

What should my exporting plan include?

How do I export my product?

How do I promote my product?

How do I prepare my product for export?



How do I export my product?

Once you have selected a country and specific target markets, you must consider how you are going to get your product to potential customers. You can either choose a direct or an indirect means of exporting. With direct exporting, you are responsible for finding your own customers and getting your product to them. With indirect exporting, you are transferring most exporting responsibilities to a third party intermediary. The channel one chooses depends on the level of marketing sophistication developed for the domestic U.S. market, one's commitment to the foreign market in question, and country market laws and business practices.

Whatever option you choose, it is important to select and develop an effective distribution network. Without it a firm's overseas export efforts will never go beyond the reactive, order-taking stage. Finding and supporting your trading partners is as important as any marketing decision to be made. It is also important to monitor your channel network on a continuous basis. For instance, one doesn't qualify an agent or distributor only at the outset of a partnership. Evaluation and the development of sales support programs and aids are a continuous responsibility of the exporter.

Note: This guide is intended for those who are considering export opportunity or who are new to international trade and are still learning the do's and don'ts of selling abroad. Therefore, this section does not include discussion pertaining to company-owned branches or subsidiaries within foreign markets. These longer-term market entry options are costly. Neophytes to export are wise to consider these expansions after they have achieved measured success abroad.

Direct channels of distribution

Direct distribution options require greater commitment of both management and financial resources. Direct exporting, like any new business venture, can be highly profitable when planned properly. Selection of a direct method option will be influenced by the channel used in the U.S. market and the business practices and distribution channels established in particular foreign countries. Options include:

Sell directly to retail dealers or end-users

This consumer goods option is often limited to small markets and where retail dealers or users prefer to buy directly rather than through an intermediary. Depending upon the product, export sales can be made by direct mailing of product literature, advertisements placed in foreign trade magazines and active participation in trade fairs.

Assign a foreign sales agent to represent the firm

A foreign sales representative is the equivalent of a manufacturer's rep in the U.S. The rep works on a commission and a contract is written which specifies the period of time, territory, terms of sale, method of compensation, and whether the agent's representation is exclusive or not. A word of warning: some countries have laws that protect agents' rights so care must be exercised when appointing reps. It is advisable to obtain legal assistance to alert you to foreign laws which guide the termination of the agent relationship (certain lawyers specialize in formulating international agent agreements).

Finding a potential agent/distributor

The ITA will conduct a customized search to locate interested and qualified foreign agents/distributors for your product. You provide the product literature, export prices, and a sales letter, and the search is performed by commercial officers in the appropriate U.S. Embassy or Consulate overseas. You will be given a listing of up to six foreign prospects who have examined your product literature and have expressed an interest in representing you. For more information and application forms, contact:

International Trade Administration/US & FCS
World Trade Center Boston, Suite 307 • Boston, MA 02210 • Tel: (617) 424-5990

Appoint a distributor

Distributors purchase the product from the exporter (taking title to the goods) and resell it for a profit. Distributors carry inventories and provide credit to foreign buyers. A distributor agreement is usually made on an exclusive basis in a particular geographic area. Prior to signing an agreement, however, it is important to know the country's laws that are designed to protect distributors (as well as agents). For instance, some laws in South American countries limit the conditions for breaking a distributorship agreement and require substantial compensation to be paid to the distributor/agent when the relationship is severed. For information on how to find a distributor, see "Finding a potential agent/distributor".

Licensing

Licensing is allowing a company in a foreign country market to use your trademarks, patents, manufacturing process, and to manufacture and market your products. This option is often chosen where country legislation prohibits the importation of the product category. In addition, licensing permits entry into a foreign market without large capital outlays, and the risks associated with exporting are greatly reduced. There is a trade-off, however, because licensing is one of the least profitable ways of exporting to a foreign market.

If you pursue a licensing strategy, you must develop comprehensive contractual arrangements which include product coverage, rights licenses under the contract, territorial coverage, tenure (time of

licensing agreement), extension and renewal clauses, merchandising and management assistance, quality control, reporting and auditing requirements and terms and conditions of payment.

Joint Business Venture

A joint venture is when two or more companies commit resources jointly to pursue a common business objective. Joint ventures are usually used when countries prohibit 100% foreign ownership, wish to reduce foreign import competition to domestic industry, or hope to benefit from the sharing of technology. Joint business ventures require careful legal planning (e.g., the corporate organization, tax aspects, etc.).

