

# Preparing Your Product for Export

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Selecting and preparing your product for export requires not only product knowledge but also knowledge of the unique characteristics of each market being targeted. Market research conducted (see [Chapter 2](#)) and foreign representatives contacts (see [Chapter 14](#)) should give the U.S. company an idea of what products can be sold and where. However, before the sale can occur, the company may need to modify a particular product to satisfy buyer tastes or needs in foreign markets.

The extent to which the company will modify products sold in export markets is a key policy issue to be addressed by management. Some exporters believe the domestic product can be exported without significant changes. Others seek to consciously develop uniform products that are acceptable in all markets.

If the company manufactures more than one product or offers many models of a single product, it should start with the one best suited to the targeted market. Ideally, the firm chooses one or two products that fit the market without major design or engineering modifications. Doing so works best when the U.S. company:

- Deals with international customers that have the same demographic characteristics or the same specifications for manufactured goods;
- Supplies parts for U.S. goods that are exported to foreign countries without modifications;
- Produces a unique product that is sold on the basis of its status or foreign appeal; or produces a product that has few or no distinguishing features and that is sold almost exclusively on a commodity or price basis.

## Questions to Consider:

- What foreign needs does the product satisfy?
- What product should the firm offer abroad?
- Should the firm modify its domestic-market product for sale abroad? Should it develop a new product for the foreign market?

- What specific features, such as design, color, size, packaging, brand and warranty should the product have?
- What specific services are necessary abroad at the pre-sale and post-sale stages?
- Are the firm's service and repair facilities adequate?

## **Product Adaptation**

To enter a foreign market successfully, a U.S. company may have to modify its product to conform to government regulations, geographic and climatic conditions, buyer preferences, or standards of living. The company may also need to modify its product to facilitate shipment or to compensate for possible differences in engineering and design standards.

Foreign government product regulations are common in international trade and are expected to expand in the future. These regulations can take the form of high tariffs or nontariff barriers, such as regulations or product specifications. Governments impose these regulations to:

- Protect domestic industries from foreign competition;
- Protect the health of their citizens;
- Force importers to comply with environmental controls;
- Ensure that importers meet local requirements for electrical or measurement systems;
- Restrict the flow of goods originating in or having components from certain countries; and
- Protect their citizens from cultural influences deemed inappropriate.

Detailed information on regulations imposed by foreign countries is available from the Trade Information Center at 1-800-USA-TRADE, or your local Export Assistance Center. Where particularly onerous or discriminatory barriers are imposed by a foreign government, a U.S. company may be able to obtain help from the U.S. Government to press for their removal. The firm should contact an Export Assistance Center or the Office of the U.S. Trade Representative (USTR) in Washington, D.C. USTR can be contacted at 202-395-3000.

It is often necessary for a company to adapt its product to account for geographic and climatic conditions as well as for the availability of resources. Factors such as topography, humidity, and energy costs can affect the performance of a product or even define its use. For example, the cost of petroleum products and the state of a country's infrastructure, may indicate the demand for energy-consuming products.

Buyer preferences in a foreign market may also lead a U.S. manufacturer to modify its product. Local customs, such as religious practices or the use of leisure time, often determine whether a product is marketable. The sensory impact of a product, such as taste or visual impact, may also be a critical factor. For example, Japanese tend to desire beautiful packaging. This has led many U.S. companies to redesign cartons and packages that are destined for this market.

A country's standard of living can also determine whether a company needs to modify a product. The level of income, education, and the availability of energy are all factors that help predict the acceptance of a product in a foreign market. If a country is less developed than the United States, its market may be geared towards less sophisticated products. Certain high-technology products may not be successful in some countries not only because of their cost, but also because of their nature. For example, a computerized industrial washing machine that might replace workers could conflict with a country's employment goals. Another facet of this scenario is that this product may need a level of servicing that is unavailable in some countries.

Market potential must be large enough to justify the direct and indirect costs involved in product adaptation. The firm should assess the costs to be incurred and though it may be difficult, determine the increased revenues expected from adaptation. The decision to adapt a product is based partly on the degree of commitment to the specific foreign market; a firm with short-term goals will probably have a different perspective than a firm with long-term goals.

## **Engineering and Redesign**

In addition to adaptations related to cultural and consumer preference, the exporter should be aware that even fundamental aspects of its products may require changing. For example, electrical standards in many foreign countries differ from U.S. electrical standards. It is not unusual to find phases, cycles, or voltages (for both residential and commercial use) that would damage or impair the operating efficiency of equipment designed for use in the United States. These electrical standards sometimes vary even in the same country. Knowing this requirement, the manufacturer can determine whether a special motor must be substituted or arrange for a different drive ratio to achieve the desired operating revolutions per minute.

