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The World Is Your Market

*Exporting Made Easier for
Small Businesses*



2013 Edition includes:

- How to navigate the export process
- Local export counseling and training
- Tips for finding buyers
- Next-step resources

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Dear Small Business Owner:

Congratulations! Why are we congratulating you? The answer is simple, as a small business owner you are helping drive our economy forward. So we are celebrating you and the success of your business. It's no easy task keeping your business thriving. But a key to doing that means you are always searching for new ways to attract customers – whether they are here on U.S. soil or they reside across our borders.

Providing business owners access to products, services and information to grow and compete in a dynamic marketplace is at the heart of Visa's mission. That's why we are pleased to sponsor this edition of *Braddock's The World is Your Market: Exporting Made Easier for Small Businesses • 2013 Edition*. This publication can help you learn about the export process and where to obtain counseling and other assistance.

We see exporting as an exciting and growing opportunity for small businesses and a great way to find new customers. Visa recently demonstrated our support for the Obama Administration and the SBA in their National Export Initiative designed to renew and revitalize efforts to promote American exports abroad. In May, we teamed up with the SBA Office of International Trade to co-sponsor a video contest seeking to inform small businesses about the advantages of exporting and increase awareness of government assistance available to support small business exporters. To hear their exporting success stories, visit <http://exportvideo.challenge.gov/>.

According to the International Trade Administration's website, in 2012, U.S. exports hit an all-time record of \$2.2 trillion and supported 9.8 million jobs. Business owners everywhere are reaping the benefits of exporting and you can too. We hope that this guide will help you answer the questions you have about how to get started and take advantage of the benefits exporting can have on the potential success of your business.

To learn more about how Visa's products and services can help your business, please see the Visa section of the guide on pages [121-125](#) or visit www.visa.com/business.

Enjoy!

Best,
Janet Zablock
Global Head of Small Business
Visa Inc.

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Entrepreneurs are by definition opportunity seekers, and there are few opportunities more exciting than exporting. Ironically, it is the very size of these opportunities that creates challenges for small businesses; some of these markets are so large that many small businesses don't know where to begin.

That's why we are pleased to provide you access to this edition of ***Braddock's The World Is Your Market: Exporting Made Easier for Small Businesses • 2013 Edition***, sponsored by Visa and published by Braddock Communications. It is a concise, handy guide that not only gives you an overview of exporting but also provides step-by-step guidance on what you need to do to get started or expand into the exporting ecosystem.

One recommendation in this publication that we encourage you to follow is to visit your local Small Business Development Center (SBDC). SBDCs are one of the best sources of practical training and information on many topics, including exporting. Counselors at many SBDCs can help you further understand the exporting process, walking you through topics such as regulatory compliance and export financing, and helping you create a realistic exporting strategy, all at no cost. SBDCs also participate in vendor fairs and other exporting opportunities, putting you directly in touch with your potential customers.

The National Export Initiative, unveiled in 2010, aims to revitalize America's exporting economy by working to remove barriers to trade, promote U.S. exports, and help U.S. producers overcome hurdles to entering new markets. SBDCs are doing their part in communities across the nation by providing one-on-one counseling and collaborating with government offices to make every possible resource available to America's entrepreneurs.

America's SBDC (formerly known as the Association of Small Business Development Centers) represents the more than 1,000 SBDCs nationwide. Together with our members and supporters such as Visa, we help small businesses like yours benefit from new opportunities every day. For more information about ASBDC programs or to find the SBDC nearest you, visit www.asbdc-us.org.

Sincerely,

A handwritten signature in black ink that reads "C. E. 'TEE' R".

C.E. "Tee" Rowe
President & CEO
America's SBDC

BRADDOCK'S THE WORLD IS YOUR MARKET

Exporting Made Easier for Small Businesses 2013 Edition

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P.O. Box 710720
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<http://www.braddockcom.com>

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Published in the United States of America

ISBN: 978-0-931147-34-0

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ACKNOWLEDGMENTS

Braddock Communications would like to thank the following individuals and organizations who have contributed their time and input in reviewing the text for **Braddock's The World Is Your Market**. A special thanks goes to Tee Rowe and Donna Ettenson of America's SBDC for encouraging Braddock Communications to publish this new edition.

Terry L. Chambers, CGBP, Washington SBDC

Foreign Agricultural Service, U.S. Department of Agriculture

Jim Foley, Illinois SBDC International Trade Center at Bradley

University and author of *The Global Entrepreneur, Third Edition*

Phil Foret, Dilworth Paxson LLP

Jody Keenan, Virginia Small Business Development Centers
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Imagine having a business in Chicago and only selling to the 5 percent of city residents who happen to live closest to you. Or having an e-commerce website in Denver and only selling to customers in your home state of Colorado. Sounds unnecessarily limiting, doesn't it? How much more profitable could your business be if you actively marketed to customers on the other side of town, or across the state line in Kansas?

Few successful entrepreneurs would voluntarily limit their prospects in such a way, but thousands do essentially the same thing every day by not pursuing exporting as a path to greater profitability.

It has never been easier to sell a product or service to a buyer in another country — more U.S. companies are doing it successfully than ever before. What's more, exporting has never been more necessary. With domestic markets growing slowly, one proven path to expansion is to reach consumers outside the United States. In 2012, U.S. companies answered the call to export more by selling a record \$2.2 trillion worth of goods and services. Within a few years, this staggering sum could double, and you can be part of reaching this goal.

An export market of \$2.2 trillion sounds pretty big, and it is. But that's not the true size of the market beyond our borders. In fact, while the United States represents a total domestic market of about \$15.6 trillion, the rest of the world represents a total market of about \$55 trillion!

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Are you ignoring this market and the opportunities it represents? If you are exporting, are you maximizing the effectiveness of the resources you devote to it?

The purpose of this book is to provide you with the tools to evaluate your sales prospects in the global marketplace and to create a strategy to begin selling or to expand sales to international buyers.

When you follow these steps, you won't be alone. In 2012, more than 300,000 companies made an export sale, the highest number ever. Still, this is less than 2 percent of all U.S. businesses. Of this record number of exporters, 58.4 percent exported only to one market — overwhelmingly to Canada. Imagine the boost to the bottom line, not to mention all the new jobs created, if these 58 percent would double their markets to ... TWO!

While there are no guarantees for success, following the guidance provided in this book can improve your chances of enjoying the benefits of exporting. You might even become an "Export Superstar," that elite group of companies that sell to more than ten country markets.

The Benefits to You of Exporting

The most obvious benefit of exporting is the opportunity to increase profits for you, the small business owner. But over the long run your business can benefit in other ways:

- Reach bigger markets: 95 percent of the world's consumers live outside the United States.
- Reach increasingly affluent markets: Hundreds of millions of foreign consumers are entering the middle class each year and can afford to purchase U.S. goods for the first time.

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- Boost profit margins: Profit margins tend to be higher on export sales
- Smooth seasonal fluctuations in the domestic market
- Utilize excess production capacity or rationalize expanded capacity for growth
- Innovate products by learning from a different set of buyers and consumers
- Become more competitive in your domestic markets by capitalizing on the economies of scale that export-driven growth can provide
- Respond to competitive threats from foreign sellers entering the U.S. market; the best defense is a good offense
- Liquidate excess or obsolete inventory without destroying the domestic market for your new products
- Apply new learning in international contexts to your home markets
- Increase the value of your company
- Make your employees proud by celebrating the fact that they are producing goods and services that satisfy consumers worldwide.

One other benefit that matters a lot to many U.S. small business owners is that exporting is good for your community and good for your country. It creates jobs and supports a higher standard of living for employees. Exporting helps keep the domestic economy from stagnating, ensuring that there are still business opportunities here, as well.

This last point can be especially important to you for another reason: Exporting's well-documented benefits to the U.S. economy means there are a host of government-sup-

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ported programs available to help you get started and to export more. Market research, matchmaking, trade missions and counseling are all available for free or at a low cost. There are even government-backed financing programs to facilitate your efforts.

There are additional benefits to exporting. For readers who like to quantify things, the U.S. International Trade Commission ran the numbers and found some telling results on the business performance of small and medium enterprises (SME) that export compared to those that do not.

Comparison of the Performance of Exporters with Non-Exporters

Indicator	Exporters	Non-exporters
Avg. revenue (millions, 2009)	\$3.9	\$1.5
Mfr. revenue growth (% change 2005-09)	36.8	-6.8
Avg. revenue per employee 2009	\$281,000	\$163,000
Services revenue growth (% change 2002-07)	32.3	23.6
Labor productivity growth (% change 2002-07)	43.5	26.8

Source: International Trade Commission and U.S. Census Bureau

You do not have to be a large company to attain these benefits. Many successful exporters have fewer than ten employees, while generating 50-80 percent of their profits from international sales.

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Will Foreign Customers Buy Your Product or Service?

Chances are that if you are successful in the U.S. market, you can find success abroad as well. There are some exceptions, of course, as some products and services are simply not practical to export. Products with a short shelf life or high shipping cost relative to their value may fall into this category. Services that require in-person attention are also not good candidates for export — the classic example is haircuts.

But many services that you might not think of as exportable are exported every day. Retail services? There are thousands of small U.S. web retailers that ship to customers worldwide, often re-exporting imported products. Restaurants? Think McDonald's or any of New York's five-star restaurants that attract foreign visitors to the city. Tourism, technology services, professional services, and so on are all examples of exportable services.

In truth, just as U.S. consumers buy foreign products based on their features, cost, or marketing, so too do foreign customers respond to products and services originating in the United States. Products and services offered by U.S. companies generally have a favorable reputation in foreign markets for many reasons:

- Innovative, creative, cutting edge
- High quality, durable, safe
- Positive brand values and awareness
- Reputation for excellent after sales service and warranty coverage
- Creative marketing materials
- Easy to reach and communicate with
- Honest, ethical business dealings

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Despite these positive buyer perceptions and the advantages they provide, exporting is not always easy. It depends on the product or service you sell and where in the world you sell it. Selling to customers in Canada may be easier than selling to customers in Côte d'Ivoire. England is easier than Ethiopia. But thousands of U.S. small and midsize enterprises (SMEs) are selling to these places and many others. The key to success, in addition to having a good product or service, is developing a solid understanding of exporting as a process. Once you grasp the fundamentals, you'll be able to weigh the risks, spot opportunities, network with the right people, and make solid business decisions, just as you do in your domestic markets.

If you have a website for your product or service, you can expand your customer base to literally billions of consumers beyond the border. At this very moment, millions of buyers are combing the Internet looking for the products and services that U.S. businesses — including yours — can provide.

A website is one way to make international sales, but a site itself is usually insufficient. It needs to accommodate the foreign buyer, and this takes some knowledge of how to do that. Having a website that is welcoming of these buyers is a largely passive way of generating new sales. A more proactive way is to strategically pursue specific buyers in specific markets. Doing so will enable you to move from selling a box of goods here and there to selling larger quantities of goods and reaping larger profits.

Some Keys to Successful Exporting

The U.S. Commerce Department found several common characteristics in small business leaders who are successful exporters. **First** is the realization that exporting is the key to business growth and long-term survival. The successful exporters believe that the world is flat, meaning that you need a global perspective and a desire not to be confined or defined by geographical borders. With this belief comes the commitment of time, focus and resources necessary for success.

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Second is a belief that exporting provides unique and rich learning experiences, which can be used to create better products and improve decision making.

Third is to be excellent at business fundamentals, including customer service, communication and quality control. Most successful exporters have lots of competition. What sets them apart is not unique in the world products, but a laser focus on satisfying the customer. In other words, they do the basic stuff better than the other guy.

Fourth is taking advantage of "Made in the USA." There is tremendous cachet in the U.S. brand, and successful exporters know how to take advantage of it.

Fifth is a willingness to seek out and to use government export promotion programs and assistance. You don't have to use these programs to be successful, but according the Department of Commerce's analysis, users of these services tend to sell into multiple international markets regardless of business size.

For more information on this study, including 26 profiles of successful exporters, read the Department's publication at <http://bookstore.gpo.gov/products/sku/999-000-555552-3?ctid=20>.

Now is the right time to have a global strategy for your business. Growth markets are shifting from the mature markets of North America and Europe to Asia, Latin America and Africa. Millions of consumers are joining the middle classes every year and can afford to buy imported products. E-commerce continues to grow exponentially, and many exporters get their first international inquiries and orders via their websites. Barriers to exports continue to fall as more countries join and adhere to the rules of the World Trade Organization. There are many logistics services that will not only ship your goods but take care of all documentation. There are state and federal government programs to help you get started or expand your exports, including assistance with financing and insuring your exports.

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Individual countries continue to cut their own trade deals through the vehicle of free trade agreements. The U.S. has such agreements with 20 countries, including Mexico and Canada, and has recently added South Korea, Colombia and Panama to the list of free trade partners.

Due to get started soon are negotiations for two super trade agreements: Trans-Pacific Partnership and U.S.-European Free Trade Agreement, which some analysts believe will add 1.5 percent growth to the U.S. economy. You'll want to be ready for these and other agreements of the future, not only to sell to these new markets but to defend your home market by growing your customer base.

The trend is clear. World leaders realize that the key to the future growth of their economies is to generate more international trade. That's why there is a new willingness, despite inevitable opposition by interest groups, to reduce non-tariff barriers that add unnecessary costs to exports and imports.

Are you ready for these changes and what they might mean for your business? Are you prepared to create a strategy to help take advantage of opportunities? As a person with business interests in the U.S., you are already battle-tested in the world's most open and competitive major market. You have that advantage plus another: U.S. products and services are highly valued for their quality around the world, U.S. businesspeople for their standards and integrity. As you read this, foreign buyers are combing websites looking for U.S. products and services. They are making plans to attend trade shows where they know U.S. companies will be present. They are open to being contacted by you or by third parties representing you.

