

EXPAND INTO NEW MARKETS OVERSEAS: AN EXPORTER'S CHECKLIST



Many small to midsize U.S. businesses have experience in the export game, others are only beginning to learn the rules, and still others have yet to try their hand at competing on a global stage.



Quick Reference Checklist: Reviewing your Export Strategy



- ☐ Am I maximizing my export revenue?
- ☐ Do I currently reach all of the markets I've targeted?
- ☐ I've researched new markets, but how do I to penetrate them effectively?
- ☐ What resources do I need to succeed in growing my export base, and how can I find and acquire them?
- ☐ What does the competition look like for my products in my targeted foreign markets?
- ☐ Whom can I partner with in order to expand my exports?
- ☐ How do I overcome financial obstacles that may arise while I am trying to grow my exporting business?
- ☐ Are there complimentary market opportunities in the geographic region I currently serve?
- ☐ Does my export management company regularly present me with new market possibilities within its sphere of influence?
- ☐ Do borders, climates, language, cultural factors, and infrastructure limitations define my current market?
- ☐ How can I take advantage of the unique conditions in my current market in order to add customers and revenue?





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— U.S. Census Bureau

Remarkably, 96.5% of all U.S. manufacturing exporters are small and mid-size businesses (SMBs), the U.S. Census Bureau reports¹. They account for nearly 20% of total U.S. export revenues. As exports grow, the number and variety of support services geared toward helping companies cope in the global economy have also grown. Local, state and federal government agencies are all part of the mix as well as a host of trade and private organizations. Interestingly, more than half (58.5%) of SMB's export only to one country, most commonly to Canada. In other words, there is a tremendous well of untapped opportunity for U.S. exporters to expand into new markets.

One such opportunity, which reaches across many regions, is an expanding middle class. It is projected that the size of the 'global middle class' will increase to 3.2 billion people by 2020 and to 4.9 billion by 2030². A majority of the growth will come from Asia. By 2030, Asia will account for 59% of global middle-class consumption, alongside increasing consumption in both India and sub-Saharan Africa. In order to support a consuming middle class, countries will begin by increasing the purchase of capital goods and equipment, followed by increased imports of consumables. This is good news for U.S. exporters and, in particular, SMB's looking to increase export revenue.

Important questions manufacturers should be asking in their pursuit of export sales include:

- ☒ Am I maximizing my export revenue?
- ☒ Do I currently reach all of the markets I've targeted?
- ☒ I've researched new markets, but how do I to penetrate them effectively?
- ☒ What resources do I need to succeed in growing my export base, and how can I find and acquire them?
- ☒ What does the competition look like for my products in my targeted foreign markets?
- ☒ Who can I partner with in order to expand my exports?
- ☒ How do I overcome financial obstacles that may arise while I am trying to grow my exporting business?





Discovering ways to expand growth requires assuming additional risk, utilizing additional resources, being open to and ready to seize on new opportunities and to be flexible to change.

Growing manufacturers are regularly faced with these and many other questions surrounding export issues. Locating and qualifying new markets and customers can seem to be a daunting task. Fortunately, help is available.

Export Approach: Direct or Indirect

Before exploring new ways to expand your export business, a review of your current methodology is prudent. Do you transact your exports through direct means, working with your target market personally, or indirect means, selling through an intermediary such as a agent or distributor? In reviewing your methodology, you should determine what is and isn't working well in your export plan. Typically an exporter of highly technical manufactured equipment may find it difficult to try to conduct business through intermediaries such as an export management company (EMC). The exporter may quickly find that crucial proprietary information is not properly conveyed to the end user or even worse that proprietary information is not held in strictest confidence. In such cases the exporter will find it safer and easier to follow a more direct path to the end user.

Conversely, an exporter of goods such as clothing, accessories, or any items of a low technical nature will typically find it overwhelming and cumbersome to try to deal directly with many end users. In such a case, working through an indirect channel provided by distributors, export management or trading companies, or commissioned agents enables an exporter to cast a wider market net without over-taxing internal resources.

Other factors to consider when planning export expansion via direct or indirect methods revolve around the degree of risk, control, internal resources and profit margins. The direct method would carry higher risk, greater control, higher need for expanded internal resources and higher profits. The opposite is true for the indirect method. A hybrid of the two methods could also be implemented in order to work toward maximization of all of the factors.





TIP: Regional governmental agencies are a valuable resource for identifying, connecting with and conducting ongoing business with foreign markets.

DID YOU KNOW?

The ITA works with several agencies, including EXIM Bank (the Export-Import Bank of the U.S. banking facility of the U.S. government); the Small Business Administration (SBA), the U.S. Trade Development Agency (USTDA), the State Department, and the Census Bureau.