Similarly, many kinds of equipment must be engineered in the metric system for integration with other pieces of equipment or for compliance with the standards of a given

country. The United States is virtually alone in its adherence to a non-metric system, and U.S. firms that compete successfully in the global market realize that conversion to metric measurement is an important detail in selling to overseas customers. Even instruction or maintenance manuals should take care to give dimensions in centimeters, weights in grams or kilos, and temperatures in Celsius degrees. Information on foreign standards and certification systems is available from the National Center for Standards and Certificates Information, National Institute for Standards and Technology, Administration Building, A629, Gaithersburg, MD 20899; telephone 301-975-4040.

## **Branding, Labeling, and Packaging**

Consumers are concerned with both the product itself and the product's supplementary features, such as packaging, warranties, and service. Branding and labeling products in foreign markets raise new considerations for the U.S. company such as:

- Are international brand names important to promote and distinguish a product? Conversely, should local brands or private labels be employed to heighten local interest?
- Are the colors used on labels and packages offensive or attractive to the foreign buyer? For example, in some countries certain colors are associated with death.
- Can labels be produced in official or customary languages if required by law or practice?
- Does information on product content and country of origin have to be provided?
- Are weights and measures stated in the local unit?
- Must each item be labeled individually?
- Are local tastes and knowledge considered? A dry cereal box picturing a U.S. athlete may not be as attractive to overseas consumers as the picture of a local sports hero.

A company may find that building international recognition for a brand is expensive. Protection for brand names varies from one country to another. In some developing countries, barriers to the use of foreign brands or trademarks may exist. In other countries, piracy of a company's brand names and counterfeiting of its products are widespread. To protect its products and brand names, a company must comply with local laws on patents, copyrights, and trademarks (see [Chapter 9](#)).

A U.S. firm may find it useful to obtain the advice of local lawyers and consultants when appropriate. The U.S. company may also find it advantageous to apply for a patent for its

product, as well as applying for an international patent for the countries where it will be conducting business. For additional information about applying for patents, contact the Patent and Trademark Office of the U.S. Department of Commerce at 1-800-786-9199.

## **Installation**

Another element of product preparation that a company should consider is the ease of installing that product overseas. If technicians or engineers are needed overseas to assist in installation, the company should minimize their time in the field if possible. To do so, the company may wish to preassemble or pretest the product before shipping.

Disassembling the product for shipment and reassembling abroad may be considered by the company. This method can save the firm shipping costs, but it may add to delay in payment if the sale is contingent on an assembled product. The company should be careful to provide all product information, such as training manuals, installation instructions, and parts lists - all in the local language - even relatively simple instructions.

As a sidenote, because freight charges are usually assessed by weight or volume (whichever provides the greater revenue for the carrier), a company should give some consideration to shipping an item unassembled to reduce delivery costs. Shipping unassembled goods also facilitates movement on narrow roads or through doorways and elevators.

## **Warranties**

The company should include a warranty on the product (and be very specific as to the warranty's coverage) since the buyer expects a specific level of performance and a guarantee that it will be achieved. Levels of expectation for a warranty vary by country depending upon its level of development, competitive practices, the activism of consumer groups, local standards of production quality, and other factors. Product service guarantees are important since customers overseas typically have service expectations as high or greater than in the United States.

A company may use warranties for advertising purposes to distinguish its product from the competition. Strong warranties may be required to break into a new market, especially if the company is an unknown supplier. In some cases, warranties may be instrumental in making the sale and become a major element in negotiations. In other cases, warranties similar to those in the United States are not expected. By providing an unnecessary warranty, the company may raise the cost of the product higher than the competitors' costs. When considering this point, exporters should keep in mind that servicing warranties will probably be more expensive and troublesome in foreign

markets. It is desirable to arrange warranty service locally with the assistance of a representative or distributor.

## **Servicing**

Of special concern to foreign consumers is the service the U.S. company provides for its product. Service after the sale is critical for some products. Generally, the more complex the product's technology, the greater the demand for pre-sale and post-sale service. Therefore, there is pressure in some firms to offer simpler, more robust products overseas thereby reducing the need for maintenance and repairs. U.S. suppliers who rely on foreign distributors or agents to provide service backup must take steps to ensure an adequate level of service. These steps include training, periodically checking service quality, and monitoring inventories of spare parts. (See [Chapter 16](#) for more information on after-sales service.)