So what are you waiting for? Make it easier for them by being prepared and having an export strategy. Step one of your strategy is to read the rest of this book.

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Chapter One

Planning for Success

As a small business owner staring across the border at a seemingly limitless market, you might be asking yourself two questions: "Can I do this?" and "Where do I begin?" The answer to the first question is, of course you can do it. If you can start or run a business, you can export. The good news is that you don't have to do it alone. There already exists an extensive nationwide support infrastructure designed to help you succeed in exporting. The answer to the second question is easy — the best place to begin is to get help from this support network.

GEE — the Global Entrepreneurial Ecosystem

Many small companies that export profitably attribute their success in part to their reliance on external expertise, especially that provided by government agencies. There are government-backed programs at the federal, state, and local levels to help you plan, finance, and execute your exporting strategy. Many of the major programs are explained on the following pages, but before getting into details it is useful to think about the larger context in which your business and the available assistance exist.

Regardless of your location, your business is surrounded by a community of resources — agencies and people whose job it is to help your business succeed. This community is your **Global Entrepreneurial Ecosystem (GEE)**. Your GEE consists of many different actors operating with varying degrees

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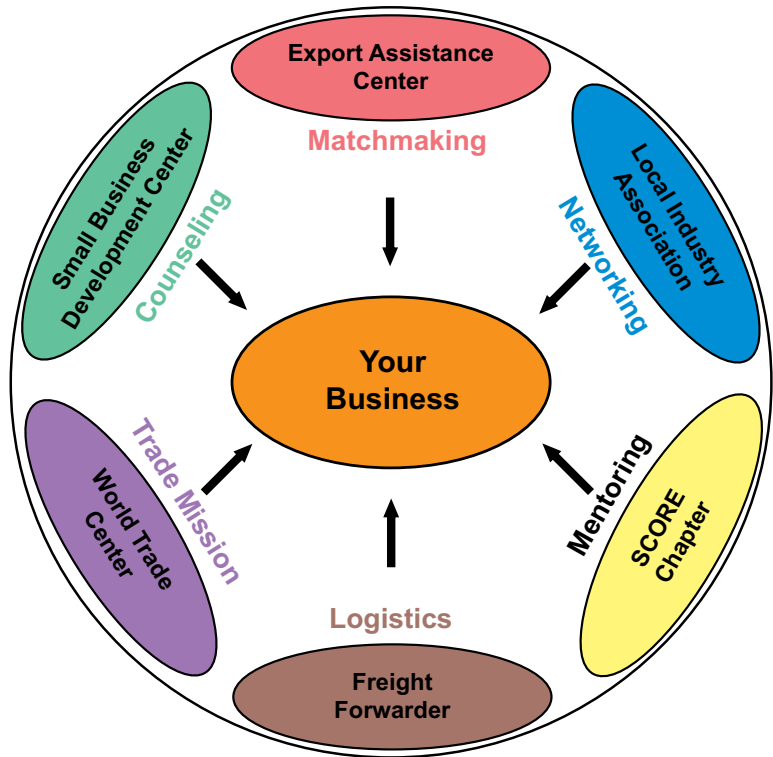
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of collaboration and coordination. They work with each other, sharing information, best practices, and resources. Placing your business at the center of this ecosystem allows you to take full advantage of your GEE and should be an important part of your export strategy.

Example:

Your Global Entrepreneurial Ecosystem (GEE)



Whether you realize it or not, you are surrounded by global trade experts who want to help you succeed. Start forming your own GEE now — much of the assistance is free for the asking (particularly from government-funded programs), and other services are low-cost.

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Summary of Your Potential GEE Members

Small Business Development Center

<http://www.asbdc-us.org>

Funded in part by the federal government's Small Business Administration (SBA) and state government, there are more than 1000 SBDCs located in all 50 states and territories. Each center is staffed by business counselors who can help with business plans and consult on different aspects of business operations. Many centers have export expertise and those that do not can refer you to a center in your region or state that does.

There are numerous SBDC International Trade Centers. These centers are often co-located with other government export assistance programs, creating a one-stop shop for companies that are considered export ready, meaning they have had some prior export assistance or they have a product or service that is already selling in the U.S. market or has excellent prospects for doing so. Many services are free and others are provided at a low or nominal cost.

SBDCs are very helpful to businesses that are not yet exporting or that may have limited experience but no specific export plan. In general, SBDC business counselors can:

- Help you create a business plan
- Help you use the SBA export planning tool
- Help you understand and apply for SBA export loan guarantee programs
- Provide training courses for a nominal fee
- Introduce you to other resources in the local business community and the GEE.

To find the SBDC nearest you, visit the website of America's SBDC at <http://www.asbdc-us.org>.

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U.S. Commercial Service Export Assistance Center

<http://export.gov/eac/>

There are more than 100 U.S. Commercial Service Export Assistance Centers (USEAC) throughout the country in 48 states. As part of the International Trade Administration's U.S. and Foreign Commercial Service, USEACs are staffed by nearly 300 international trade specialists who in turn work with more than 1500 specialists at U.S. embassies abroad to find buyers for U.S. products and to make sure foreign markets are fully open to U.S. goods and services.

Much of the information and advice provided by USEACs is free, but there is a charge for customized services such as market research and business matchmaking. Export Assistance Centers are most helpful to companies that have had some prior export experience and are looking for new markets to enter or to increase exports to existing markets. The international trade specialists may be able to help with the following:

- Export strategy
- Market research
- Export training and education
- GEE connections
- Trade events information, including trade shows and trade missions
- Introductions to visiting buyer delegations
- Resolving market entry problems
- Accessing the resources of the U.S. Commercial Service global network

Minority Business Development Center (MBDC)

<http://www.mbda.gov>

A program of the U.S. Department of Commerce's Minority Business Development Agency, MBDCs provide business counseling to companies owned by members of minority groups. While MBDCs have focused in the past on helping companies compete for government contracts, they currently also offer

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export assistance in collaboration with other federal and local government agencies. Minority-owned companies export at a higher rate than non-minority-owned companies. The services are free.

Women's Business Center (WBC)

<http://www.sba.gov/content/women-owned-businesses>

WBCs, run by the SBA's Office of Women's Business Ownership, are part a national network of nearly 100 educational centers designed to help women start and grow small businesses. Some of the centers have counselors with exporting expertise. Those that don't will connect you with centers that do and will be familiar with other export resources in the local area.

SCORE Business Counselors

<http://www.score.org>

The Service Corps of Retired Executives (SCORE) is a business counseling program comprised of retired senior business executives who volunteer their time to coach small business owners on all aspects of business management. SCORE does not offer programs specific to exporting, but some members have considerable international experience.

District Export Councils (DECs)

<http://www.districtexportcouncil.com>

DECs exist in nearly every state and members are appointed by the Secretary of Commerce. Each DEC is assisted by an Export Assistance Center. DEC members are usually experienced exporters who offer to mentor companies that want to export. In addition, they engage in public education activities and advise the Secretary on export policy matters. Many DEC's have public websites with lists of members and events.

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Community Colleges and Universities

Many community colleges offer courses on business, international trade and the basics of exporting. If at some point, your business needs foreign language ability to translate documents or to communicate with buyers, students and faculty at local community colleges can be a good source for these skills.

University campuses can offer courses, help with technology, seminars, and students with business and language ability. Your local state or private university campus may also be a good source of courses and language expertise. Faculty members may have international connections that could be valuable for business development. Some universities have strong research capabilities that lead to patented inventions and processes that your business can help commercialize and sell globally.

Manufacturing Extension Program (MEP)

<http://www.nist.gov/mep>

Not export-specific per se, but MEP, a Department of Commerce program, provides help to manufacturing companies looking to improve efficiency and productivity. You can seek their assistance on becoming more price and quality competitive while you're getting help with your export plan and strategy.

Community or National Banks with International Competence

Historically, local banks have not shown much interest in exporting but that's changing as the distinction between local and international business blurs. In addition, government export loan guarantees make such loans more attractive because the bank's exposure is only 5 percent of the total. Local branches of national or international banks can provide letters of credit, handle wire transfers, direct deposits and other international services.

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Regional Office of the Export-Import Bank of the U.S.

<http://www.exim.gov>

While not located in every major community, regional offices serve the entire nation and have relationships with many community banks that participate in loan guarantee programs. Ex-Im Bank and SBA loan programs differ in one major way: Ex-Im loans money to foreign companies to purchase U.S. made goods from U.S. suppliers. In addition to loans, the Bank's annual conference in Washington, DC is a good place for networking and meeting foreign buyers.

Local Chamber of Commerce for Networking

<http://www.uschamber.com>

Chambers are good places to find other businesspeople involved in exporting who can provide valuable information, mentoring and joint venturing opportunities. Local chambers provide connections to the U.S. Chamber of Commerce, which has substantial international expertise and organizes trade missions, and to American Chambers of Commerce abroad.

Port Authority

Ports and the people who manage them are champions of trade. Most see opportunity in helping expand exports. They have their own local and international contacts who may be helpful to you. They also know local customs officials and the freight forwarding and customs brokerage community. For information about a port authority near you, contact the American Association of Port Authorities at <http://www.aapa-ports.org>.

Freight Forwarders

<http://www.ncbfaa.org>

Freight forwarders are helpful in getting your goods to foreign buyers in the fastest and most cost-effective way. They can also arrange customs clearance and delivery to your buyer in the foreign market. Because they handle imports too, they can

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be sources of customer prospects in other countries. Long focused on the lucrative import side of the business, the forwarder community now has a front row seat on the export bandwagon. See [page 84](#) for more information about freight forwarders.

Procurement Technical Assistance Centers (PTAC)

<http://www.aptac-us.org>

PTACs are established to assist any business that wants to pursue government business, including domestic federal, state, or local governments as well as international opportunities, either as a prime or sub-contractor. More than 90 Centers across the US, Guam, and Puerto Rico are funded by public and private support and receive a matching federal grant. PTACs may not offer programs specific to exporting, but many of their counselors can assist businesses in finding opportunities through no-cost search engines and often have counselors with specific experience in export compliance. Use the national association website to locate an office near you.

Office of the Governor

State governors often have international trade offices. Most states have export assistance or promotion programs, operated in cooperation with other members of GEE. The expertise of these programs often reflected the major competitive industries of the particular state, such as agriculture, automotive, medical equipment, and others. It's common for governors to sponsor and lead trade missions comprised of local businesses on overseas buyer-finding trips. More than 40 states are recipients of federal grants under the Jobs Act to help small companies export. The grants, which must be matched by recipient companies, can cover transportation to investigate foreign markets, participation in trade missions and trade shows, and other export business development expense. There is a directory of all international trade programs of all states at <http://www.sido-america.org/State-Trade-Directory.aspx>. Click on the map of your state and you'll get the names and contact information for staff members of the trade programs.

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Trade Associations

<http://www.fita.org/index.html>

The Federation of International Trade Associations (FITA) fosters international trade by strengthening the role of local, regional, and national associations throughout the U.S., Canada and Mexico. FITA includes associations and chambers of commerce with international interests; associations devoted to international logistics; and associations supporting international trade.

World Trade Centers

<http://www.wtca.org>

World Trade Centers often provide short courses and match-making opportunities. Some mainly do property marketing and management, but others sponsor trade missions and host reciprocal missions from other trade centers in other countries.

Office of the Mayor

Cities sometimes have international trade offices, which sponsor trade missions and host foreign buyers and dignitaries. Sister cities are sometimes the focus of commercial interests and provide a receptive introduction for business opportunities.

International Account Representatives of Major Logistics Companies

These are companies that you may already be using — UPS, FedEx and DHL — and can connect you with other GEE resources. These companies are local as well as global and together have done much to make it easier for any company anywhere to engage in international business. Their local international salespeople are incentivized to help customers export and they are good sources of information about other small business export resources in the community. If you are already a customer, ask them how they can help you with your export plans.

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Foreign Agriculture Service (FAS) Cooperators

<http://www.fas.usda.gov>

The FAS of the U.S. Department of Agriculture provides market research and buyer-finding assistance for U.S. agriculture producers. Instead of agriculture export assistance centers located nationwide, FAS support cooperators in each state who serve as product marketers, repositories of information and a connection to FAS officers located at embassies around the world. If you are a producer of processed agriculture products you should consider joining these cooperator communities in your state.

The FAS Office of Trade Programs (OTP) includes the following:

- Market Access Program
- Foreign Market Development Program
- Technical Assistance for Specialty Crops
- Quality Samples Program
- Export Credit Guarantees
- Dairy Export Incentive Program

For further information, visit <http://www.fas.usda.gov/OTP.asp> and http://www.fas.usda.gov/agx/exporter_assistance.asp.

State Regional Trade Groups (SRTG)

http://www.fas.usda.gov/agx/counseling_advocacy/srtg_directory.asp

State Regional Trade Groups (SRTG) are non-profit organizations composed of state agricultural promotion agencies that use federal, state, and industry resources to help U.S. suppliers increase product sales overseas. The SRTGs are funded by USDA's Foreign Agricultural Service (FAS), the State Departments of Agriculture and private industry.

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Other local resources in the business community

- Subsidiaries of foreign-owned corporations, which could be a source of introduction to buyers in the owner's country.
- U.S. corporations that assemble or source materials for export, which could be a source of introduction to buyers in the local exporter's country markets.
- Industry associations with local membership. Consider joining an industry association in order to gain access to market intelligence, information on international standards, international contacts, and information about industry trade fairs. One association, for example, that is particularly active in international trade affairs is the National Association of Manufacturers at www.nam.org.
- Other businesses currently selling globally. Find them by networking within the GEE.

Taking Inventory of Your Exporting Capabilities

Clearly, there is no shortage of resources — people, government programs, and local institutions — standing ready to help you. Now, are you ready to help yourself? Are you prepared to make the commitment needed to become a successful exporter — one who makes international sales every year and revenue from those sales comprises a growing share of total revenue? Getting to that point takes time, money, creativity, and effort. But most important of all, it takes a commitment from the upper levels of management to direct company resources in a way that will lead to success.