Legal advice should be sought when considering licensing or a joint venture.

Indirect Channels of Distribution

These channels should be considered as options for those firms with no export experience who are unwilling to make the time and resource commitment to devote to international sales. Or, perhaps a particular market is too small to justify direct marketing programs.

Indirect channels require the smallest allocation of company resources to an export effort. A relationship is established with a firm which specializes in overseas marketing. This enables a small manufacturer to tap one or more world markets without diverting attention and resources from domestic business. In return the exporter gives up a greater portion of his profit margin. Additionally, the manufacturer acquires no hands-on experience about the conduct of international trade, since marketing control is reduced or lost completely.

Export Management Companies (EMCs)

EMCs are the most common form of international intermediary. They are domestic firms that serve as the export department of several noncompetitive manufacturers. EMCs travel abroad to locate foreign buyers, exhibit products at international trade shows and provide financing to potential customers.

The management of the EMC solicits sales for a commission, salary, or retainer plus commission. The EMC is invoiced by the manufacturer and in turn invoices the customer, assuming responsibility for shipping, export documentation and receiving payment. EMCs often specialize by product category as well as by country or world area. Because of such specialization, the better EMCs know products and country markets very well. Thus, their in-place networks of foreign buyers give the manufacturers they represent immediate access to foreign markets. A disadvantage is the loss of control over sales and activities that are key to maintaining good buyer relationships.

You should send a potential EMC a contact letter, with a product description and its market segment.

You also want to check the types of products handled and references (background check, length of time in business, etc.).

Those interested in identifying EMCs specialized by region and product should take note of the following contacts:

- ***Massachusetts Export Services Guide***
Massachusetts Export Center
State Transportation Building, 10 Park Plaza, Suite 3720 • Boston, MA 02116
Tel: (617) 973-8664
This source book lists Massachusetts-based EMCs, including location, contact person, product focus and geographic specialization.

Export Trading Companies (ETCs)

Authorized by the Export Trading Company Act of 1982, the U.S. government encourages the creation of entities designed to compete with Japanese, European and other foreign trading companies. An ETC is similar to an export management company. The one major difference is that traditionally, EMCs do not take title to goods being exported, while ETCs *do* take title and offer a broader range of services to the supplying manufacturer. The legislation allows banks to make equity investment in ETC ventures. Additionally, these organizations have been granted immunity from certain U.S. antitrust laws. Those interested in additional information on ETCs should contact:

- *Office of Export Trading Company Affairs*
U.S. Department of Commerce
Room 1800 • Washington, DC 20230 • Tel: (202) 482-5131

Export Merchants

These intermediaries buy directly from the manufacturer and then market in foreign countries according to supplier specifications. They usually operate on a nonexclusive basis.

Export Agents

These middlemen operate on a commissioned basis much like the manufacturer's representative in the U.S. Shipment, invoicing and credit extensions are the manufacturer's responsibility.

Commission Agents

These buying agents represent foreign companies who search out desired products for their clients who pay them a finders' fee or commission.

Country-Controlled Buying Agent

These buying agents represent foreign government agencies or governmentally controlled enterprises. They may be independent of or employed by such agencies and enterprises and are empowered to buy desired products and services.

Making a Decision (Direct vs Indirect Channels of Distribution)

The listings of options above means that the manufacturer should ask key questions prior to choosing the most appropriate channel(s):

- Do I have the financial resources to spend on international promotion and foreign travel?
- Should I maintain backup inventory to support sales abroad?
- Do I need to maintain control over sales, customer service, customer credit?
- What expertise do I need at the outset in order to get established in a new foreign market?

The answers to these types of questions will determine the most logical form of distribution to choose. Additionally, one should consider the advantages and limitations associated with direct versus indirect channels.

Advantages of Direct Channels:

- Control over the marketing effort.
- Ability to change price, terms and conditions.
- More protection of trademarks and intellectual property rights.
- Enhancements of managerial abilities such as greater familiarity with customer preferences and needs.
- Control over product servicing/maintenance.
- Development of personal export skills.
- Development of personal contact and networking skills.

Disadvantages of Direct Channels:

- Costs of travel, communication, exhibits, financing of export shipments.
- Time and attention needed for export may dampen domestic market business.
- Training necessary for existing company staff.

