand and agree your

responsibilities. International trade paperwork can be complicated, and mistakes can be costly. You may want to use specialist help such as a freight forwarder.

You need to agree how much the customer will pay, when payment will be due and how payment will be made. Different payment methods, such as advance payment or letters of credit give you more security than giving your customer open account credit. Pricing in the local currency, rather than dollars can help make you more competitive but puts you at risk when exchange rates change.

### **Rule 6 - Use the right export support service**

The comforting news is that there are many support services available within the private sector and through the Federal, State government and somewhat at the City level. Services (you pay for what you get is the old adage that applies here) range from simple market information and help breaking into new markets all the way through to training, communications assistance, financing, documentation and more.

You may also want help in several other areas:

- An experienced lawyer can help with contract negotiation.
- Your bank can advise you on payment methods, financing and handling foreign exchange.
- A freight forwarder can handle transport.
- You may want to use a broker to find the right insurance.
- An Internationally focused sales agent or accelerator can introduce you to their local networks and help speed up your market entry.

### **Rule 7 - Export when you are ready**

You can use these points to help you decide whether you are ready to start exporting or what else you need to do to prepare.

#### Planning and strategy

- Do you have a well-defined export strategy and a thorough plan? How will you start exporting and how will you develop your export business?
- Do you have resources needed to carry out your plan, e.g. finances, personnel, production?
- How will you build your export skills?
- How much do you expect to invest, and what return do you expect?
- Are you committed to exporting? Have all the key people in your business agreed?

#### Marketing

- Do you know which markets you will target?
- How much research have you done into your target market? Do you understand the business culture and legal environment?

- What is the market for your product? Who are your competitors and what do they offer?
- Will your product need modification to meet local regulations or customer requirements?
- How will you position your product? What price will you charge? What currency will you use to price and sell your products?
- How will you market and promote your product? What distribution channels will you use?

### Export procedures

- What contracts need negotiation? What are your preferred terms and will these suit your customers?
- What payment method and terms will you offer? Will you require a foreign currency bank account or accounting software that can handle foreign currency transactions?
- Have you identified all the costs, such as transport, insurance, duties and taxes? Will your export business be profitable after taking these into account?

## **Rule 8 - Make sure your company can cope with Export success**

In summary it should be said that the more successful you are, the greater the demands will be on your business. It's vital to plan ahead and be sure you have the capacity to handle the extra production, selling and after-sales support. Additional costs like international freight may mean you can't compete with local suppliers. If the market only offers low margins, or you haven't got the resources you need, you may decide that exporting isn't for you.

But if you have got a good product to offer and a well-run business, the chances are there are opportunities out there. If the rewards you expect justify the investment and the risks, you should commit to your export plan and make it happen.

## **Rule 9 - American jobs can be created by boosting exports**

American companies are awakening to the vast opportunities associated with exporting. To export means potentially tapping into the other 96% of the world's population. The developing nations of the world are rightfully being targeted by U.S. firms and for good reason. China is the fastest growing market for U.S. exports and arguably the most important destination for future export growth. In the first half of 2010 alone, domestic consumption pushed up China's imports by 50 percent.

America's biggest competitors enjoy a commitment to trade promotion at the highest level of their government and have been focused on the China market for years. To compete more effectively, American companies need the U.S. government to aggressively promote US exports. The National Export Initiative (NEI) initiated by President Obama is a good first step.

The U.S. ranks behind Germany, South Korea and Japan in exports to China. These countries not only export tens of billions of dollars more to China by volume, they are managing to maintain more market share than the U.S. in an increasingly crowded China market. Germany has an economy less than a quarter the size of the U.S. yet exported just slightly less than the U.S. exported to China in 2009. China's potential is so great for U.S. exporters that capturing one additional percentage point of China's import market translates to \$11.3 billion in additional exports and tens of thousands of new American jobs.

### **Rule 10 - Growth in emerging economies equals opportunity**

As the U.S. slowly emerges from the grip of the global financial crisis, American companies are presented with an unprecedented opportunity to enter a great number of rapidly growing foreign markets. Many emerging markets in Eastern Europe, Central and South Asia and Latin America have resumed where they left off with their blistering growth. Industries such as alternative-energy generation, agriculture, communications, aviation, road construction, and health care are booming, along with many others. Despite competition from China, Germany, Brazil and others the opportunities are so vast that there is plenty of new business for American companies.

Expansion overseas (and especially in emerging markets) is not for the faint of heart. It requires unwavering commitment to chosen markets, reshaping current organizational culture to have a global focus, learning new ways of doing business and dealing with issues that are pervasive in many emerging markets - poor infrastructure, increased crime and corruption, different work ethic and extraordinary levels of bureaucracy.

### **Summary**

You can double your sales by taking your products international - like anything, you just need to know what you are doing (have a plan). Foreign expansion often offers superior financial returns. It can also create a more competitive organization, which is not only capable of generating additional sales abroad, but is better positioned to defend its home turf from foreign competitors.

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## Richard P. Biggs, CEO - Atlantric LLC

### Authors' Biography:

Richard is an International business development expert, former CEO and serial entrepreneur. Over the past 20 years he has held senior positions at numerous American based companies. Richard has taken companies from sectors including consumer electronics, software, manufacturing and technology into the EU, Middle East, Asia and Australasia. He has also been instrumental in taking companies from his native England onto the World stage. Richard is married to a woman who has lived in 3 countries and has two daughters. The eldest daughter had already lived in 3 Countries by the time she was 18 months old - The U.S., Spain and England. Richard has started 3 companies of his own - two in the US, one in the UK and is currently very active on the Portland early-stage company scene.



### Who we are

Atlantric is an International Accelerator and formed via an alliance of international specialists located in the U.S., France, Germany and the U.K. Atlantric is focused on helping North American companies establish or expand their presence in Europe and beyond. We provide international strategic support and practical implementation services, as well as cross cultural management and preparation. The Atlantric team of local market entry experts have collectively the global expertise needed to rapidly and effectively enter most sizeable export markets.

### What we do

Atlantric is a full-service resource for American companies looking to grow overseas. Our impartial consulting advice provides knowledgeable, practical and focused growth driven strategies. Opportunity evaluation, readiness assessment, strategy, operational execution and outsourcing are among our services.

Each company's needs are unique - so Atlantric offers a continuum of involvement from strategy and support through to complete turnkey operational management and outsourcing. We can create a customised package of expert assistance that dovetails with your existing capabilities and needs.



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