This executive commitment is key, because it makes exporting a priority within your company. It drives decision-making at all levels, and ensures that everybody is pulling in the same

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direction. It is more than just a decision or memo that declares that you want to start exporting. It is a strategy that says you want to challenge your company and employees to go beyond the status quo. A serious commitment to exporting, however, does not mean you have to bet the company on this strategy. It simply means that you will devote enough resources to the effort to give it a reasonable probability of success.

You probably already have some of what it takes to start selling beyond the borders. For example, if you have an e-commerce website, you may already have received international orders. What you might lack is specific market information or expertise in export documentation, but that's where your GEE can help you. Here are some additional fundamental assets you may require:

- A competent manager responsible for overseeing the exporting effort (this might be you). It is usually best to make export sales a big part of one person's job, rather than a small part of many employees' responsibilities.
- An understanding of the best market entry strategy (direct sales, distributor, subsidiary, etc.)
- The ability to make product or packaging modifications to meet the legal requirements or cultural preferences of foreign buyers
- Foreign language skills, depending on your target markets and method of market entry. Many successful exporters, however, have no requirement for language skills, or rely on vendors for translation services.
- A defined budget sufficient to cover expenses incremental to new market development — travel, marketing materials, packaging, etc.
- A patient time horizon. Significant export sales rarely materialize overnight. You need time to develop and

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execute your strategy, modify packaging, establish relationships, and so on. How much time will depend on whether your focus is generating more international sales through your website, selling to an intermediary in the United States who then sells your product to the foreign buyer, finding distributors in another country, attending trade shows, or some combination of these and other possible strategies.

- A product or service that you can sell profitably to foreign customers. Your GEE can help you determine whether there is a profitable market for your product overseas.
- An export business plan that details how you will implement your strategy and defines specific attainable goals.

Your Export Plan

Many companies routinely sell to international buyers without any export plan. Others have a plan but it consists of only a few pages known only to the committee that drafted it. And at least one successful exporter keeps his plan on a handful of index cards. What's right for you depends on your company's size and culture, but one thing is certain: Companies that draft a detailed plan, promulgate it within the company, and focus on execution are more likely to get results.

The Value of a Plan

Only about one-third of SME U.S. manufacturers have a written plan of any size or kind. The others began exporting by responding to an order and tend to react only when additional orders come in the same way, often via the Internet. No revenue targets for exports exist and no one on staff is dedicated to growing the export business.

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Absent a plan, these businesses (or your business) may overlook much better opportunities. In addition, reactive exporters may quickly give up on selling to international customers, concluding prematurely that it's not worth the effort or that it's easier to serve customers closer to home, even if that business may not be growing. Doing the hard initial work of thinking how you want to develop and grow your international sales increases your chances that the best options will be chosen, resources used wisely, and that execution will lead to a successful result. Remember that while 58.4 percent of all U.S. exporters export to only a single market (predominantly Canada), many small exporters sell to more countries than they have employees, and these sales account for a growing percentage of total sales, without which they'd be in big trouble.

Some Additional Benefits of Written Plans

- Written plans display your strengths and weaknesses more clearly.
- They organize thoughts and goals into a coherent strategy.
- Written plans provide a shared vision for everyone in the company.
- Written plans are not easily overlooked or forgotten.
- Written plans may be required in seeking financing to build the export side of the business.
- Written plans are easier to communicate to others including new hires who come on board as your business grows.
- Written plans assign responsibilities, keep you on track, and provide ways to measure results.

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- Written plans allow for the articulation of unexamined assumptions about you and your business that can lead to new insights and better results.
- Written plans give you a clear understanding of specific steps that need to be taken and help assure a commitment to exporting over the longer term.
- With a written plan you'll be less likely to ignore inquiries or actual orders from foreign buyers.
- A written plan can include an actionable to-do list, with tangible accomplishments by week, month and year.

Length of the Plan

Your plan need only be a few pages to start, and you can use available export plan templates to create one. The process of creating a simple plan will generate additional questions or areas of information needed. In this way, your plan will evolve and become more detailed as you gain more experience.

The plan can include the market or markets you're targeting, why you are targeting them as opposed to others, what perceived competitive advantage you have in that market, how you're going to pay for new market entry, including additional inventory or product adaptation, and so on.

Of the many export plan templates available, one in particular deserves attention. The SBA Export Business Planner is a formidably lengthy document and much of it can be skimmed or ignored altogether. Available for free, the best sections are the fillable templates which pose the right questions and, if you answer them thoughtfully, can serve as the first draft of your export plan. You can find the SBA Export Business Planner at <http://www.sba.gov/exportbusinessplanner>.

Keep in mind that the SBA, through Small Business Development Centers (SBDC), has many years of experience help-

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ing companies get started and grow. This experience is nicely packaged and accessible via these templates. If you need additional help with the basics of business financing and marketing, contact your local SBDC.

Sample Export Plan Template

Part of the plan should describe how you are going to use your company website and social media to attract customers and drive sales. Make your Web activities the focus of a sample export plan that includes some of the topics emphasized in the SBA export planning tool. The first step is to consider some general questions about your product or service, how it fits into the worldwide marketplace, and what you need to do to make the product and your company export-ready.

Product or Service

- What need does my product or service fill in the global marketplace?
- What modifications if any must be made to adapt my product for the overseas market?
- Do I need special licenses or certificates from my or the buyer's government?
- Do I need to modify my packaging or labeling?

Pricing considerations

- How much will it cost to get my product to market (freight, duties, taxes and other costs)?
- Given an estimate of the costs of getting my product to the buyer, what is my pricing strategy?

Promotion

- What modifications, if any, will I make to my website to make it easy for potential buyers to understand the value of my product or service, to contact me, and to make

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a purchase?

- What, if anything, do I need to protect my intellectual property?

Management Issues

- Why am I pursuing international customers?
- Have I received orders from other countries and if so are there lessons from those sales that can be applied to my new strategic export effort? (What did the overseas buyer purchase? Did it go smoothly? What was the feedback?)
- Am I sufficiently committed to exporting such that I won't abandon it if domestic sales suddenly pick up?
- How much time do I need to spend on implementing the plan?
- Do I have sufficient production capacity to fulfill international orders?
- Is current staffing adequate to meet increased international demand?
- Do I need additional funding and if so where will it come? (How will I become familiar with government export finance programs for which I may qualify?)
<http://www.exim.gov/products/>
- What will the export effort cost beyond the WPG annual membership?
- What are my projected international sales for the first year? (Best guess)
- What additional expertise do I need on staff and how am I going to get? (Include reading how-to books, take a short course, select a freight forwarder, etc.).
- What other sales channels should I explore? (Include online market places such as <http://www.webportglobal.com>, finding distributors in a target country, partnering with a domestic partner who will sell your product in an international market.)
- How will I handle returns or warranty issues?
- Will I attend a trade show or a trade mission sponsored by my government for which I'll need to plan in the first

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year for participating in the second or third year of the plan? (Check these links for upcoming shows and missions.)

<http://www.export.gov/tradeevents/index.asp>

- What are my credit policies (cash in advance via credit or debit card or wire transfer; letters of credit; relationship with government finance programs; terms of 30, 60, 90 days, etc.)?
- How will I ship (freight forwarder; postal service for lighter shipments; air/sea; a combination based on customer preference; customer makes shipping arrangements)?
- How will I make use of government export assistance programs?
- What typical documents do I need to know about?
- Are there government restrictions on exporting my product or service to some or all countries?
- What is the minimum order I will sell and ship (one piece, one container, etc.)?
- What elements will be in my action plan?

Sample Plan: Enhancing Your Website

The next step is to formulate a specific action plan for using your resources to gain export sales. In choosing your website as a sales channel you are making the decision to export directly to buyers. Your other choices besides direct-to-buyer-exporting are passively filling orders that you receive with minimal or no promotion on your part, and exporting through intermediaries — businesses that buy your product locally and find the international buyer. The advantages of direct exporting are that you maximize profits and deal directly with the customer, gaining valuable insights into both the export process and the new market.

The following is a sample business plan for a hypothetical company that makes a product called Loose Lips and wants to increase international orders directly to consumers via its website.

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Sample Plan: Enhancing Your Website

1. Introduction

Loose Lips is a spectacular lip balm providing maximum lip protection and flavor that includes a hint of chocolate. It is a healthy, delicious alternative to mass-market competitors. After several years of successful Internet sales to domestic buyers, followed by the creation of a network of domestic distributors in ten states, we are ready to pursue international sales via an expanded Web presence.

Our location in San Jose, California creates brand value by associating the product with images of youth, clean environment, and social consciousness (we give 5 percent of profits to an international charity).

Add additional information as necessary, but limit to a few paragraphs.

2. Goals

- Enhance Web presence to increase company sales by 5 percent in two years.
- Sell to markets outside the United States, where 95 percent of buyers live.
- Refine target markets by analyzing available market research, including U.S. export data from the Bureau of the Census.
- Improve product lines, marketing and management by learning from discerning customers in the new markets where we will sell.
- Locate one distributor in two new country markets within two years of increasing sales via the Web.
- Additional goals will be added as appropriate as the initiative unfolds.

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3. Financial Resources

- Annual capital budget of \$15,000, which will purchase click-through ads in selected markets, assistance finding distributors, and participation in a government-sponsored trade show or overseas trade mission.
- 3-5 year minimum commitment to this export channel.
- We have a decent website and will further internationalize it with the help of free and low-cost government export promotion assistance.
- A half-time staff position
- Budgets and resources to be reviewed quarterly.

4. Non-financial Resources

- Several staff members have travelled abroad.
- One staff member will take courses on how to export.
- One staff member will research free and low-cost government export assistance.
- *Add other resources as appropriate.*

5. Current trends and Practices

- Revenue growth has averaged 4 percent annually for the past four years.
- International sales as a percent of revenue is stagnant.
- Our product is sold via the Internet and through a network of domestic distributors.
- Occasional unsolicited international sales — all to individual buyers but with a few inquiries from potential distributors.

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6. Production Capacity

- Capacity to increase production 30 percent without additional capital investment.
- Ability to customize labels and portion sizes for target markets.

7. Target Markets

- Will pursue all leads generated by the website and will also investigate country markets with which the U.S. has free trade agreements.
- Will investigate free trade agreement markets for lip balm by using available market research including those from government sources. <https://usatrade.census.gov/>
- Will look at shipments of lip balm for the U.S. to other countries and the average selling price to help determine a) where the demand is and b) whether I'm price-competitive.
- Will look at UN and other data to see what countries my target markets are buying lip balm type products from.
- Will look at market size, GDP, national debt and currency reserves; projected growth (See World Bank, United Nations forecasts and other relevant data for my target country markets.)

8. Risk

- Risk is mostly centered on non-payment or goods held up by foreign customs authorities. Our cash in advance policy largely mitigates risk. As we get close to finding one or more distributors, we plan to use the services of our government export promotion services or a private consultant. By better understanding

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shipping and export documentation processes, we will minimize potential risk from customs clearance problems.

9. Credit Policies

- Cash in advance via debit or credit card.
- Will check with card issuer to make sure account is in good order before shipping goods.
- Will consider and investigate providing terms for sales to distributors.
- Will become familiar with letters of credit for use with larger orders from distributors.

10. Return Policies

- Will provide full refund or replacement for lost goods or goods damaged in transit. Website will reflect policy.
- Customize for our products. For example, we might want to offer free shipping for product repair, or we might need to find someone in the market to repair the product closer to the customer. For clothing items, consider offering full refunds and free return for merchandise that doesn't fit.

11. Shipping

- Staff will handle shipping tasks and will ship within 24 hours of receiving order and verifying payment.
- We will primarily ship by air and will select an express carrier and will also offer the postal service as a lower cost option.
- *Based on your choices of shipping companies, you might wish to customize this section.*

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12. Freight Forwarder

None needed at this stage of international sales development for our sample company.

If your company needs a freight forwarder, create a section and discuss in here, addressing what you and your staff will do and what the forwarder will do and what it will cost. If a freight forwarder is needed, especially if initial sales volume is large, visit the website of the National Customs Brokers & Forwarders Association of America for referrals to local licensed freight forwarders: <http://www.ncbfaa.org/>.

13. Export Licenses

None needed for this product from the U.S.

Note: Only about 5 percent of U.S. exports require a license, but U.S. companies are prohibited from doing business with certain denied parties in other countries. For a discussion of your responsibilities under U.S. law visit: <http://www.bis.doc.gov/complianceandenforcement/liststo-check.htm>.

14. Health Certificates

Depending on the country of destination, this product may require a health certificate issued by a state or federal government authority based the manufacturers' representation of product ingredients and or a physical inspection of the facilities where the product is manufactured. Lip balm is considered a cosmetic and as such a national government agency (in the U.S. it is the Food and Drug Administration) issues a certificate upon request.

For more information about the program in the United States, visit the FDA's website at <http://www.fda.gov/>.

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15. Language Laws

We will determine what languages other than English our product packaging must include. Consumer goods such as lip balm may require that ingredients and the phrase Made in the U.S. be printed in the national language.

16. My Product's Harmonized Code or Export Number (U.S. Schedule B)

- The harmonized code number for lip balm is 3304.10.000.
- *To find the HS code for your specific product, click here: <https://uscensus.prod.3ceonline.com/>.*

17. Intellectual Property

- I will investigate international protection for my trademark. Visit the U.S. Patent and Trademark office for more information: <http://www.uspto.gov>.
- *You may also wish to file for patent protection in countries where you have distributors or retailers.*
- *Consider registering your company or product domain names in key foreign countries, so that your URL has the domain extension of the foreign country.*

18. Export Documents

What are the documents I need to be familiar with including commercial invoice, bill of lading, and certificates of origin?