Advantages of Indirect Channels:

- Avoidance of the overhead costs involved in direct marketing options.
- Need for on site product servicing may be too costly until modest export volume is achieved.
- Host country trade regulations may require an indirect channel (Example: A registered agent requirement forces the appointment of a national as a representative).

Disadvantages of Indirect Channels:

- Representatives may be inadequately financed to get the job done.
- Agents may represent competitive product lines.

- End market destinations and product usage are often not known that well.
- Important communications and understandings between the U.S. manufacturer and foreign customer may suffer.

At this stage one might be well advised to contact U.S. companies who are currently exporting to obtain their views on the best means to distribute a particular product category into a specific market. A useful source for identifying such firms is the *United States Importers and Exporters Directory*, a two-volume publication of the Journal of Commerce. This source provides alphabetical listings of U.S. exporters and exported products with their Harmonized Commodity Codes. Networking with companies often save a great deal of time and effort in resolving the market entry option decision.

How do I promote my product?

Developing Trade Leads

If a direct channel has been chosen, the exporter must begin to generate trade leads. Trade leads are expressions of interest by prospective foreign buyers to purchase specific products.

Commercial News USA (www.cnewsusa.com). This is an export promotion catalog-magazine distributed to more than 100,000 overseas foreign agents, distributors, government officials and end-users. For more information, contact the ITA Washington Office at (212) 490-3999.

In addition, the following organizations may be helpful in generating trade leads:

- The international trade offices of most states
- Port authorities
- Banks with international departments
- Your trade association
- Foreign industry trade journals (published abroad)
- Your industry's manufacturing community

BuyUSA.com. The U.S. Commercial Service's newest website provides you with thousands of qualified, prescreened export leads, international business contacts, and personalized trade counseling, including the Trade Opportunity Program (TOP) leads. Close direct export sales, build valued, long-term relationships with international business partners and complete export transactions using online tools and the personal support of staff of trade specialists worldwide. Free membership.

USATrade.gov. The U.S. Commercial Service is the global business solution unit of the U.S. Department of Commerce. It offers valuable assistance to help your business export goods and services to markets worldwide. Under its **Gold Key Matching Services**, it arranges one-on-one appointments with carefully selected potential business partners in a targeted export market.

Export.gov. This website run by the U.S. government helps American companies get started with contacts, trade shows, financing and promotions.

Thomas Global Register. The Thomas Global Register (TGR) is a directory of 500,000 manufacturers and distributors from 26 countries, classified by 10,500 products and services categories. Its mission is to bring industrial buyers and sellers together on the web to facilitate the purchasing process. Available at www.aernet.com.

Export Yellow Pages. A quick easy way to put your products in front of a worldwide audience, this annual publication and web site provides product and company exposure to hundreds of countries around the world. Available at <http://yellowpages.myexports.com>.

Attending Overseas Trade Shows

International trade shows offer new exporters the opportunity to meet potential foreign buyers, agents/distributors and competitors and present their product line. For instance, some shows have their own agent/distributor service in that the show catalog indicates which specific exhibitors are interested in finding a representative by placing a symbol beside their names.

Thousands of buyers and exhibitors from all over the world attend these shows. Moreover, a considerable amount of business deals are made at these exhibitions. Even if a firm does not exhibit at a show, a new-to-export firm should attend an international show prepared with information about its products. Completed homework should include a willingness to quote prices that include shipping charges to various foreign ports (the more prices an exhibitor knows, the better; a freight forwarder can help you prepare this information).

Trade shows are promoted by many private sector industries, associations, state government agencies, the U.S. Department of Commerce's International Trade Administration and foreign government promotion organizations.

In addition, management should seek trade show marketing advice from US & FCS commercial officers at the U.S. embassy and consulate offices in that country. These country experts will begin to target appropriate business contacts to meet at the event.

The following publications can alert you to the scheduled dates of international trade shows:

- ***Business America***, the biweekly publication of the U.S. Department of Commerce, publishes an annual schedule of major world trade shows (Tel: (202) 482-5487).
- ***Export Promotion Calendar*** is also a means of tracking shows and fairs (available from the ITA Boston Office or www.ita.doc.gov/ooms/ITAAAdminCal.htm). This schedule is organized by industry/product and indicates the city and country in which the show will appear and the name and telephone number of the US & FCS contact (in Washington, DC) who can provide more information. Visit www.usatrade.gov for further information.

