



Export Readiness: Selling in the Global Marketplace

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Introductions

- About My Background
- About the SBDC and CITD
- About Your Background



Why Export?

- 90+% of your potential market lies outside the USA
 - \$ 1,278, 1,056, 1,287, 1,148, 1,026 & 901 billions in exports 2011-2005 - USA
 - \$143, 120, 145, 134, 128 & 117 billions in exports 2011-2005 – California

Compensate for fluctuations in the US economy

- Relatively High Volume Purchases
- Appropriate technology



Exporting is Different

- Effort
- Time
- Travel
- Money
- Commitment
- Culture
- Buyer Needs
- Channels of Distribution
- Logistics
- Regulations
- Time Zones
- Language



Ask the Following Questions:

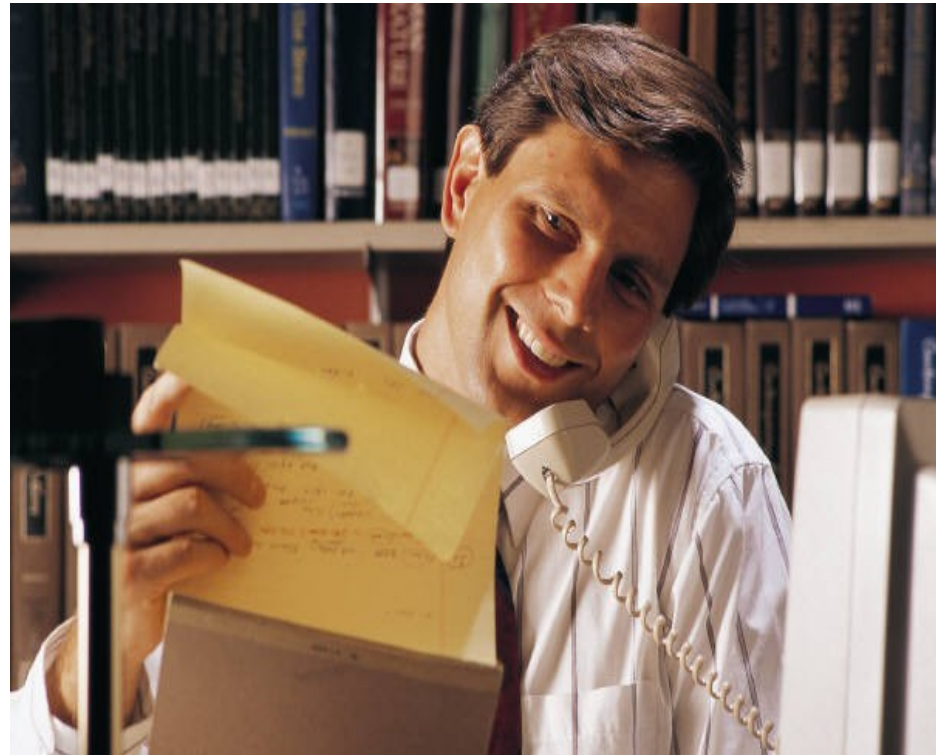
- What do we want (as company) to gain from exporting?
- Is exporting consistent with company goals?
- What demands will exporting place on key resources? How will they be met?
- Are the expected benefits worth the costs or should the resources better used in new domestic business?
- Does upper management agree?
- What do we want to be?



Export Management

Primary Activity: Sell to foreign buyers

- Don't take title, put buyer & manufacturer together
- Receive Commission
- Shipping arranged by manufacturer
- Payment arranged by manufacturer
- Advantage: Less liability
- Disadvantages: Manufacturer determines price
- Manufacturer will try to terminate relationship
- Less control