Typical shipping documents are described at the websites below. The first link is to key export documents and the second link is to a series of videos that will help you understand and complete the documents.

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http://www.export.gov/logistics/eg_main_018131.asp
<http://www.census.gov/foreign-trade/aes/exporttraining/videos/>

19. Pricing

- Our pricing strategy is premium product and premium pricing.
- We will offer to calculate the full landed cost to the customer purchasing one or more of our products. We will make it clear in our communications and on the website that the customer is responsible for paying all applicable duties, taxes and shipping costs.
- For larger orders to say, Mexico, we calculate the cost of shipping one package at \$0.25 per package including trucking, freight forwarder fee, documentation fee, banking fee and insurance. With a market price of \$10 per package, minus transportation costs and distributor fee, we will have about \$8.75 to cover production, marketing and profit.

20. Website Tactics

We will make the following changes within 30 days:

- Internationalize the site by adding text on homepage welcoming international buyers.
- Add a currency converter on the homepage.
- Add text regarding duties and taxes and that it is the buyer's responsibility to pay them. Include sample duties and taxes for select countries.
- Indicate that all prices are stated in U.S. dollars but invite shoppers to use the currency converter link, which will be located next to each order placement button.
- Add international buyer testimonials (and photos) as they become available.

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- Add shipping choices and consider including the Postal Service as a lower-cost option.
- Include clearly written returns policy.
- Invite inquiries from potential distributors.
- Investigate Bing and Google key word auctions and purchase of click-through ads in specific markets.
- Figure out which government agencies can help most and contact them for an appointment.

Planning Checklists

Checklist for New to Export Small Businesses

- A product or service that is now being sold in the U.S.
- A product or service that is about to launch.
- Willingness to develop a specific written export plan to support your international strategy.
- A decent credit history to be able to participate in government-funded export financing programs or to borrow from commercial banks if needed.
- Commitment from management to pursue exporting as a growth strategy for a minimum of several years.
- An understanding that revenue from international sales will probably not occur immediately, but can eventually overtake the volume of your domestic sales.
- Willingness to commit business or personal resources to costs associated with going global, such as the translation of marketing materials into different languages, participation in international trade shows, etc.
- Protection for your intellectual property or a willingness to seek such protection in the U.S. and elsewhere if needed.

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- A website or the means to create one as part of your global expansion strategy.
- Interest in working with people from other cultures and countries.

Checklist for Small Businesses Planning to Expand Existing Exporting Efforts

- Already exporting to between one and five international markets.
- Interest in adding more country markets to your customer base.
- Commitment from management to pursue additional exporting as a growth strategy for a minimum of several years.
- A website or the means to create one as part of your global expansion strategy.
- Protection for your intellectual property or a willingness to seek such protection in the U.S. and elsewhere if needed.
- A written export plan of at least several pages.
- Familiarity with top domestic and international trade shows in your industry.
- An understanding of what federal and state government agencies can do to increase your exports.
- A map of the entrepreneurial support environment in your area.

E-commerce Checklist

- Display a clear concise value proposition on the homepage: "This is my product or service; this is what it will do for you."

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- State clearly that you welcome international inquiries and orders, and that you ship internationally.
- Use concise product descriptions that avoid the use of idioms or phrases that could confuse non-native English-speakers.
- Offer credit card payment processing.
- Provide visible contact information — an email address at minimum.
- Have an internal policy in place to reply to email inquiries within 24 hours or less.
- Link to a readily available currency converter app so buyers can do conversions into their own currencies without leaving your site.
- Select several different shippers with different delivery time commitments and price points in case the buyer wants to use your shippers, not theirs.
- Indicate near the shipping and pricing information that payment of import duties and taxes are the buyer's responsibility, not yours.
- Indicate that average duties worldwide are 5 percent of the cost of goods, insurance and freight; taxes can be much higher (up to 23 percent for some European countries).
- Offer to estimate the duties and taxes via email.
- Know the Harmonized code number for your products.
- View the Department of Commerce webinar on how to promote your products online using pay-per-click ads.

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Chapter Two Market Research

Market Research and Finding the Market

Will your company be a reactive exporter, or a proactive exporter? Reactive exporters are those who wait for foreign buyers to contact them, though they may actively build a website for the purpose of attracting buyers. A proactive export aggressively pursues new customers by engaging in market research and following an export business plan. The focus of this book is to encourage you to be proactive. Being proactive is one of the best ways to grow your business and keep it on a sustainable path because you can see which methods yield results and which do not. If you are a reactive exporter, on the other hand, you may experience some periods of success, but you won't be in as good a position to plan for them or replicate them.

When evaluating what countries or regions to target for export growth, you can consider your own experiences or knowledge: countries where you've traveled; countries where you have friends or family; countries that are geographically near; countries where English is widely spoken; or countries from where buyers or prospective buyers have contacted you via your website, social media, or other methods. Familiarity can give you some confidence and serve as a jumping-off point for your initial efforts.

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A strategic and data-dependent method, however, involves looking at the hard economic data that, in the aggregate, defines your true opportunities. Looking at the data and digging deeper will answer the questions about potential target markets that really matter:

- Purchasing power and GDP (Do people in the market have enough money to buy your product, and is the economy growing?)
- Demographics (Are there enough people of the optimal age to buy your product or service?)
- U.S. export data (What markets are buying products similar to yours, what average price are they paying, and what are the fastest growing markets?)
- Foreign market import data (From which countries are your target markets buying and might there be room for you?)
- Barriers to entry (How easy will it be to get your product into the country?)
- Duties, taxes, and transportation costs (What expenses will increase the cost of your product to the buyer and affect your price competitiveness?)

The raw numbers, however, are rarely enough to gauge your true opportunities in a particular market. It's best to combine statistical data with information and advice from trusted sources with the market.

Sources of Market Research

The following are some of the available resources for conducting market research and selecting the markets with the best potential for your product or service.

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Country Commercial Guides and Other Market Research Reports

The U.S. Commercial Service produces an annual report on each of more than 100 countries. Called the *Country Commercial Guide*, these reports include general information on the economic and political conditions. There are sections on best prospects for U.S. goods, which tend to be general — such as medical equipment, automotive parts, computer software, and telecommunications equipment. Also valuable is a list of key contacts at the end of each *Guide*. In some instances the contacts section is missing from the online report, but available from the embassy if you contact them with a request. To find the reports, go to <http://export.gov>, find the Market Research Library, and register. Once into the Library you can search by industry and country. You can then browse the *Guides*, finding the information you're looking for and printing out pages or cutting and pasting specific bits into a separate document or your export plan. The reports can be accessed free of charge.

While the *Country Commercial Guides* provide a great deal of useful information, it is important to understand that they are only general overviews. They may tell you, for example, about government expenditures on new hospitals in Kuwait, but they won't tell you how many hospital beds will be needed, or the volume of medical disposables, or who makes purchasing decisions for the Kuwaiti health ministry. Some additional research in the Library may drill down a bit more into specific industry sectors where U.S. companies are highly competitive. For more detailed information, the Commercial Service offers Customized Market Research.

Customized Market Research

This research is conducted at the request of the U.S. exporter or producer. It can estimate, for example, the number and type of hospital beds to be purchased, and describe how purchase decisions are made. The cost of doing the work is nominal compared with the private sector, as the Commercial

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Service charges only for its direct costs. The limitation of the service is capacity — the busier the market, the more demands for service, and the longer the wait time. At some embassies the wait time may be relatively short, while at others it could be many weeks. All the embassies should be able to tell you how long it will take, and those with long waits may refer you to a private sector firm in the country that has the qualifications to perform the research you need.

Other sources of customized market research are trade associations, American Chambers of Commerce, and local chambers of commerce. Bing or Google searches can also turn up valuable information online.

Gold Key Service (GKS)

This is the signature market research service of the U.S. Department of Commerce and its U.S. and Foreign Commercial Service. For a fee that varies by market depending on costs of doing business, U.S. supplier will be matched with multiple potential buyers in the selected market or markets. The GKS is available on a country-by-country basis, or within a geographical region, such as Central America or the Arabian Gulf. Multiple Gold Keys can be conducted within large countries that have many cities with a million plus population, such as India and China.

Additional benefits of the GKS are that the buyers are fully vetted and the cost is reasonable. A video version is available in select markets, but most U.S. suppliers choose to meet buyers face-to-face. Meetings are held over several days, and the U.S. side receives support in the form of research, due diligence, interpreting services if needed, and follow-up assistance after the trip home. Once you and your company are known to the embassy staff, you can receive additional market intelligence, with the overseas colleagues of your Export Assistance Center becoming part of

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your GEE. Consider placing the GKS high on the list of action items in your export plan. One drawback is that in some markets, especially China, the wait for a GKS can be frustratingly long.

For more information, or to initiate Gold Key Service for your business, contact your local Export Assistance Center. You can find the nearest one at <http://export.gov/eac/>.

Foreign Trade Division

The Foreign Trade Division is part of the U.S. Census Bureau, which collects data on U.S. exports and imports. The USA Trade web tool provides export value data on thousands of different products shipped from the United States. Using your Harmonized Tariff numbers, you can search by year and by country. The data reveal how many hospital beds, for example, were shipped from the U.S. to our trading partners in a given year. You can create a report showing trends over the last five and more years. You can also create a report that compares countries over the same time period. The data contain average selling prices, as derived from an aggregation of commercial invoices. You can use this data to infer valuable competitive price data to see how you compare with other U.S. suppliers selling abroad. Access the data on the Division's website at <https://usatrade.census.gov/>.

To help understand the features of the database, the Division produced a short video, which can be viewed online: <http://www.census.gov/foreign-trade/data/video004.html>.

There is a subscription fee for the data, but you can test drive the service by signing up for the free demo period. What the data lack, of course, is where else your target market is buying the products you offer. This piece of the puzzle is provided by the United Nations.

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UN Trade Data

UN trade data, some available both free of charge, feature import information by country, commodity and exporting country at <http://comtrade.un.org/>. You may find that 85 percent of the hospital beds during the past five years are from China. Is that the end of the matter? Can't compete? The answer is no on both counts. Chinese beds may have recently gone up in price due to higher labor and transportation costs. Also, buyers may want to switch but know little about U.S. bed makers or their quality. If you acted on this information, which may come not through numbers but through phone calls and emails to embassy personnel, in country trade associations, hospital purchasing departments and others, you might find considerable interest in your product. The lesson is to use many different data sources, both quantitative (numbers) and qualitative (observations, opinions) and triangulate or compare them for the most accurate picture of what's going on.

Free Trade Agreement Countries

The U.S. has agreements with 20 countries to lower and eventually eliminate duties on most goods. Under some of the older agreements, such as the North American Free Trade Agreement (NAFTA), the duties on most goods are already at zero. Targeting these countries for entry may be beneficial because of the duty-free benefit and because the countries have opened certain sectors, such as services, which may have been previously closed to U.S. firms.

Direct investment, property rights, non-tariff barriers and other trade-related issues may have also been included in the agreements. Together, they provide an advantage over competitors who don't have a free trade agreement with the country, or that do but whose agreement may not be as beneficial or they lack other competitive advantages such as geographic proximity (think Mexico and Canada) or perceived product and service quality.

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A good resource is the *Country Commercial Guides*, country specific market research, and an e-book from the Department of Commerce entitled *Free Trade Agreements: 20 Ways to Grow Your Business*. <http://www.barnesandnoble.com/w/free-trade-agreements-international-trade-administration-us/1113797580>

There is a free database on export.gov called the FTA Tariff Tool. It provides data about each Agreement and, more importantly, indicates when the tariff rates that did get to zero upon implementation will be phased out.

Market Research Checklist

- GDP Growth—recent past, current year, and projected
- International Monetary Fund (IMF) ease of doing business ranking—not determinative but useful to know <http://data.worldbank.org/indicator/IC.BUS.EASE.XQ>
- Demographic trends including age and growth rate
- Size of middle class and medium income
- Internet and cell phone penetration
- E-commerce trends—growth of online purchases
- Political stability
- Level of corruption
- Duty (tariff) and tax rate, plus other fees assessed on imports (find duty and tax rates here for more than 100 countries at http://export.gov/logistics/eg_main_018130.asp)
- Landed cost of your product, including freight forwarding, shipping and insurance, inland trucking, etc.
- Non-tariff barriers, including slow customs clearance, opaque regulations, weak commercial law. (See *Country Commercial Guides* at <http://export.gov/mrktresearch/index.asp>)
- Volume of U.S. exports of similar products (see census data at <https://usatrade.census.gov/>)
- Volume of imports of similar products (see UN data at <http://comtrade.un.org/>)
- Regulations covering your product by the importing country (health certificates, labeling, etc.)

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Market Entry Strategies

As you conduct your research to find the most promising markets, you'll also need to be thinking about the best way to enter the market. Your market entry strategy will depend in large part of the nature of your product or service and whether you are selling directly to the end-user or via a distributor or other intermediary.

Many small and midsize companies export to a relatively small number of markets and take considerable time finding customers in them. A minority of companies ramp up quickly and ship to many more countries than they have employees. The latter type of company tends to have a plan that sets forth goals and the steps for achieving them. The two main ways are direct sales and indirect sales. Direct sales refer to selling and shipping the product or providing the service to the ultimate buyer. Indirect sales refer to selling the product to an intermediary, such as a trading company, that handles all the details and sells to the buyer in a foreign country. There are positive and negative aspects to both approaches.

In the case of indirect exporting, the price you receive from the intermediary may be lower than what you could receive if you sold direct. Another negative is that you do not learn as much about the process and have no relationship with the buyer. Such interaction with buyers can yield valuable insights and spark ideas for product improvements. The major positive aspect of indirect exporting is that you sell to a relative small number of larger customers, with someone else worrying about all the details.

The following illustrations show three primary options for entering foreign markets, using Western Europe as an example.