Gaining International Exposure (without visiting the market)

Other forms of international marketing exhibitions are also available to gain market exposure and generate inquiries:

Multistate Catalog Exhibition

U.S. firms may participate in a catalog show sponsored by the Department of Commerce in cooperation with state development offices. The US & FCS holds catalog exhibitions throughout the world to display materials to select foreign audiences in several countries. Each exhibition takes in one region of the world, either as a general exhibition or one focusing on a specific industry. These exhibitions are at embassies or in conjunction with trade shows and have as an aim the generation of trade leads for participating firms. For more information, contact the ITA Boston Office or:

Multistate Catalog Exhibition

U.S. Department of Commerce, Room 2119 • Washington, DC 20230 • Tel: (202) 482-3973

www.usatrade.gov

International Buyer Program (IBP)

This program is the result of the combined efforts of the ITA, Department of State and International Communications Agency. Exporters can meet qualified foreign purchasers of their products in the United States at a number of domestic trade shows supported by the IBP. This program arranges for foreign buyers to visit companies they are interested in doing business with. It also encourages foreign participation at certain U.S. trade shows which are promoted worldwide. Thus, a company participating in these events can be provided with valuable contacts without the expense of traveling abroad. For more information contact:

Boston ITA/US & FCS Office ~or~

Foreign Buyer Staff

Export Promotion Services

International Trade Administration

U.S. Department of Commerce • Washington, DC 20230 • Tel: (202) 482-0481

www.usatrade.gov

Visiting the market

Visiting the market allows you to meet present and potential customers. While it helps to generate sales leads, a market visit is also valuable in that it allows you to view the business environment, talk to customers, and gain a better understanding of the cultural dimensions of the foreign country you are dealing with. This makes future communications via telephone, fax, or letter a little easier later on. However, the visit should be carefully planned and your goals and objectives clearly defined. First, you should plan an itinerary including names of contacts and when you plan to meet with them. Be sure to check transportation schedules and give plenty of time in between appointments. In addition, check the normal business workdays and hours (for instance, in Middle Eastern countries, Saturday-Thursday is

the normal workweek). Be sure to check for foreign holidays. Also, bring plenty of company literature, including price quotations, sales brochures, company stationery (if you want letters, proposals, etc. written and signed while you are there) and business cards.

When traveling abroad you will need a passport and sometimes a visa (some countries don't require a visa for tourists, but do for business trips). Also think about printing your business card in English and the language of the country you are visiting. In addition, check into translation services if you might need them. Contact reputable travel agents for details on obtaining an international driver's license.

For additional information on the country you are visiting, it is a good idea to write to the U.S. embassy or consulate in the country several weeks prior to your visit.

To obtain the names of individuals who will arrange introductions with appropriate individuals and foreign government officials, write for:

Key Officers of Foreign Service Posts
Superintendent of Documents
Commercial Section, U.S. Government Printing Office • Washington, DC 20402
<http://foia.state.gov/mms/KOH/keyofficers.asp>

Note: When you are writing to commercial desks abroad, describe the objective of your trip and the type of assistance you are seeking.

Carnets

If you plan to travel with product samples you should be aware that you may be required to pay export duties. However, this may be avoided in some countries by obtaining a carnet which is a special customs document that allows you to avoid duties. The U.S. is a member of the ATA Carnet System which permits business travelers to take commercial samples, advertising material, etc., to member countries for temporary periods of time without paying customs duties and taxes or posting a bond at the border of each country to be visited. A carnet is valid for one year from the date of issuance. Within this period, a carnet holder can visit as many countries in the system as he or she wishes. For more information and application forms, contact:

U.S. Council for International Business
1212 Avenue of the Americas • New York, NY 10036 • Tel: (212) 354-4480
www.uscib.org

Matchmaker Trade Delegations

This program was developed by the DOC to help firms locate overseas contacts. You travel abroad with a matchmaker to a certain country. Appointments are made for you to meet agents, distributors, licensees, franchisees, or joint-venture partners who have examined your product literature and are

interested in doing business with you. In addition, you receive briefings on doing business in the country you are visiting. The advantage of this program is that market interest in your product is assured. To participate, the firm must be new-to-export or new-to-market and pay a participation fee and travel expenses. The Small Business Administration will pay for some of these expenses. For more information on SBA's involvement, contact the SBA office nearest you or call the Matchmaker Program at the Commerce Department at (202) 482-3119. For more information on upcoming matchmaker trips, contact the ITA Boston Office.