Export Trading

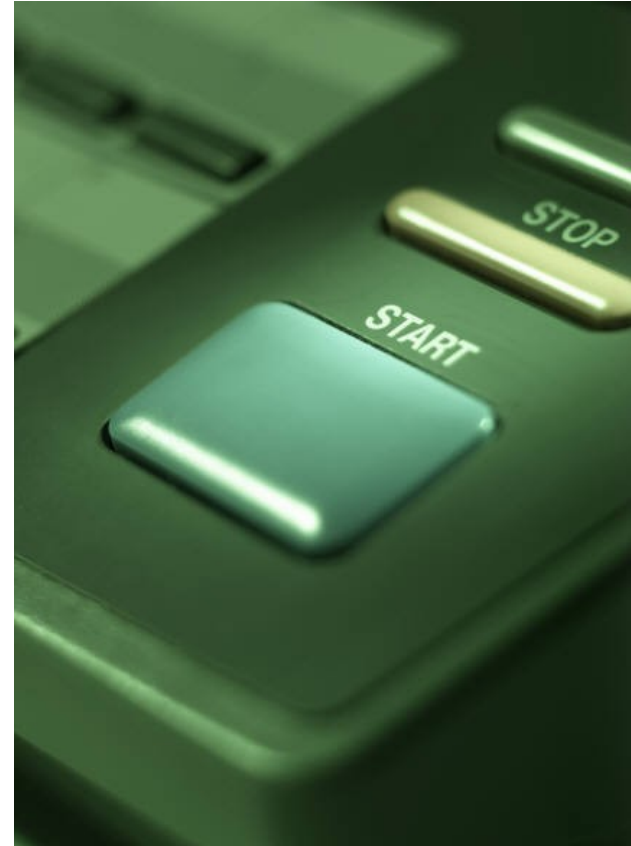
Primary Activity: Sell to foreign buyers

- Buy product from the manufacturer & resell
- Arrange for shipping and payment
- Advantages: You determine price; can make more money
- Long term relationship with both manufacturer and foreign buyer
- Overall, have more control in the marketplace
- Disadvantages: More liability



How Do I Get Started?

- Select a product or service with cultural applicability
- Select one country or region
- Test assumptions
- Perform due diligence



On product selection

- Product needs to work -
- Correcting problems overseas are costly.
- Must meet country requirements – certification CSA - www.csa-international.org/, CE, NOMS,
- Manuals and instructions are necessary
 - For customers
 - For local installers and service people
 - For sales
- Do the manuals have to be in the local language or is English OK?



Conforming to Country Standards

- Country standards
- <http://ts.nist.gov/ts/htdocs/210/214/214.htm>
- National Voluntary Laboratory Accreditation Program (NVLAP)
- Regulatory Agencies–Support Mechanisms
- China Compulsory Certification Mark
- <http://trade.gov/mac/>
- http://www.pced.org/download/document/20080605_151458_11020.pdf
- <http://www.csa-international.org/>
- <http://export.gov/cemark/index.asp>



Due Diligence

What is the Market for my Product?

- Obtain Schedule B Number classify product
 - <http://www.census.gov/foreign-trade/schedules/b/>

Search Enter Keyword and Select Year

- Obtain Trade Statistics – The Office of Trade & Economy
 - <http://www.trade.gov/mas/ian/>
- HS: Imports by US Intl. Trade Commission www.usitc.gov