Discovering ways to expand growth in a current market or to open new uncharted markets requires assuming additional risk, utilizing additional resources, being open to and ready to seize on new opportunities and to be flexible to change. Analyzing and exploiting your current market to flesh out new opportunities that are untapped is the most prudent and easiest approach to growth. Here are some questions to ponder when trying to expand within your current market area:

- ☒ Are there complimentary market opportunities in the geographic region you currently serve?
- ☒ Does your EMC regularly present you with new market possibilities within its sphere of influence?
- ☒ Do borders, climates, language, cultural factors, and infrastructure limitations define your current market?
- ☒ How can you take advantage of the unique conditions in your current market in order to add customers and revenue?

Whether their current market holds additional opportunity for growth or not, many small to medium-sized exporters want to expand sales by tapping new markets overseas. This approach can lead to quick revenue gains, but it requires new commitments of resources and brings added risk. Outside advice and support is often needed in order to plan and execute a foray into new markets. Fortunately, there are a myriad of support resources available, most at no or very little cost to the exporter.

ITA: Identify your Market and Plan to Succeed

One of the most useful sources of literature, statistics, helpful tutorials, and nuts-and-bolts guides on exporting are available at Export.gov, the website of the International Trade Administration (ITA), an agency of the U.S. Department of Commerce. For any exporter looking to expand into new overseas markets, Export.gov is the first place to turn.





Gold Key Matching Service is a program offered by the U.S. Commercial Service (Export.gov), which arranges and facilitates face-to-face meetings with pre-screened, potential buyers, sales representatives and business partners in country.

Development of a strong network of distributors or agents working in target regions also is essential to increasing exports using the indirect method of market expansion.

For more advanced knowledge and personal assistance in fleshing out new markets, the International Trade Administration offers counseling services and hosts several trade show events each year. The ITA can facilitate international travel to a prospective new customer's home country and help to qualify new prospects.

Developing Trade Contacts

Development of a strong network of distributors or agents working in target regions is also essential to increasing exports using the indirect method of market penetration. A good resource for education, seminars, and developing new contacts and relationships are trade organizations specific to the exporter's products and services. Many trade organizations or associations hold annual conventions, some in the international arena, which can be a valuable tool for opening new markets. Global buyers attend such meetings in order to find products and services to meet their specific regional, cultural and infrastructure needs.

Gold Key Matching Service is a program offered by the U.S. Commercial Service (Export.gov), which arranges and facilitates face-to-face meetings with pre-screened, potential buyers, sales representatives and business partners in country. It is a low cost program designed especially for small to medium-sized exporters seeking new opportunities overseas. Gold Key Matching Service provides assistance with travel, accommodations, interpreter services and other logistics.

In addition, most state and some local governments have chambers of commerce that cater to the major products and services that can be exported from their region. These regional governmental agencies are a valuable resource for identifying, connecting with and conducting ongoing business with foreign markets. States will often arrange for foreign buyers to travel to and meet with state-specific U.S. exporters. They also facilitate overseas travel to specific markets that would be attractive to their key industries and can act as ambassadors, facilitating meetings, making connections and potentially participating in negotiations.





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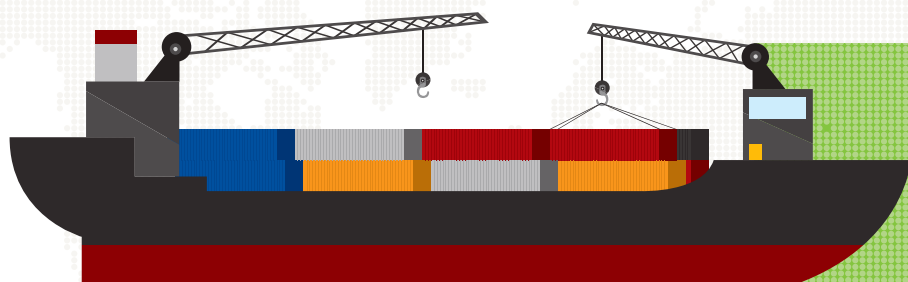
As an example, through its trade mission program, the Illinois Department of Commerce Office of Trade and Investment has facilitated many successful new market incursions by Illinois small to mid-sized exporters. "Hanover Messe (Trade Show) was a tremendous success for Airfloat..." reports a spokesperson for Airfloat, LLC of Decatur, IL. Company representatives attended a sponsored trade mission to Germany in 2012. "We were able to gather valuable market intelligence for our European expansion plans and secure dozens of high-quality sales leads with companies throughout Western and Eastern Europe, and Southeast Asia. We received several serious offers from companies wanting to help distribute our equipment throughout Europe. We sincerely appreciate all the assistance provided by DCEO-OTI."

TIP: Investing in talented in-house personnel is key to success.