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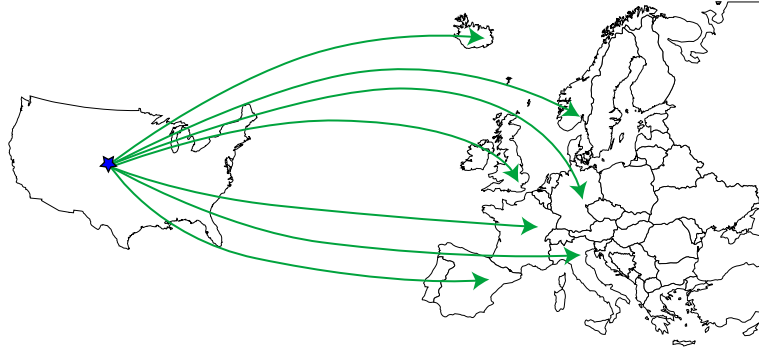
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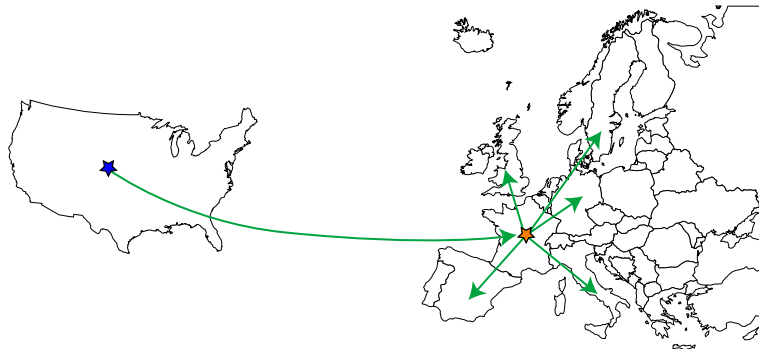
1. Direct Sales from the United States

You ship the product directly to the end-user upon receiving an order. This strategy is commonly used by e-commerce retailers and by companies that employ sales representatives to call on customers overseas, and can also be used to sell to individual retailers in foreign countries.



2. Sales to a Foreign Intermediary

You ship the product in bulk to an agent overseas, who is responsible for distributing the product within a specified market territory (in this case, Western Europe). The foreign agent may be a distributor, a subsidiary, or a trading company.



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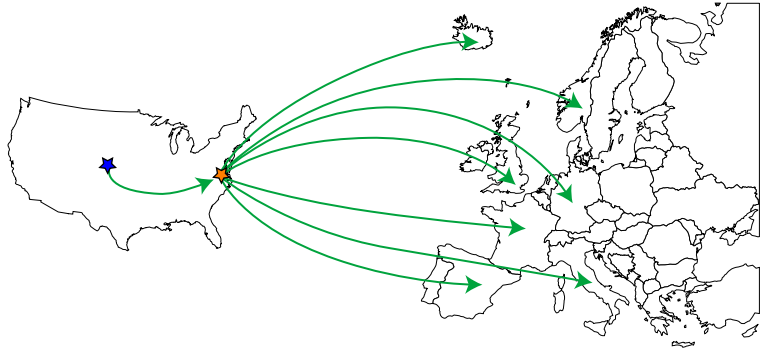
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3. Sales to an Intermediary in the United States

You ship the product to a U.S.-based customer, who is responsible for distributing it overseas. Your customer in this case may be a distributor, a retailer or cataloger, or a prime contractor on an overseas project.



Sales and distribution channels are numerous and can include the following:

- A referral from a domestic customer who introduces you to a foreign buyer.
- An unsolicited purchase from a foreign customer via your website.
- Utilizing B2B and B2C web platforms, such as www.webportglobal.com or www.exportnow.com.
- Supplying an existing domestic customer who has a foreign customer.
- Selling to a trade intermediary such as a domestically- or foreign-owned trading company.
- Exhibiting at a domestic trade attended by foreign buyers.

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- Supplying parts to a U.S. finished goods manufacturer that exports the final product.
- Exhibiting at a domestic or foreign trade show.
- Participating in a trade mission organized by your local or national government.
- Competing for U.S. government, foreign government or multilateral bank tenders.
- Competing for contracts issued by the United States' foreign aid programs, such as the Millennium Challenge Corporation, <http://mcc.dgmarket.com/tenders/RssFeedAction.do?local=1>.
- Competing for contracts issued by the multilateral development banks, such as the World Bank, http://export.gov/webinars/eg_main_022579.asp.
- Direct marketing to potential buyers within a specific industry in a specific country market.

It's sensible to focus on a limited number of the channels that best match your capabilities and resources.

Factors That Affect Market Entry Strategy

- **Size of potential market.** If you anticipate selling large quantities into a market, having in-country warehousing can reduce shipping costs and lead times for your customers. A distributor or export trading company can provide these services.
- **Product shelf life.** If your product has a limited shelf life before it becomes spoiled or obsolete, direct sales may be a better option to ensure your customer is receiving fresh product.

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- **Ease of shipping.** Small products that can be readily shipped via commercial delivery service or the U.S. Postal Service can be sold direct.
- **Business vs. consumer.** Sales to businesses often require direct contact and the establishment of a relationship with the customer. A in-country distributor may be in a better position to provide that than a remote sales force in the United States.
- **Need for after-sales service.** Customers expect that service will be available after the sale. While a distributor can provide such service, you can also contract with a third party within the market to provide such service, even for sales originally made direct to the end-user.

Working with Distributors

An in-country distributor is a common method of establishing presence in a market, and one that's much less costly than setting up your own office or subsidiary. The distributor buys the products from you and resells them to buyers further down the distribution chain. The distributor will help market the product, deal with returns, and can help maintain the product if after-sales service is required.

Selecting the right distributor and structuring an agreement with clear performance metrics and geographical coverage can make or break your foray into a new international market. Selecting the distributor deserves a couple of pages in your export plan and will likely necessitate a trip to the target country to meet and interview candidates.

One source of help is the commercial section of the U.S. embassy in the country or countries in which you want to resell. The staff there is usually experienced in finding and vetting distributors across many different sectors. Their advice will be

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invaluable and you should ask them to provide you with a list of pre-screened prospects. When you arrive in country, you'll want meetings with the top candidates who should be able to make a presentation to you on how they will represent and sell your product in the market. At the end of the day, you may select more than one, especially if the country is large. The embassy staff can advise you on the elements of the distributor agreement. Because it is a legally binding document with important implications for both parties, it is advisable to get competent local legal advice from a licensed attorney. The Commercial Section of the U.S. embassy should be able to assist you.

Finding the right distributor is the key to avoiding disappointment and even litigation later on, so invest considerable attention to making this choice. No matter whom you choose, you'll need a written agreement spelling out the conditions of how the foreign entity will sell your goods. The distributor assures you that it has the facilities, personnel, and technical expertise to market the specified product in a given territory.

At minimum, an international distribution agreement should contain the following terms:

- **Term:** This clause sets the duration of the agreement and should specify start and end dates. You may want to specify a limited period to start so you can see how the distributor performs. The laws of some countries may set minimum periods or impose heavy penalties for early termination, so you should consult with legal counsel in that market to ensure that your agreement is enforceable.
- **Products:** You should specifically describe and identify the product to be sold by the distributor.
- **Territory:** Describe the specific geographic areas where the product will be distributed. Depending on the size of the country, you may wish to have more than one distributor. Carefully assess claims from distributors that

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they can cover the entire country or that you must give them exclusive rights within the country.

- **End-User:** Identify all persons or entities that will obtain the product such as wholesalers or retailers.
- **Intellectual Property Rights:** Make sure you have IP protection in that market and that you identify in the agreement that you own any idea, design, concept, technique, invention, discovery, improvement, brand and logos. Your lawyer will be able to construct language to give you maximum protection.
- **Quota/Sales Expectations:** Specify minimum quantities of the products to be sold. The quota may consist of an initial purchase order and a volume to be purchased by month or quarter. Indicate the sales support you will provide in specific terms and what the distributor will do to promote the product.
- **Warranty:** This clause should address warranty issues including who is responsible for repair and replacement. Warranty and consumer protection regulations vary by country and you should consult local legal counsel to make sure you are aware of your responsibilities as the manufacturer or the manufacturer's representative.
- **Termination:** Clearly spell out the terminating conditions of the agreement.
- **Dispute Resolution:** In the event of a dispute over the conditions of the agreement, indicate how the dispute will be resolved, such as the International Chamber of Commerce, another third party mediator, or within the court system of the U.S. or the foreign country. As mentioned above, you can reduce the risks of formal disputes by carefully vetting the distributor before entering into a binding agreement.

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For a sample foreign distributor agreement, click on this link: http://www.rogercohen.com/training/distributor_agreement.shtml. The Internet is full of other examples. Read a few and compare. Draft something up, then consult professional legal counsel. The U.S. embassy will have recommendations for local legal counsel that you can trust.

Another form of representation in the market is to find a partner. A partner is different than a distributor in that the partner will have an equity stake in the business in that country. The same process for selecting distributors can be used for selecting partners, starting with your embassy's commercial section but also including international chambers of commerce, the World Trade Center, and trade associations.

Foreign Sales Representatives

An alternative to a distributor is to hire an independent sales representative to sell your products or services within a specific country or territory. This requires less of a commitment on your part than establishing a formal agreement with a distributor, and works well when you are making a relatively few number of sales that are fulfilled directly from the United States. The sales representative may work on salary or on commission, and can call on retailers and other businesses, or display your products at trade shows. Keep in mind that having an employee in the country may create legal and accounting issues that require the professional advice of a lawyer or international accountant.

Establishing a Foreign Office

Another way to enter a foreign market is to establish an office or subsidiary directly in your target country. Because this is typically the most costly method of market entry, you'll need to commit significant resources to do so, complete the homework to justify the investment, and possess the patience to invest while waiting for sales to materialize. Depending on whether you send someone from the home office to manage your business in the target market or hire locally, you'll need professional

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advice on local labor law, taxation, accounting, property leasing practices and more. Opening an office is a step usually taken only when the volume of business developed through other channels warrants it.

Subcontracting as a Strategy for Exporting

Usually when you think of exporting, you expect your customer to be a foreign entity — a consumer or business overseas. Sometimes, however, your customer can be based in the United States in the form of a prime contractor performing work for the U.S. government, a multilateral aid organization, or for foreign businesses.

When it comes to projects outside the continental United States that are funded by the federal government, the prime contractors frequently are either obligated or prefer to subcontract to American firms, including small businesses. Federal agencies recently began to impose on prime contractors in solicitations for overseas projects the same mandated percentages for small business subcontracting that have come to be the norm for domestic contracts. Some contracts for overseas delivery, including military base construction, are now being set aside exclusively for small business competition.

You can identify the main prime contractors that win and perform these large government and military overseas contracts and which may be looking for small business contractors by taking the following steps:

- Keep abreast of large federal contract awards – especially multi-year GWAC's (Government Wide Acquisition Contracts) and BPA's (Blanket Purchase Agreements) – via the FedBizOpps website at www.fbo.gov. FedBizOpps lists the prime contractor winners of overseas construction, IT and other contracts along with smaller domestic contract awards.

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- Track targets of opportunity involving exceptionally high levels of contracting activity – such as the 10-year military facility build-up in Guam, that will include substantial construction, utility plant and renewable energy elements among others.
- Start networking with the prime contractors' federal and military business development principals, who routinely attend military contracting briefings staged by industry groups such as the Society of American Military Engineers (SAME), the National Defense Industries Association (NDIA), and by government agencies themselves including the Army Corps of Engineers, the Navy Facilities Engineering Command Acquisition Expos, etc.
- Contact your nearest Procurement Technical Assistance Center (PTAC) by visiting <http://www.aptac-us.org>. PTAC counselors have experience matching prime contractors with subcontractors, and are familiar with all the major prime awards that are executed overseas.

When seeking subcontracting opportunities with large federal prime contractors, your track record of performance is especially important. Prime contractors are looking for subcontractors that not only can perform the work, but also do it extremely well and reliably; remember that their performance on a multi-billion dollar contract can depend in part on how well their suppliers perform.

This emphasis on excellent performance means you can use your experience on government-funded prime contracts and subcontracts to open up new opportunities overseas. When foreign customers see that you are a trusted supplier to large government contractors or to the federal government itself, they may become more receptive to contracting with you to fulfill their needs.

Consider the example of Amethyst Technologies, a small minority-owned engineering firm near Baltimore, Maryland. The

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company had never done business outside the United States until it competed for and won a contract to set up a medical research lab in an African country. The contract was issued and managed by the U.S. Army. While Amethyst was performing the work, owner Kimberly Brown was approached by the health department of the country and was offered more work. Since then, Amethyst has won contracts in other countries and its international work now accounts for over half of annual revenues. You can read more about Amethyst's experience [here](#).

Preparing Your Product or Service to Go Global

Modifications

Some products can be prepared for international markets very easily. English-language periodicals, for example, can often be sent as-is to foreign buyers if it is known that the buyer reads English. The same is true for some services — trade shows and charities are good examples. Most products and services, however, must be modified in some way to be sold in foreign countries.

The three most common reasons to modify a product or service are:

- To satisfy consumer preferences and tastes
- To comply with national standards in a foreign country
- To comply with foreign government requirements

Consumer needs and preferences vary widely from country to country due to cultural and economic differences and other unique conditions. In some countries, for example, space-saving devices are sought because of smaller living quarters. Buyers in such markets might prefer smaller products than are common in the United States. Similarly, foreign buyers might prefer different colors, patterns, flavors, packaging, styling or materials.

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In addition to testing and surveys, a good way to gauge the preferences of foreign buyers is to look at other products that are popular in a particular country. A trip to the country to observe other advertising and products on store shelves may be worth the effort.