Schedule B Export Codes

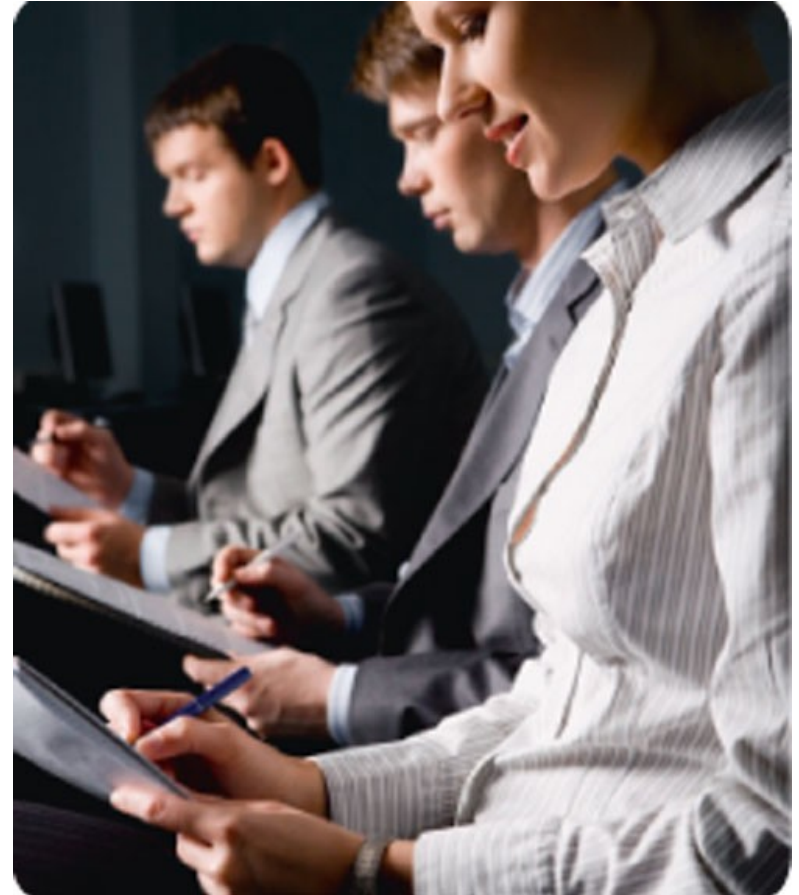


- 8,000+ different products, each assigned a unique 10-digit identification code, or “Schedule B” number based on the quasi-universal nomenclature known as the Harmonized Tariff System (HTS) recognized by close to 200 countries worldwide
- Both export and import codes used in the U.S. are based on the HTS
- Export codes (called Schedule B by U.S.) administered by the U.S. Bureau of Census – www.census.gov
- Import codes (called HTS by U.S.) administered by the U.S. International Trade Commission – www.usitc.gov

Schedule B Number

Harmonized System

- <http://www.census.gov/foreign-trade/schedules/b/#search>
- <http://hts.usitc.gov/>
- <http://dataweb.usitc.gov/>
- <http://www.export.gov/logistics/index.asp>



Sanctioned Countries Other Special Controls

Iran, Balkans, Belarus, Burma
(Myanmar), Dem. Republic
Congo, Ivory Coast, Cuba
Lebanon, Libya, Former
Liberian Regime of Charles
Taylor, North Korea,
Somalia, Sudan, Syria,
Zimbabwe

BIS- Denied Persons Lists

OFAC - Specially Designated
Nationals

OFAC- Blocked Persons List

DOD- Debarred Parties List

www.treas.gov/offices/enforcement/ofac

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Destination Control Statement

- “These commodities, technology or software were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. law prohibited”

The U.S. Export Regulations mandate that a Destination Control Statement be entered on all copies of the export documents listed below.

By showing this statement, you are certifying that, to the best of your knowledge, the goods are going to the destination shown on the AWB or

OBL. It also protects you in the event the goods arrive in a restricted country without your knowledge.

This statement must be on the following documents:

1. Commercial Invoice
2. Air Waybill
3. Ocean Bill of Lading



U.S Export Regulations

- Export Administration Regulations (EAR)
- 📌 Controls all commercial items
- 📌 Licenses not always required, need classification & destination to determine
- 🔄 International Traffic in Arms Regulations (ITAR)
- 📌 Controls any item specifically designed/modified for military use/application
- 📌 Licenses required, few exemptions
- 🔄 Office Foreign Assets Control Regulations (OFAC)
- 📌 Specific sanctions on sanctioned destinations.
- 📌 License always required, rarely approved.



Export License

- Export Control Classification Number (ECCN)
- Most products do not require an export license
- Fall under the acronym
- NLR EAR99: No License Required
- Unless:
- Dual Purpose
- In short supply
- Threat To National Security
- Validated Export License
- (Transaction Based – Single -Multiple)
- BIS/BXA: www.bis.doc.gov
- Simplified Network Application Process (SNAP)



MARKET

- Know who your customers are: Private, Public Sector, Military?
- International demand for your product?
- Size of the potential market?
- Do the market study.
- Do not expect US marketing to work in target country?
- Cultural mores
- Is it worth it?



Competition

- Is there competition in the chosen market?
 - Are they local? Are they better?
- Why would your customers choose you over the local company?
- How does their price compare with your price?
- How does their product compare to yours?
 - Technically
 - Features
 - Customer Friendly
 - Cachet



SUGGESTIONS

- Unless experienced
- Start small – close to home - NAFTA
- Choose easiest CA & Caribbean
- Mistakes can be expensive
- Do not overreach



Market Entry Strategies



- Wholly owned
- Joint venture
- Distributor vs. Sales Representative
- Exclusive Agency vs. Non-Exclusive Agency
- Company Exclusivity vs. Product Exclusivity
- On contract and labor law..