Doing business overseas

Developing direct relationships with foreign customers is crucial to the success of market entry and expansion. The importance of this approach cannot be overstated. In fact, this is a common theme reiterated in the "Doing Business In..." market analysis on ITA's Export.gov site. For instance, "Doing Business in Brazil" states, "Success in Brazil's business culture relies heavily upon the development of strong personal relationships, the keystone of productive business partnerships. In most cases, U.S. firms need a local presence and thus should invest time in developing relationships through frequent visits to Brazil. The U.S. Commercial Service encourages U.S. companies visiting Brazil to meet one-on-one with potential partners, and offers a slate of services such as the Gold Key Matching Service (GKS), through which companies can meet with pre-screened potential clients or partners in personal meetings. They also lead delegations of Brazilian buyers to connect with U.S. businesses at more than 30 International Buyer Program trade shows in the U.S. It is essential to work through a qualified representative or distributor when developing new business in the Brazilian market. Some firms may need to establish an office or joint venture in Brazil. It is difficult for U.S. companies to get involved in public sector procurement at the federal or state levels without a Brazilian partner, or a physical presence in Brazil."





“This is a terrific example of the power of an extremely bright and highly capable banking team bringing their expertise to bear on a commercial opportunity that helps — not only Thrush Aircraft and our jobs — but our new customers in China as well. I’m not exaggerating when I say this deal simply would not have been possible without EXIM banking behind it.”

— Payne Hughes,
President, Thrush
Aircraft, Inc.

Financing Resource: EXIM Bank

EXIM Bank provides a host of financial capabilities to help small businesses finance new deals in other countries, particularly countries facing economic and political challenges but that generate a great market opportunity. **These include:**

- Export Credit Insurance
- Loan guarantees
- Project bid bonds
- Financing working capital
- Finance lease guarantees

EXIM.gov explains the available services and provides tools and learning resources. EXIM maintains regional offices around the U.S. that provide personalized services to U.S. exporters.

The Express Credit Insurance program offered by EXIM Bank is the perfect tool, which goes hand in hand with Gold Key Matching Service from the U.S. Commercial Service, mentioned previously. As an example, Thrush Aircraft, a small business in Albany, Georgia, which manufactures crop-dusting aircraft, saw their production and exports double in 2010 after taking advantage of credit insurance programs offered by EXIM. The ability to offer creative financing options to new customers has enabled Thrush to expand exports into 60 countries, including China and Brazil over the last six years, resulting in an increase in sales revenue from \$4.3 to \$17 million.

In fact, one of the chief advantages for SMBs working with EXIM is the ability to compete financially on the world stage without putting valuable assets at undue risk. EXIM’s focus is on small to mid-sized U.S. exporters who need expert financial advice and support in order to successfully compete in the global marketplace. To that end, they offer project bid bond financing which enables smaller companies the opportunity to bid on jobs where a substantial performance bond is required in order to participate in the process. Without the assistance of EXIM, the large capital outlay would prohibit them from bidding on work.

EXIM Bank can help to screen potential trading partners in new markets by providing credit report information about them. This screening service, coupled with EXIM Bank’s credit insurance products, greatly reduce the risk of doing business overseas. EXIM also works to complement services that an exporter may already be receiving from traditional lending sources.





The potential for new business opportunities is growing exponentially in the global marketplace.

U.S. companies should take advantage of all the resources available to them in order to capture additional revenue and expand globally into new markets.

Exporters need to have knowledgeable personnel experienced in dealing with overseas businesses. Manufacturing, finance, marketing, sales and service employees must be willing to learn to work with different cultures, travel if necessary, and be flexible to change in the exporting environment. Many of the requisites for developing and maintaining solid relationships can be offset by using distributors or agents who work directly in the foreign environment, but for an exporter using a direct method of market expansion and relationship nurturing, talented in-house personnel are key to success. Firms must be willing to devote considerable resources to the export expansion effort in order to reap the benefits of growth and to be prepared to overcome obstacles and issues that are sure to arise.

Effective export market expansion for small to medium-sized exporters requires an enterprise-wide international mindset and a willingness to take a certain level of risk. In order to minimize risk and increase success rates of new export ventures, an array of resources and support services are available from federal, state, and local government agencies, trade organizations and local chambers of commerce. For the SMB seeking forays into new markets or looking to grow existing ones, assistance from these organizations can be invaluable. In many cases, these services and advice are offered at little or no cost by agencies whose goal is to promote U.S. export initiatives. The potential for new business opportunities is growing exponentially in the global marketplace. Small to medium-sized U.S. companies should take advantage of all the resources available to them in order to capture additional revenue and expand globally into new markets.

¹ (<https://www.census.gov/foreign-trade/Press-Release/edb/2013/edbrel.pdf>)

² (http://www.oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html)