Product standards within the foreign country might also dictate modifications in a product or service. For example, clothing sizes, metric measurements, electrical voltage, radio frequencies, electrical adapters, standard lengths of building materials, fasteners, and computer operating systems may be different from the standards in the United States. In general, marketers should carefully research standards for any product that is designed to function in conjunction with any other product or service.

For specific information about standards in foreign countries, contact the commercial officer at the U.S. embassy or contact the National Institute of Standards and Technology's Global Standards Information website at <http://gsi.nist.gov/global/index.cfm/L1-1>.

In addition to consumer preferences and national standards, government requirements may necessitate changes in products or services. One area where regulations are particularly common is in product labeling and packaging. For example, Mexican government regulations often require labels to be produced in Spanish. In Canada, ingredients and contents for many products must be written in both English and French.

Product safety and labeling laws are just beginning to develop in many industrializing nations. Local practices or legal requirements might dictate how a company describes the product's content, the country of origin, the system used to identify metric weights and measures, and warranty and guarantee information.

If your product is sold and shipped directly to the end consumer (as is the case for most website orders), you may not

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be subject to some of the labeling and standards requirements needed if your product were to enter the stream of commerce in the foreign country.

Agricultural products and foodstuffs are the subject of some of the most aggressive laws. Purity, nutritional content, ingredients, and net weight are often required on packaging in the local language. Some countries restrict the importation of foodstuffs made from genetically modified organisms (GMO). The U.S. Department of Agriculture Global Agricultural Information Network (GAIN) provides information on issues related to food safety regulations and barriers that affect exporting of U.S. agricultural products. Issues include commodity complaints, foreign product labeling and food standards, sanitary regulations, pesticide residues, and other technical requirements for U.S. products. For more information, visit GAIN's website at <http://gain.fas.usda.gov/Pages/Default.aspx>.

Service Modifications

Another factor that may require modification for international markets is customer service, which begins with the ease that the buyer experiences in dealing with you and your company. Remember that in the preface we talked about one ingredient in the secret sauce of successful exporters being the ability to execute at a high level on business fundamentals. One such fundamental is customer service.

- Are you easy to reach by email and telephone?
- Do you respond promptly to inquiries?
- If needed, do you offer payment terms?
- Can you produce the requested goods and ship them in a timely manner?
- Are you willing to modify the product to better fit the requirements of the consumer or end user in this market?
- Are you prepared to obtain any necessary certificates or approvals from your country's government in order to ship the product?

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- If your shipment arrives damaged, is unsatisfactory for any reason, or needs unanticipated or other kinds of servicing, do you have the means to satisfy the customer?
- Are you prepared to travel to visit buyers both to close deals and to promote additional sales?
- If success depends on personal selling and the fostering of personal relationships — and in some markets and cultures this will be very important — are you prepared to do what's needed, or to appoint someone in your company who is?

Your ability and willingness to modify the way you do business in order to better serve your international customers will play a crucial role in your long-term export success. Your responses to the questions posed above will help clarify your competitive position and overall value proposition in the eyes of your customers.

Establishing an Export Price

Entering foreign markets might require different pricing and cost strategies, which can vary depending on your products. Some factors that enter into the pricing and cost issues are the amount of alterations required (either by law or by consumer tastes) to sell the product in the new market, shipping costs, and local taxes.

Pricing Strategies

Conducting business in foreign markets is necessarily more expensive than serving a closer market. Everything from making an international phone call to translating product directions adds to the cost of international selling, and these costs must be factored into the price of the product. However, simply taking the current U.S. price of the product and adding the extra expenses associated with operating abroad could easily double the price of the product. This would make almost any product uncompetitive in most markets.

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There are, however, pricing strategies to help companies remain competitive in the international market and still make money. Many of the fundamentals involved in establishing a price for foreign markets are similar to U.S. pricing considerations. For example, are international sales viewed as a short-term option designed for immediate profits or as a long-term investment?

Examples of three pricing strategies are a moderate-price strategy, a low-price strategy, and a high-price strategy. Each one has its advantages and disadvantages. The best choice depends on the product, the market and the overall objectives of a company's direct marketing operations. Pricing strategy decisions should be made on a case-by-case, country-by-country basis.

The following chart describes the options to consider when determining market entry price for a product (the ideal price at which to sell). The "High Quality Pricing," "Sharing the Market" and "Buying the Market" strategies correspond roughly to the High, Moderate and Low Pricing Strategies.

	High Quality Pricing	Sharing the Market	Buying the Market
Entry Price	High	Medium	Low
Type of Product	New or Unique	Not New	Obsolete/ Excess
Market Size	Medium/ Large	Large	Large
Competitors	None	Several	Several
Production Capacity	Small	Large	Large
Marketing Program	Strong	Strong	Weak
Financial Commitment	Large	Large	Limited

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Calculating the Price

Two of the most commonly used methods for calculating the international price of a product are the marginal-cost method and the cost-plus method. Both of these approaches are relatively straightforward and will make it easy for a company to work from its current domestic price.

Marginal-Cost Method

A floor price must be established which consists of costs associated with producing the additional unit for export and any modification costs incurred. After factoring out all other costs, overhead, research, development and other costs of production should be proportionally allocated between U.S. and foreign production. Finally, additional costs specifically related to foreign sales should be factored in.

The marginal-cost method has the advantage of giving a company a more accurate view of the actual cost of getting the product to the market but will require more detail than the cost-plus method.

Cost-Plus Method

Cost-plus is calculated by taking the domestic price and adding international expenses such as promotion and advertising costs, documentation fees, freight charges and customs duties (if applicable). Then any nonapplicable costs (e.g., domestic marketing costs) are subtracted.

The cost-plus method will allow U.S. marketers to maintain their domestic profit margin. The primary drawback is that it does not account for specific conditions that can exist in a foreign market. As a result, a company could find itself establishing a price that makes sense on paper but may be too high to be competitive in a particular foreign market.

Pricing Competitively

The different price calculation methods described are useful in determining how profitable export sales will be when they

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occur. However, if the product is not priced competitively, the calculation becomes painfully simple: no sales = no profits. Specific market research will determine what price a particular market will support. U.S. companies can get competitive pricing information by consulting with in-country partners, agents and distributors, or simply by obtaining advertising and sales materials from existing sellers in the market. For more detailed competitive market analysis, the U.S. Commercial Service offers a fee-based research service performed by in-country experts.

Factors That Affect Export Prices

Guarantees

Customers expect products to perform as advertised. A strong guarantee may be necessary for an unknown U.S. company to penetrate a new market or differentiate its products from the competition. Lack of a specific guarantee may raise questions about a company's commitment to the market and result in lower response rates.

Offering too strong a guarantee, however, could add substantial costs and make the product less competitive. To determine the appropriate degree of protection to provide to the buyer, look at what the competition offers and survey local quality standards. Also, explore legal requirements regarding guarantees; in some countries, such as France and the UK, customers have the legal right to return merchandise purchased through the mail for a specified time after receiving it. In Germany, one U.S. marketer was sued because its guarantee was too strong and violated a German regulation limiting the bundling of free services with the purchase of a product.

After-Sales Service

Determining which level of service to offer for a product depends upon the total costs associated with each option and the commitment to the market. Marketers should also consider the customer's expectations. In some markets, for example, customers will not buy if there is not a strong commitment to after-sales service. A U.S. marketer has several options, and each

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will affect the product's final cost and competitiveness.

- **In-House Service Personnel.** U.S. companies can provide direct after-sales service by either dispatching U.S. personnel to the local market in response to problems, or by stationing personnel in the local market. Alternatively, some companies choose to participate in a cooperative venture with other U.S. firms that have similar servicing needs.
- **Local Service Providers or Distributors.** Using a local service provider will require making a minor commitment on the part of the seller. However, this method forfeits a company's control over its reputation. Moreover, local customers might view such an approach as a sign that a company lacks commitment both to quality and to a long-term presence in their marketplace.

A foreign distributor can effectively serve the customer. However, a distributor must be compensated for providing after-sales service. This compensation can be factored into his or her commission or made directly when service is rendered.
- **No Service.** For products that may require after-sales service, this option is rarely recommended.

Modifications

Product modifications might be made for several reasons: foreign government regulations; technical standards; foreign buyer needs or preferences; and the particular shipping requirements of the product. These issues will affect how a product is priced.

With a no-modifications approach, international sales will consist only of selling products designed primarily for the domestic market. A minor-modification approach will require limited development time and production capacity to meet the unique needs of a few foreign markets. Such changes might include changing to metric sizes or labeling in foreign languages.

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Major modifications may be necessary to sell a product in some markets. To do this, a company might have to establish an entirely separate production effort and incur greater development, manufacturing and marketing costs. When modifications are too extensive, however, some companies choose to forego certain markets altogether. Finally, if plans are undertaken to introduce an entirely new product into foreign markets, major investments in research and development and in production facilities may be required.

Shipping

In most cases, shipping to foreign destinations is more expensive than shipping domestically. When shipping is a separate invoice item paid by the buyer it will not affect the listed export price, but it will affect the cost to the buyer, and must be factored into the equation. If the shipping cost is too high, foreign buyers might not buy your product, no matter how competitively it is priced. Be sure to shop around for the best shipping rates, and consult a freight forwarder for advice.

Processing Foreign Payments

Unless payment is received in U.S. dollars drawn on a U.S. bank, sellers will incur costs associated with processing payments from abroad. Perhaps the best solution is to accept payments by credit card, whereby the exchange is handled automatically by the card processor. The only charge to the seller is the credit card processing and discount fees, which can be modestly higher on international transactions as opposed to domestic payments.

Checks drawn on a foreign bank in foreign currency are expensive to process, with charges of \$20 or more not uncommon. These charges can vary by currency, so sellers should explore in advance what these costs will be. Even checks drawn in U.S. dollars on a foreign bank may incur additional processing fees from the seller's bank.

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Some marketers offer foreign buyers the option to pay in U.S. dollars or in the local currency, with a flat, per-transaction charge added to purchases made in the foreign currency. This way, these charges do not have to be incorporated into the price of the product or service.

A Final Price Check

A tool to help you determine the price competitiveness of your product is available and includes average purchase price data on 18,000 commodities imported by and exported from the U.S. This data provides a good yardstick against which you can measure your price competitiveness in key markets regardless of where you are based. Click on the link below, look for the “Free Demo” button and follow the instructions. <https://usa-trade.census.gov/>.

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Chapter Three Marketing and Promotion

An important part of researching potential markets is thinking about how you will promote your products or services to that market. In some cases, this means rethinking how you approach the marketing process. Because small businesses tend to operate in niche markets, some marketing channels commonly used in the home market — such as radio, newspapers, and outdoor advertising — are not practical when promoting in wider international markets. Instead, you need to focus your marketing so that you can reach your best prospects cost-effectively or, at a minimum, make it easy for them to find you.

As with domestic marketing efforts, the choice of promotional tactics depends on a variety of factors:

- The characteristics of the products or services you are selling, including the price
- Whether you are selling to businesses or consumers, and
- Whether your customer is an end-user or a reseller.

Other market-specific factors can affect how you approach a particular country, such as the marketing infrastructure in the foreign market, legal requirements, cost considerations, and the competitive landscape. For example, you may find in some countries that you cannot import directly; rather, you must work with a foreign partner — an importer or distributor — just to get your product into the country. In such cases it would be the job

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of the foreign partner to find buyers in the country, and your goal would be to support their efforts.

You can use this chapter to familiarize yourself with some of the common options used to reach customers in foreign markets and adapt these methods to meet your specific needs.

E-Commerce

The worldwide adoption of the Internet has made it much easier for small companies to reach out to foreign buyers. Indeed, the first experience with exporting for many small businesses came from foreign buyers visiting their websites to make inquiries or purchases. An effective export marketing strategy, however, requires more than simply waiting for customers to find your website. You have to reach out to them and make sure that when they react, your website accommodates their needs.

Making Your Website Export Friendly

With careful planning, your website can become a powerful driver of international business either by generating sales directly or by complementing other marketing efforts. Whether your site is a commerce-ready channel for direct sales to customers, or an interactive “billboard” that you use to highlight the products and services you offer, you can take specific steps to make your site more appealing and inviting to foreign visitors.

There are various stages of website development to address the needs of international customers. Each company should use the appropriate approach depending on the relative importance its website in serving international buyers:

- **Acceptance:** No special effort is made to attract or serve international customers; they are treated essentially as domestic customers with a foreign address. If you are serious about selling internationally, you need to go beyond this stage.

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- **Accommodation:** The website owner actively welcomes foreign customers; the website has options for displaying content in other languages, and support materials address the concerns of foreign buyers, such as outlining international shipping options. Prices are quoted in U.S. dollars, but there may be an on-site currency converter for the convenience of foreign buyers. Shipping costs are calculated for overseas shipments, but do not necessarily include information about duties and taxes that must be paid by the purchaser.
- **Support:** Extra steps are made to serve foreign buyers: shipping costs include line items for calculated country-specific duties and value-added taxes so that customers know the full landed cost at the time of purchase. While payment is accepted in U.S. dollars, approximate prices in foreign currencies may be displayed for the convenience of foreign buyers. Foreign-language phone or chat support is available.
- **Specialization:** A special website is created to serve the needs of specific international markets, with the home page displayed in the user's language; the site may be hosted and supported by staff in-country for faster processing; product offerings and content are geared to tastes and needs in the target country or region; prices are displayed and payment accepted in local currencies.