Distribution Strategies



- Internet
- Distributor
- Sales agent
- Joint venture
- Sales office
- Company / Product exclusivity

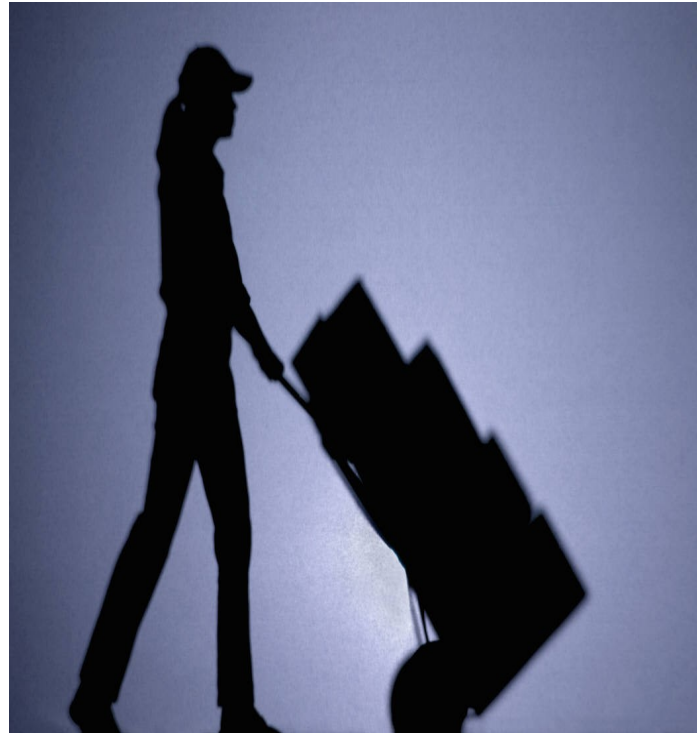
Choosing Distributors

- Crucial - Can make or break your business
- Use DOC Gold Key or like
- Draft a good agreement
- Need to be there regularly
- May need to provide training
- May need starting kits
- Define how to deal with brochures, returns, samples, marketing materials
- Dealers may not give you're their 100%
- Do you need a local agent



Product Distribution

- Does the dealer need a demonstration unit, or a starter kit?
- Marketing collateral – Brochures, Samples, Flyers, Language?
- Need local Agent
- Need to deal with language, customs, certification issues
- Distributors should know market – you provide advice on products
- Distributor should not distribute competing products
- Dealing with exclusivity demands



On Pricing

Know how to calculate the overseas price

Assessing cost of going international

Travel

Website localization

Communication

Freight

Certifications

Duties

Legal

US and country compliance issues/costs

Fiscal services

Training

Time



Pricing Products



- Selling Price
- Freight
- Insurance
- Duty
- VAT (Value Added Tax)
- Distributor mark-up
- Common sense test
- Competition Pricing

Landed Cost – Santos Port, Brazil

• FOB-MIA Machine (includes profit)	\$ 100,000
• Freight (est)	\$ 2,400
• Insurance (1%)	\$ 1,000
• CIF	\$ 103,400
• Import Duty 19% CIF	\$ 19,646
• IPI 5%x (CIF+ID)	\$ 6,152
• ICMS 18%x (CIF+ID+IPI)	\$ 23,256
• PIS/Coffins 9.25%xCIF+ID=IPI+ICMS	\$ 14,102
• Merchant Marine Tax 25% x freight	\$ 600
• Warehse Tax .65%CIF >\$170<	\$235
• Terminal Handling Charges Avg	\$ 100
• Custom Brkr Uni 2.2%CIF>71<160	\$ 160
• Custom Brkrage Fee .65%CIF170-450	\$ 450
• SISCOMEX Fee	\$ 30
• Cargo Transportation Fee	\$ 35
• Bank Costs (2% FOB est)	\$ 2,000
• Final Cost at Santos	\$ 170,066



Where to Obtain Information

www.export.gov

www.citd.org

www.canadabusiness.ca

www.ic.ag.ca

[http](http://)