How do I prepare my product for export?

Product modification

It may be necessary to modify certain aspects of your product for export. Consider the following factors which may lead to some changes in your product:

Government regulations and standards

- Requirements pertaining to material content, etc.
- Labeling requirements
- Cycle and voltage of electric current

Geographic, climatic conditions

- What climate will product be exposed to (e.g., extreme humidity)

Cultural aspects that define buyer preferences

- Religious beliefs
- Meaning of certain colors
- Translation of brand name/trademark to foreign language
- Taste preferences
- Habits and lifestyles
- Type of packaging preferred
- Preferences in size

These factors could lead to change in physical characteristics of product, its label, its packaging, or simply its name.

How to investigate which product modifications may be necessary:

International Standards Organization (www.iso.org)

A network of national standards institutes from 145 countries working in partnership with international organizations, governments, industry, business and consumer representatives.

ISO Central Secretariat, 1 Rue de Varembe, Case Postale 56, CH-1211, Geneva 20, Switzerland.
Telephone: 41-22-749-01-11.

Standards institutes of the particular country the exporter plans to sell to will be of assistance. Information on foreign standards, testing and certification requirements can be obtained from:

American National Standards Institute (www.ansi.org)
11 West 42nd Street, 13th Floor • New York, NY 10036 • Tel: (212) 642-4900
ANSI is the official U.S. repository for all ISO member country standards. They will conduct a “standard search” for a fee.

National Institute of Standards & Technology (www.nist.gov)
Administration Building, Bldg. 101, A629 • Gaithersburg, MD 20899 • Tel: (301) 975-2000

Underwriters Laboratories, TATE Coordinator (www.ul.com)
1285 Walt Whitman Road • Melville, NY 11747 • Tel: (516) 271-6200
UL assists U.S. exporters in understanding and complying with international standards and certification requirements and procedures. This program is called TATE (Technical Assistance To Exporters). The UL can issue a mark showing your product’s compliance with international standards. There are four UL laboratories in the U.S. The New York lab is the closest location to New England.

European CE Marking Requirements
For inquires call the U.S. Department of Commerce at (202) 482-4496 or visit www.doc.gov.

Freight forwarders often are aware of necessary modifications.

Other exporters in your industry.

Foreign Commercial Service Officers

Visiting the market will uncover needed changes.

Overseas Business Reports provide information on transportation and packing requirements as well as testing requirements/product standards in foreign countries. These reports, along with other pertinent information, will be contained in the **Country Commercial Guide** (available through the ITA Boston Office or MISER).

Pricing

It is necessary to take care to price your product competitively for export. Aggressive pricing increases volume and market share. It’s a good idea to get pricing information on competition. One way to do this is to visit the market. You can also obtain this information by researching foreign competitors’ websites.

Protecting Intellectual Property Abroad

Intellectual property is a broad collection of rights relating to industrial property (e.g., inventions, trademarks, designs) and copyright (e.g., literary, artistic works). The rights granted by a U.S. patent trademark, copyright, etc. extend only through the U.S., its territories and possessions. There is no such thing as an international trademark or patent. A firm must apply for protection in a specific country, and

these laws and regulations vary across different countries. You cannot assume the same protection abroad as in the U.S.

There are some international agreements which allow trademark, patent and copyright applications to be filed with a central source for protection in several countries. Certain treaties or conventions offer means to protect intellectual property rights. The International Convention for the Protection of Industrial Property (the “Paris Union”) is adhered to by ninety countries. It covers trademarks and patents. Countries still have a right to refuse protection within a certain time from the date of the publication of the international mark.

The World Intellectual Property Organization website (www.wipo.org) also has information on industrial property, copyright and other intellectual property issues.

34 Chemin des Colombettes
Geneva, Switzerland

The European Patent Office (EPO) opened in 1977 in Munich. Applications for a European patent can be filed in all fields of technology, providing protection in most European countries. This patent provides protection for 20 years at a cost somewhat less than the average cost of three national patents, and has the status of a national patent in each country. The official languages of the EPO are English, French and German. For more information contact:

European Patent Office
Erhardstrasse, 27 • D-80331 8000 Munich, Germany
www.european-patent-office.org

For more information concerning protecting your intellectual property abroad, contact a lawyer versed in international property protection or the Massachusetts Export Center’s Export Services Guide has a listing of lawyers that can help you.