While the majority of small business websites go no farther than the acceptance stage, companies serious about their international business prospects should consider making the investment in the accommodation or support stage. Some of the steps may seem cumbersome for a small business, but many third-party solutions are available to quickly add new functionality to your website, particularly with issues such as international shipping rates, duties, value-added taxes, payment verification, etc. These and other providers can seamlessly integrate their

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services with your website to better serve your international customers:

Shipwire

<http://www.shipwire.com>

Bongo International

<http://www.bongous.com>

iGlobal Stores

<http://lglobalstores.com>

Eight Tips for Jumpstarting Your E-commerce Exports

1. Provide easy access to a currency converter or offer the option of displaying prices in other currencies.
2. If you offer the option of displaying content in other languages, use a native speaker or language translation service for the translations. Relying on a computerized translation tool can result in sloppy or inaccurate translations that are a big turn-off to potential customers.
3. Be careful in the selection of images and other design elements. Keep them generic and avoid the use of overtly political, violent, religious or otherwise controversial or offensive graphics.
4. Provide online tracking of shipments when they are made by a commercial small package delivery service (UPS, Fedex, USPS, DHL, etc.).
5. Clearly state your return policy for international sales, including who pays for return shipping.
6. Include an estimate or calculator for any applicable duties and taxes due and state clearly whether they are to be paid by you or the customer (usually the customer).

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7. Offer shipping options that include slow, faster, and fastest, with corresponding price levels.
8. Purchase foreign-market pay-per-click ads through Bing, Google and other search engines — your domestic ads may not be displayed to foreign web users. Don't ignore other search marketing options that are popular overseas, such as baidu.com in China.

Social Media

Social media services such as Facebook, Twitter and LinkedIn are among the most-used websites worldwide, so it's no surprise that businesses have followed their customers to these popular sites. Because most users of these services are outside the United States, it makes sense to extend your domestic use of these services to appeal to your overseas community of followers.

Before taking any steps to target your international customers using social media sites, you first need to determine what your objectives are. For many small businesses, one of the most effective uses for social media marketing is brand prominence — keeping your name in front of customers and potential customers so that when it comes time to make a purchase, they'll think of your company first. You can do this by filling your posts with interesting, entertaining, or educational content relevant to your products or industry. Small businesses have a harder time using social media to generate immediate sales, though some have been successful. Keep in mind that your results with foreign campaigns may vary from your domestic efforts due to differences in how other cultures use social media.

Next, decide how you will segment your international customers. You can segment by country, region, or language, or some combination of these characteristics. Be aware that if you segment by language you'll need to account for language differences among countries or regions that ostensibly use the

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same language. For example, there are differences between the French spoken in France and the French spoken in Québec and certain West African nations.

The final step before rolling out your social media marketing efforts is to decide whether you will use the same channel or page for all targeted segments or create a separate account for each. Facebook, LinkedIn and other services have localization features that allow you to target specific posts to users by geography or language. When you use this feature, your posts in Spanish, for example, will only display in the feeds of users using that language. You can further segment it to Spanish users in Mexico, excluding those in other countries. These localization features allow you to use the same account for all of your targeted markets, thereby saving you the headache of managing multiple accounts.

International Trade Fairs

If your target market is foreign businesses rather than consumers, trade fairs are an excellent way to introduce your product to potential customers. There are some big advantages to attending trade shows as a vendor:

- Buyers there are serious because they invest time and money to attend.
- Trade shows are generally industry-specific so you can select one that is directly relevant to your products and services.
- Attendance is usually closed to the public. Attendees must be invited or be credentialed to attend, so your time will be spent with serious prospects and not simply curious onlookers.
- You'll have the opportunity to check out other vendors, giving you a better understanding of the competitive landscape in that market.

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- At larger shows, you'll see buyers from many different countries.
- You can demonstrate your products in-person and give buyers the opportunity to see and “test drive” products — a big advantage over websites and catalogs.
- You can meet face to face with buyers and develop personal relationships.
- Social events connected with the shows provide additional opportunities for deal making.
- Some shows allow buyers and sellers to meet online before meeting at the show.
- The U.S. government and some state governments provide matchmaking and other services at select shows.
- Some shows give you the opportunity for media exposure within your industry, as many trade journalists attend shows to conduct interviews and highlight new products for their readers.

Many of the largest and most dynamic trade shows in the world are hosted in Europe, the Middle East, and East Asia, but you'll find many in the United States that attract buyers from around the world. For additional insights, watch these videos on trade shows and how U.S. companies use them to generate international sales: http://export.gov/ibp/eg_main_023158.asp.

The key is to attend shows with substantial numbers of foreign buyers. The show organizers usually publicize this information, and if they don't, ask them. Many international shows offer national pavilions, which make it easier for buyers to find suppliers by organizing them by country. Buyers can reduce the amount of time spent walking around massive exhibition halls when they are looking for products from specific parts of

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the world, particularly when certain countries, such as the U.S., enjoy a good reputation for quality, service and innovation.

Advantages of International Shows

- Large numbers of foreign buyers beyond those from where the event is held, and some of them from countries where residents might find it difficult to get a U.S. visa.
- An international show may be the only one of its kind.
- You can visit potential buyers in nearby country markets after the show.
- Some international shows may have a wider range of exhibition options to fit your budget.
- Some international shows are supported by U.S. government export assistance programs in which appointments with vetted buyers can be arranged in advance.
- The presence of U.S. pavilion can help attract foreign buyers.
- A diverse group of exhibitors, especially larger companies, provides opportunities for transactions among the exhibitors.

Advantages of Domestic Shows

- Easier and most likely less expensive to attend.
- Foreign buyers can visit you after the show.
- Many buyers enjoy coming to the U.S.
- Established shows with large attendance.

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- Support from U.S. government export assistance program.
- Large number of U.S. exhibitors for assessing your own competitiveness.
- Generate sales leads and actual sales without engaging in lengthy initial market research; the show itself can be part of your research.

Finding the Right Trade Show

For help in finding a suitable trade show for your industry and target markets, you can check with your industry trade associations. You can also find trade shows online at sites such as the following:

<http://www.expodatabase.com>

<http://www.biztradeshows.com>

<http://www.tsn.com>

What the U.S. Government Can Do

The U.S. Department of Commerce certifies hundreds of international trade shows every year. To receive certification, the shows must meet certain standards. Some but not all of the shows are attended by staff from the U.S. Commercial Service who support U.S. exhibitors. The U.S. Department of Commerce's International Trade Administration (ITA) provides a searchable database of sponsored trade events at <http://export.gov/tradeevents/index.asp>.

The support consists of matchmaking, counseling on the markets, and language interpretation. The staff will recruit buyers from their markets and these buyers will attend the show as individuals or as part of an escorted delegation. Buyers recruited in Turkey may go to a show in Germany, joining recruited buyer delegations from other countries in Asia and Africa. These buyers are introduced to U.S. exhibitors at the show. Because both

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buyer and seller have been vetted prior to meeting, there is a high level of trust and confidence, increasing the likelihood of a sale. During a recent show in Dubai, for example, this process resulted in sales of over \$350 million for 200 U.S. companies. For additional insights on this show (the Arab Health Show), which can be generalized to many international shows, watch this short video: <http://www.youtube.com/watch?v=XIGpuL-Kkyk>.

Shows in the U.S. work in a similar fashion. Shows apply to be part of the U.S. government International Buyer Program and are selected through a competitive process. On average there are 45 shows per year, covering a range of industries in which U.S. companies are competitive.

U.S. suppliers are encouraged to attend an exhibit at the show, and foreign buyers are recruited by U.S. embassies. Everyone converges at the show for prearranged meetings, and the U.S. companies make sales without leaving their home country. To learn how the process works, there are videos available here: http://export.gov/ibp/eg_main_023158.asp.

Trade Missions

Another popular and effective way of generating buyers is through trade missions. A trade mission is a group of businesspeople who travel to an international market to make contacts, learn in depth about the market, and hopefully make a sale to some of the buyers met. Does this mean simply flying into a foreign destination for the first time and making phone calls from a directory in a hotel room? No. The beauty of a mission is that buyers are lined up before the delegation arrives, and the days are spent meeting, learning, presenting, and negotiating.

There are two primary types of trade missions. One is a mission organized and led by state government leaders, particularly state governors. The second is a mission organized and led by a senior official of the U.S. government, sometimes

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the Secretary of Commerce, but more typically an undersecretary of international trade. Both kinds leverage the prestige of government to open doors in the marketplace. There are other kinds of missions under different sponsorship, but as a smart consumer of missions you should look to see if they are certified and by whom. Most state and federal government-led missions are certified by the Department of Commerce. Certification means that the missions have high standards regarding selection of participants, selection of buyers, and technical support of the mission.

The duration of a mission is usually about a week, including time in transit. Participants are selected based on the type of product or service and the degree to which it fits the theme of the mission, which is often according to industry. In turn, the industries are generally selected based on the extent to which the U.S. is globally competitive. Popular industries for trade missions are medical devices, information technology, telecommunications, transportation, and construction. The participant selection process also involves judgments about whether the applicant has a reasonable chance of making a sale. In the case of missions organized by the U.S. government, specialists at U.S. embassies will look at the products and services of applicant companies to determine if they are a good fit for the market. Many missions are selective, and not all companies that want to go will be accepted.

If you are selected, you'll get pre-departure briefings about the market. During the mission, you'll receive counseling from specialists with expertise on your industry and the markets you are visiting. You will be introduced to buyers who have been specially qualified to meet you and who have been briefed on your capabilities. Although some sales are made during the mission, most follow after the participants return home and additional information is exchanged. The embassy specialists continue to support participants throughout the entire process.

Participant fees vary but usually there is a charge for the logistics involved in setting up customized meetings. With

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Commerce Department trade missions, small companies get a significant discount. Companies also pay their own travel expenses, but the embassy folks often arrange discounts on hotels. Mission staff generally provides language interpreting assistance, if needed. During the past years, federal money in the form of grants to states that apply for the funds managed by SBA has been available as matching grants to companies to attend trade missions and trade shows. It's unclear if these funds will be available in the future, but some state governments have indicated that they will attempt to help subsidize the participation of small companies in their jurisdiction. This seed money has been used to good effect, with many states reporting that their companies made sales via trade missions and shows. Information on upcoming trade missions is available at the export.gov website by clicking on the Trade Missions tab: <http://export.gov/>.

Finding Foreign Buyers: Trade Missions, Trade Fairs and Expos

U.S. Export Assistance trade specialists can help arrange for your business to participate in several types trade missions and organized events.

Organized Trade Missions:

- are organized through the U.S. Dept. of Commerce by industry theme
- can provide one-on-one meetings with foreign government officials and industry executives (pre-screened matching of potential buyers or joint ventures)
- can provide networking events (chambers of commerce, business councils, etc.)
- can brief attendees on local business practices and opportunities
- can arrange for site visits to local facilities where your tech/services may be applied
- can provide media coverage of the events.

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Note: Not all businesses that apply for trade missions are selected to attend.

Certified Trade Missions:

- are organized through the public/private sector: state economic development agencies, governors, trade associations, etc.
- can provide one-on-one meetings with foreign government officials and industry executives (pre-screened matching of potential buyers or joint ventures)
- can provide networking events (chambers of commerce, business councils, etc.)
- can brief attendees on local business practices and opportunities
- can arrange site visits to local facilities where your tech/services may be applied
- can provide media coverage of the events.

Certified Trade Fairs and Expos are organized through the public/private sector, including trade show organizers, American chambers of commerce, and other private-sector entities. The organizers apply for certification to the U.S. Commercial Service. The benefit to U.S. exporters is to be included in a U.S. pavilion at a trade fair and also have strong networking opportunities.

For further information, go to <http://export.gov/ctm/index.asp>.

International Trade Fairs are organized by international organizations for the purpose of attracting multiple exhibitors, buyers, distributors, and agents. These fairs are not certified by the U.S. Commercial Service, but are also essential to getting your product known and networking to find buyers, distributors, agents and partnering companies. For further information, go to www.biztradeshows.com or www.hannovermesse.de/home.

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ATA Carnets

If you are taking product samples and display fixtures with you to an international trade show, consider getting an ATA Carnet covering those items. A carnet is a temporary customs document that allows for the importation of products listed on the document without paying otherwise applicable duties and taxes. If all items are re-exported (i.e., returned to the United States), no duty or tax is due. Duties and taxes must be paid on items that are not re-exported within the allotted time, which is typically one year. For more information about ATA Carnets, contact the Corporation for International Business at <http://www.atacarnet.com>.

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Chapter Four Making the Sale and Delivering the Product or Service

Accepting International Payments

Credit Cards and Debit Cards

For smaller transactions, accepting payment cards offers many benefits to small businesses selling abroad:

- Credit and debit cards are widely used all over the world; chances are good that your customer has one.
- The payment networks handle the currency conversion, so your customer can pay with a card using a foreign currency, but you receive payment in US dollars.
- Payment is quick — you get the funds in just a few days or sooner.
- Card use is extremely convenient, so you won't risk losing a sale over payment hassles associated with wire transfers, mailed payments, or letters of credit.
- Fees are reasonable and competitive.

One disadvantage for inexperienced small merchants, however, is the risk of international payment fraud with credit and

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debit cards. But even here, there are steps you can take to minimize your chances of becoming a victim of card fraud. Before shipping an order — especially one received through an e-commerce website — you should always verify to the best of your ability that the order is valid and not fraudulent. While there is no foolproof way to do this, the following checklist may help prevent your company falling prey to a scam.

Checklist for Verifying Online Payment Card Orders

- Is the order atypical? Fraudulent orders often contain an unusual quantity or variety of items and be from countries where you rarely ship.
- Is it a new customer?
- Are the “ship-to” and “bill-to” addresses different?
- Is either address clearly made up? If you are not sure, try doing a web search on the addresses to see whether they are real.
- Does the phone number provided with the order not match the geographic destination? Is the phone number clearly made up (e.g. 123-555-0000)?
- Is the e-mail address comprised of a seemingly random user name with a free, anonymous e-mail provider? If you are not sure whether the e-mail provider is a free service, visit the website.
- Were there any unsuccessful order attempts made immediately prior to the order? Scammers often have a list of card numbers and will keep entering them until they find one that goes through.
- Has the buyer requested expedited shipping, regardless of the cost? Scammers want to get the goods as fast as possible before you’ve figured out that the order is fraudulent.