[://faculty.philau.edu/russowl/market.html](http://faculty.philau.edu/russowl/market.html)

www.fita.org

Trade Shows

General Internet Search

1. Market Research
2. Trade Library

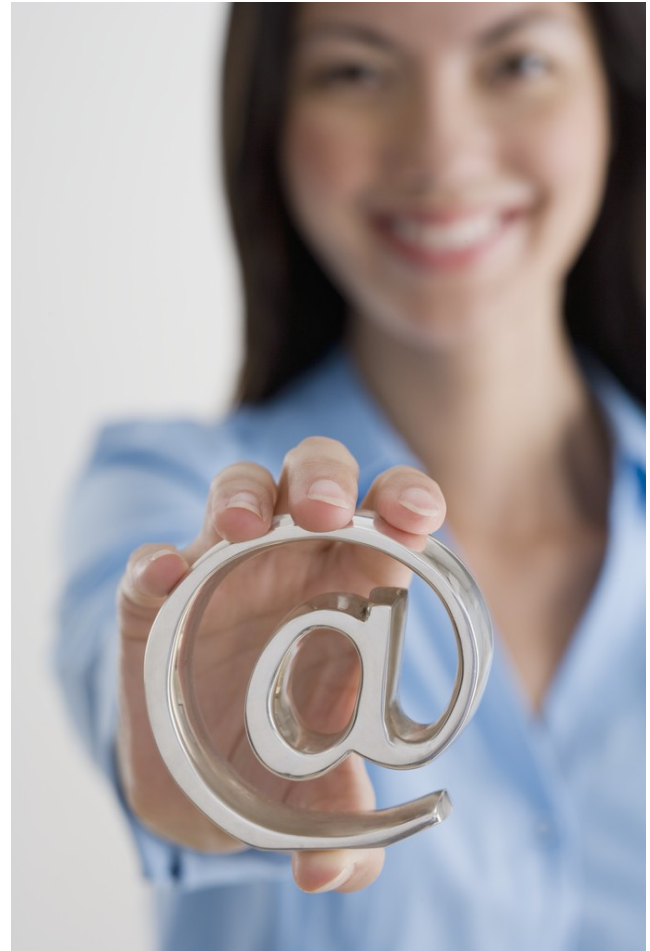
Other Suggestions:

Customized Market Analysis

Industry/Country Specialists

AmCham

Call End Users



How To Perform Marketing Research

www.export.gov

www.citd.org

www.canadabusiness.ca

www.ic.ag.ca

[http://faculty.philau.edu/
russowl/market.html](http://faculty.philau.edu/russowl/market.html)

www.fita.org

www.usatradeonline.gov/

www.tradeport.org

<http://dataweb.usitc.gov>

<http://travel.state.gov/>



Perform Market Research

Questions To Ask:

- What is the market condition?
- What are the market sectors?
- What is the price of product being sold ?
- What are the economic trends?
- How is the product sold and who are the distributors?
- What are the trade barriers or restrictions?



Perform Country Research

- Ask the questions:
 - Politically stable?
 - Economically stable?
 - In an economic recession?
- Country Commercial Guide
- Where:
 - <http://www.export.gov/exportbasics/index.asp>
 - www.usatradeonline.gov/
 - www.export.gov/market_research/index.asp
 - www.citd.org
 - www.ita.doc.gov
 - <http://faculty.philau.edu/russowl/market.html>



Methods To Market Your Product



- <http://www.tradeport.org/>
- CNUSA
- Foreign Buyer Program
- Contact Embassies Directly
- Internet
- Yellow Pages
- Catalog Shows
- AmCham
- Press Releases
- Contact End Users
- WTC
- Trade Missions
- Trade Shows
- www.buyusa.gov
- Gold Key Service
- Talk to friends/foes
- Embassies
- **GO TO THE COUNTRY!!!**

Finding Partners & Trade Leads

- International Partner Search
- Gold Key Matching Services
- Commercial News USA
- BuyUSA.com
- Online Matching w/ Buyers
JETRO
- Video hook-ups
- Trade Leads
- Embassies / Consulates
- Trade Shows
- Old Trade Shows
- Foreign Newspapers
- College Friends
- Reverse Trade Missions



Finding Partners & Trade Leads cont...

- www.europages.com
europe
- www.hoovers.com biz
directory
- <http://www.uschamber.com/international/directory>
- <http://globaledge.msu.edu/ibrd/ibrd.asp>
country insights
- <http://www.imex.com/>
Exchange



Finding Partners & Trade Leads cont...

- www.wayp.com/ Intl Wit/Yelw Pges
- www.kompass.com/companies
- www.siccode.com SIC code
- www.asian-manufacturers.com
- www.asia-links.com/biz
- www.mbendi.co.za Africa
- www.redindex.com Africa
- www.brabys.com Africa
- www.ausitrade.com Australia
- www.brazilbiz.com.br/english
Brazil
- http://strategis.ic.gc.ca/sc_x/engdoc/suppliers_partners.html
Canada



Finding Partners & Trade Leads cont...

- www.idealists.org Global non-profits
- www.amarillas.com Latin America
- www.euroseek.com Europe
- www.usgtn.net Trade Leads
- www.mercantil.com Latin America
- www.ubd.co.nz New Zealand
- www.polska.net Poland



On Cultural Issues

- Business Etiquettes - Norms
- Business – Social Settings
- Negotiations
- Language
- <http://www.executiveplanet.com/>
- <http://www.windowonthe-world-inc.com/countryprofile/index.html>



Go to the Country!



Need Primary

- Collect market information and intelligence through direct contact with potential customers and other information sources.
- Interviews - Attend a trade show.
- Return to USA to make final decision on potential distributor
- Follow-up (Promptly!)

Contact the Following Organizations

- SBDITC (619) 482-6391
- www.sbditc.org
- www.citd.org
- Department of Commerce
(858)467-7032 Industry
Specialist & Country
Specialists
 - www.ita.doc.gov
 - www.export.gov
- American Chamber of
Commerce Abroad
 - www.uschamber.com



On Intellectual Property & Other Legal Issues...

- Are they protected
- Copyrights
- Patents
- Trademarks
- Trade Secrets
- Labor Law
- Contract Law
- USCS-Country can provide list of service providers



Business Plan for International Trade

- Select Product(s)
- Display strengths - weaknesses
- Evaluate Product
- Not easily forgotten,
- Researched, Market Environment
- overlooked, or ignored
- Review Inventory Needs
- Clear communication less
- Exploit Potential
- Modify responsibilities -
evaluate results
- First thing the bank will ask
- Management knows what is
required
- <http://www.sba.gov/exportbusinessplanner>

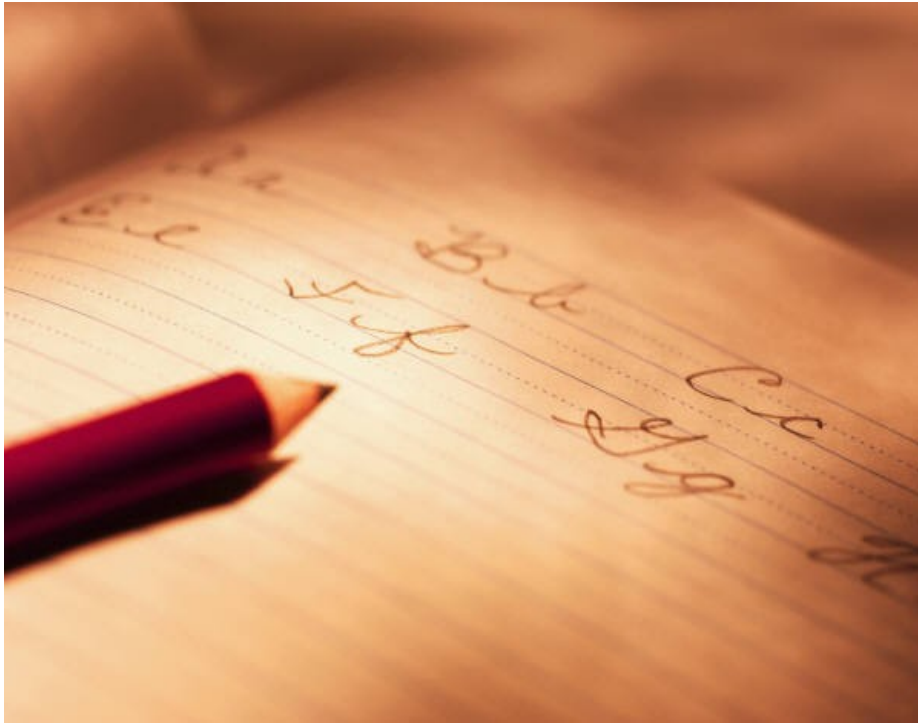


Plan Must Address:

- Product selection and modifications if any.
- What countries are targeted
- In each country what is the basic customer profile
- What marketing and channels
- What special challenges to each and how to overcome them
- What will be the time frame for implementing each element of the plan
- What personnel and company resources will be dedicated to exporting
- What will be the cost in time and money for each element
- How will the products' export sales price be determined
- What specific operational steps must be taken and when How will the results be evaluated and used to modify the plan?
- DOES IT MAKE SENSE TO GO FORWARD



Incoterms 2010



- EXW: City, State USA
- CIF
- CFR
- CIP
- DDP/DDU
- Inland
Transportation
- <http://www.iccwbo.org/incoterms/index.html?id=40772>

Freight Forwarder

- They move freight internationally
 - It is not a custom broker
- Information you need: Weight of shipment; Dimensions of shipment; Where it is being shipped from; Where it is being shipped to; Collect or prepaid; Schedule B; ECCN
- Packing, shipping, handling, reserving carrier space
- Can advise on special documentation requirements, insurance and export regulations
- Can arrange of clearance on the importing country and compliance w/ customs regulations



Documentation



- Pro-Forma Invoice
- Commercial Invoice
- EEI (SED) Shippers Export Declaration *AESPCLink!!!*
- <http://www.aesdirect.gov/>
- Packing List
- Certificate of Origin
- http://www.exportvirginia.org/fast_facts/Current/FF_Issues_Export_Documentation_Overview.pdf
- http://export.gov/logistics/eg_main_018121.asp

**Rely on your freight forwarder
to help you!**

Pro-Forma:

Provide Information For Client To Make Buying Decision

- Your Company Name
- Buyers Name
- Date
- Reference Number
- Quantity
- Description
- Unit Price
- Extended Price
- Currency
- Weight of Product
- Dimensions of Product Packed
- Country of Origin
- Country of Ultimate Destination
- Point of Delivery
- Payment Terms
- Quote Valid For



Pro-Forma Invoice



- Most export transactions begin with an overseas inquiry followed by an RFQ
- Preferred method for export is the pro-forma invoice
- Pro-forma invoice is provisional and its purpose is to acquaint the importer and/or appropriate authorities (bank) with the pending shipment
- Always subject to change with specified validity period
- Typically describes the product, states the price, sets the time of shipment, and specifies the terms of sale (Incoterm *with* geographic reference) and terms of payment
- Should include origin of product

Commercial Invoice

- Represents complete & detailed record of transaction
- Serves as basis for all other documents
- Data must conform to foreign country entry regulations and meet bank/LC requirements
- Typically more detailed than a domestic invoice
- Exporter signature required, usually a statement regarding value or origin
- U.S. Government may require “Destination Control Statement” for anti-diversion purposes



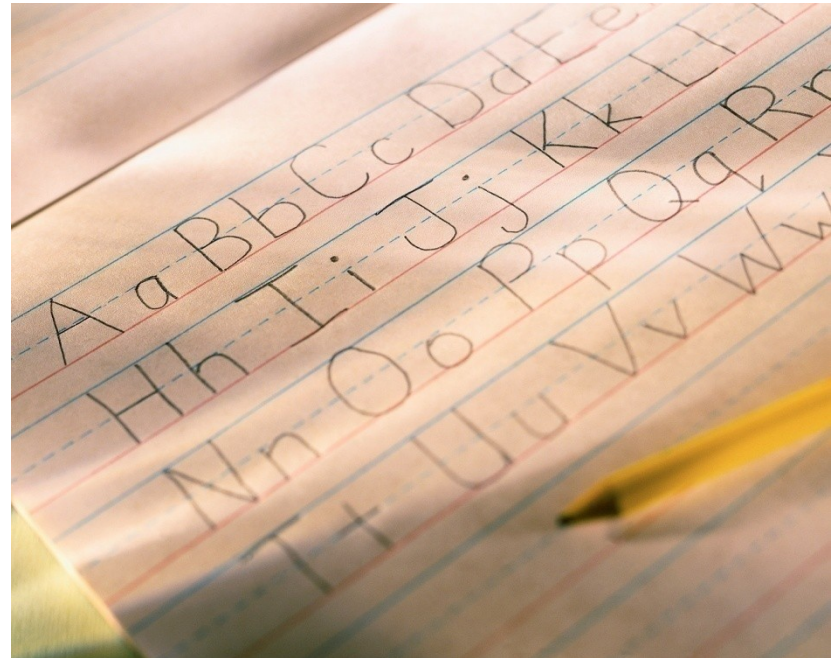
Electronic Export Information Form (EEI) formerly known as Shipper's Export Declaration (SED)

- <http://www.aesdirect.gov/>
- <http://www.census.gov/foreign-trade/regulations/forms/index.html>
- http://www.aesdirect.gov/support/usppi_overview.html
- Provides official export statistics And exports control information
- Required all licensed shipments and individual HS classification >US\$2,500



Packing List

- Required by importing country to facilitate clearance of goods through customs
- Must conform with commercial invoice (& possibly the L/C) regarding total/type packages, totals of gross, net weights of packages, marks & numbers on the packages.,
- Completed packing list used by the exporter/forwarder to ascertain shipping weight and volume in order to reserve space
- Used at port of export and import to determine correct cargo
- Used by buyer to inventory the merchandise received



Packing List



- Usually required by importing country to facilitate clearance of goods through Customs
- Must conform with the commercial invoice (and possibly the L/C) regarding total number/type of packages, totals of gross, legal and net weights of the packages, marks and numbers on the packages
- Completed packing list used by the exporter/forwarder to ascertain shipping weight and volume in order to reserve space
- Used at port of export and import to determine correct cargo
- Used by buyer to inventory the merchandise received

Certificate of Origin

- Countries also look to origin to determine if the goods are imported from an embargoed country
- C/O often used to satisfy request of the bank/letter of credit



Getting Paid



- USD Dollars
- To begin, don't sell on open terms
- Wire Transfer
- Letter of Credit
- Check - USD dollars from a US bank

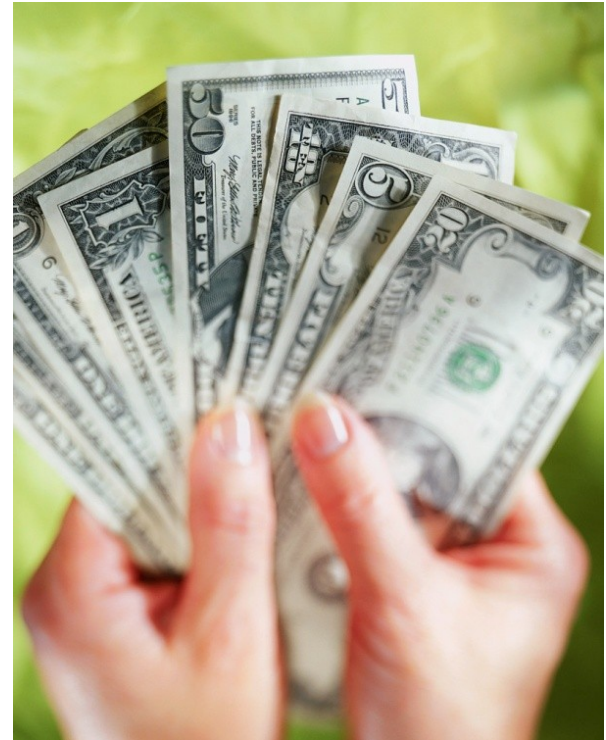
How Will You Pay The Manufacturer?

- Terms
- Transferable Letter of Credit
- Transfer of Payment



Sources of Financing

- Local Banks
- International Banks
- Ex/Im Bank: Paul Duncan, (949) 660 0633
Paul.Duncan@exim.gov
- SBA: Martin Selander
- 949 660 1688 X 115
- Martin.selander@sba.gov
- (goods w/>51% U.S. content)



More on service..

- You must service your accounts
- Time management
- Staffing issues
- Level of service required
- Operating hours



The End

**Contact me with any
questions:**

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