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- Check the IP address used by the computer from which the order was placed. Enter the IP address at a geographic IP lookup site such as geoiptool.com. It will tell you the approximate geographic location from where the order was placed. If the geographic location of the IP address does not match the order information or is a proxy service, it could be a red flag.
- Was there an unmatched CVV code with the approval? If there was no match, it means it was not entered — another red flag.

Your merchant account provider can give you the name and phone number of the bank that issued the card. You can see whether that issuer information is consistent with the shipping address. If the card was issued in the United States but the product is shipping overseas, you should be especially wary.

One of the best checks is to e-mail the customer and see what kind of response you get, if any. A scammer will tend to accept any substitute and will often reiterate the importance of shipping immediately or by a specific carrier.

Keep in mind that a “yes” answer to any one or even a few of these questions does not necessarily mean that the order is fraudulent. Instead, you should consider all of the available evidence before determining whether to ship an order.

Wire Transfers

Wire or bank transfers involve the direct payment of funds from your customer's bank to your bank, and are initiated by the customer. Such transfers are typically used for payments that exceed typical credit card account limits and for transactions between businesses. Fees are set by the banks involved — both you and your customer will likely pay a fee to your respective banks, which are often a fixed amount regardless of the amount of the transfer.

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To facilitate payment by wire transfer, many companies provide their bank information on invoices, which includes the bank name, bank address, bank ABA routing number, and account number.

Letters of Credit

A letter of credit is a document issued by a bank or other financial institution at the request of the bank's customer (usually the buyer in an international transaction) that guarantees payment to the seller when the terms of the letter have been fulfilled. Letters of credit are used to reduce or eliminate the risk of nonpayment to the seller. If you have a new customer or one whose creditworthiness is uncertain, you can request a letter of credit to mitigate your risk.

Keep in mind that the payment from a letter of credit is dependent upon the terms of the letter and not on the underlying sales contract. Usually the terms specify that payment will be made only upon presentment of documents, typically including a bill of lading showing that the product has been shipped and/or received.

Insurance

The kinds of risk you need to insure against include damaging weather conditions, rough handling, pilferage and other common hazards to cargo. If the terms of sale make you responsible for insurance, your company should either obtain its own policy or insure the cargo under a freight forwarder's policy for a fee. If the foreign buyer is responsible, you should not automatically assume that adequate insurance has been obtained and that you will be fully indemnified if something happens to your cargo.

Shipments by sea are covered by marine cargo insurance. Air shipments may also be covered by marine cargo insurance, or insurance can be purchased from the air carrier. Export shipments are usually covered by cargo insurance against loss,

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damage, and delay in transit. International agreements often limit carrier liability. Coverage is usually placed at 110 percent of the CIF (cost, insurance, freight) or CIP (carriage and insurance paid to) value. Your freight forwarder is a good source for advice on insurance products and types of coverage.

Other kinds of risk insurance are also available, including political, non-payment, and foreign currency losses. For the products available to U.S. exporters through the Export-Import Bank of the U.S., click here: <http://www.exim.gov/products/insurance/index.cfm>.

A good overview of the legal and practical aspects of export insurance, including how premiums are calculated, can be found by clicking on this link adapted from the American Institute of Marine Underwriters: <http://www.wyverninsurance.com/GuideToCargoInsurance.aspx>.

Shipping

The method of shipping used to transport your product to the buyer is obviously dependent on the type of product and volume you are shipping. Individual products shipped to consumers can generally be delivered by a small package delivery company. If you are shipping container loads of product to an international distributor, you'll probably want to use the services of a freight forwarder.

Small packages

The titans of global shipping and supply chain management are household names, and you probably already use one or more of them for your domestic services.

- **UPS.** Like its rivals, UPS has acquired airfreight and freight forwarding operations in order to offer customers the closest thing to one-stop shopping. In doing so they have opened the world for

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commerce, especially for the smaller firm. *Tradeability* is a collection of shipping tools available online at https://wwwapps.ups.com/tradeability?loc=en_US.

Versions of the tool are available in other languages. The site, which does not need a password or account number to browse, has collected key documents and compliance tools in one place. First, you can find the harmonized code number for the product you are sending. Second, the site can give you all landed costs including duties and taxes for more than 100 countries. Third, if shipping from the U.S. it detects from the harmonized code number whether you may need an export license. You can also check to see whether your buyer is on a list of “denied parties,” meaning countries, companies or individuals with whom the U.S. government has declared American companies cannot do business.

- **DHL.** Owned by the German postal service, DHL has a long history in the freight business and has also grown through acquisition. In 2008, its U.S. business was restructured to focus more on international services. DHL's website serving U.S.-based customers is <http://www.dhl-usa.com/en.html>.

Trade Automation Services is the name of the DHL toolbox, which includes shipping documents, a landed cost calculator and more.

- **FedEx.** The FedEx international site is <http://www.fedex.com/us/international/index.html>. The FedEx international toolbox is called *Global Trade Manager* and includes the ability to estimate tariffs and taxes, find harmonized codes, and print shipping documents and forms.
- **USPS.** Your postal service is a good, thrifty option for documents and small packages weighing 70 pounds or less. Some products go by air with delivery between three and five days, sometimes at a savings of 50 per-

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cent or more over competitors. Package tracking is now more widely available, but not for all countries. Most postal services, including that of the U.S., will not pay customs duties and bill you or your customer. The recipient must pay in order to take possession of the goods, usually at a local post office. On the USPS website you can print customs declaration forms, labels, calculate and pay for postage, and arrange a pickup: <https://www.usps.com/business/manage-global-shipping.htm>.

Large or Bulky Products

If you are shipping large or bulky products, materials, palletized goods, and other items that cannot be readily shipped by small package delivery services, you should talk to a freight forwarder. A freight forwarder specializes in managing the movement of goods from the producer to market, and many have considerable international expertise.

Freight forwarders are usually licensed and trained in the specifics of international shipping. They can advise you on the best shipping methods, shipping times, regulations and cost, and help handle customs documentation and clearance.

Many forwarders also provide freight consolidation services, combining your shipment with others going to the same destination to save on freight costs. Forwarders do not move the goods themselves, but rather contract with carriers — air, rail, truck, or ship — to transport your product in the most expeditious and cost-effective way. You can do a web search to find a forwarder in your area, or get a referral from the National Customs Brokers and Freight Forwarders Association of America at <http://www.ncbfaa.org/>. There is a video showing what forwarders do and how to select them available here: http://export.gov/webinars/eg_main_053414.asp.

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The Harmonized System (HS)

In order to enter your product into international commerce, you will need a commodity classification code also known as the Harmonized Code Number — a six-digit number — that is used worldwide to identify 18,000 different commonly traded goods. This code must appear on typical shipping documents, such as the commercial invoice, waybill or air bill, and certificates of origin if required.

The HS Code is used to compile international trade statistics and to classify goods for customs duty purposes, so you will need it to calculate the fully delivered price of your product, including all applicable duties and taxes.

The Harmonized System was created by international agreement wherein commonly traded commodities are assigned a number that is recognized by most countries in the world. Tariff and duty rates are then assigned to the numbers representing specific commodities. The first 6 numbers are universal and the last four are country specific. In the U.S., the ten-digit sequence is known as the Schedule B. The first six are generally sufficient for using on shipping documents such as waybills and commercial invoices. The codes can be acquired from your freight forwarder or your government trade promotion agencies. An online database for U.S. exporters also contains this information at <http://www.census.gov/foreign-trade/schedules/b/>. Or you can get the number by calling the Bureau of the Census at 800-549-0595, option two. Here is a video on finding your commodity classification number: http://export.gov/webinars/eg_main_028231.asp.

Export Regulatory Compliance

Complying with Export Control Regulations

Complying with federal regulations is the responsibility of every U.S. exporter. One important aspect of this is ensuring

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that your exports have all required licenses, if any, before your product leaves the country. Most products exported from the U.S. do not require a license, but it is your responsibility to determine whether your product requires one.

In cases where a license is needed it will be administered by at least one of three federal departments, namely the Departments of Commerce, Treasury, and State. The government agencies involved in enforcing export regulations, along with the White House and Congress, are currently engaged in a years-long review of the licensing process. Although still underway, the review is likely to lead to a reduction in the number of items covered by regulations and fewer government agencies involved in their enforcement. Both outcomes have the strong support of the U.S. business and export community.

The Commerce Department through the Bureau of Industry and Security (BIS) has responsibility for implementing and enforcing Export Administration Regulations (EAR). EAR regulates the export and re-export of items that are often referred to as “dual use,” meaning they have both civilian and military or proliferation applications. Some purely commercial items without obvious military use, however, are also covered by the regulations.

It is your responsibility to determine whether your product needs a license from BIS. In general, these are the important questions to answer:

- What are you exporting?
- Where are you exporting?
- Who will receive your item?
- What will your item be used for?

In short, permission to export depends not only on your item and its end use, but also on whom you are selling it to. The law prohibits you from selling your item to certain countries, such as those under embargo, and certain people, companies and institutions, even in countries where no sanctions apply. For

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example, if you learn during the course of negotiations for a sale of your product to a buyer in Spain that the product will be resold to a buyer in North Korea, you may not sell the item to the Spanish buyer and must report the matter to BIS.

Dual-use items can be sold, but only if you first obtain an export license. The process for applying for a license begins by first determining the Export Control Number for your product. Here is an excellent series of online videos that walk you through the process.

- *A Quick Guide to the Foreign Trade Regulations*
http://www.census.gov/foreign-trade/aes/exporttraining/videos/uscs_videos/Quick_guide_to_the_foreign_trade_regulations/index.html
- *Exporting Commercial Items: ECCNs and EAR99*
<http://www.census.gov/foreign-trade/data/video005.html>
- *The Commerce Control List and Self-Classification*
<http://www.census.gov/foreign-trade/data/video006.html>
- *Exporting EAR99 Items: Screening Your Transaction, Lists to Check and Red Flags*
<http://www.census.gov/foreign-trade/data/video007.html>
- *Embargoes and Sanctions*
<http://www.census.gov/foreign-trade/data/video008.html>

For general information about BIS, including the Commerce Control List, EAR, and sources of compliance assistance, visit the BIS website at <http://www.bis.doc.gov/>.

The second U.S. government agency involved in export regulations in the U.S. State Department, which enforces the International Trade in Arms Regulations (ITAR). Manufacturers, exporters, and brokers of defense articles, defense services or related technical data are required to comply with these regulations, register with the Directorate of Defense Controls, and to

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self-certify that they are in compliance. Extensive Information on ITAR can be found on this State Department website: <http://pmdtdc.state.gov/registration/index.html>.

The third government agency enforcing export control regulations is the U.S. Department of the Treasury through the Office of Foreign Assets Control (OFAC). OFAC administers and enforces economic and trade sanctions against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

There are exceptions under the law, and licenses are granted by OFAC under certain circumstances for the export of food and medical items to countries under sanction. For a description of the program and a list of countries under embargo or sanction, visit <http://.treasury.gov/ofac>.

In summary, exporters are required to perform due diligence on their export activities regardless of the products exported or their value. Lack of knowledge of the law will not relieve you of responsibility, and may result in fines and seizure of goods.

Electronic Export Information (EEI)

Under U.S. law, you are required to file your Electronic Export Information (EEI) if your shipment exceeds \$2,500, unless your product requires an export license, in which case you must file regardless of value. This filing must be done electronically through the Automated Export System (AES), and there is no cost unless a freight forwarder files for you in which case the cost is nominal. There is no need to file if you are selling software because this is considered an intangible good, and you need not file when shipping to Canada, unless the product requires an export license. You must file in the AES system if your product requires an export license, regardless of the product's value. To learn how to file in the AES system, watch this video: http://export.gov/webinars/eg_main_039887.asp.

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Complying with Foreign Government Import Regulations

Importing countries may apply additional regulations depending on the product. Products that effect human health including food, drugs, and medical devices involve special processes and certificates. As you conduct your market research according to your export plan, local resources such as Export Assistance Centers and Small Business Development Centers can help you identify any foreign government regulations that apply to your product. Your buyer will be another source of information about their government's requirements.

Duties, Tariffs and Taxes

Tariffs and duties mean the same thing. Each country sets its own duty rates for imported products. These fees along with sales taxes, such as Value Added Tax (VAT), are important sources of government revenue. Duties vary by product, while sales taxes and VATs are usually the same percentage regardless of the nature of the product. Services are generally not dutiable or taxable because they are "intangible."

The U.S. is mostly alone in the world among large markets in not assessing a national sales tax or a VAT on imported goods. Its duties are also generally among the lowest in the world, making it a very attractive market for foreign suppliers.

In general, duties and taxes worldwide have been reduced during the past 20 years as part of an international effort to increase trade and stimulate economic growth. But existing fees can still add substantial cost to the final consumer. Your buyers will often ask for price quotes that include duties, taxes and other fees applied by the importing country. Your freight forwarder or shipper can help with this information. If you are engaged in e-commerce, a good business practice is to inform customers seeking to buy products on your site that they will be responsible for applicable duties, taxes and fees, which can exceed 25 percent of the purchase price. The average VAT in the

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European Union is about 20 percent, not including duties. This statement will help avoid unpleasant surprises when the goods arrive. To estimate the duties and taxes on your products to specific countries, you can view this video: http://www.youtube.com/watch?feature=player_embedded&v=bVtpUAVgSNA.

There are situations where no duty is charged on imports or where the duty might be waived or refunded. Certain types of commodities, such as information technology, are largely duty-free or have very low duties in most countries. Hong Kong is a duty-free port. The U.S., Canada, members of the European Community and other countries have free trade agreements with trading partners in which products containing certain amounts of local content are imported duty-free. Products imported from one country entering a foreign trade zone or otherwise awaiting shipment in a second country to third country may also escape duties in the second country. If duties are assessed by the second country, they can be “drawn back,” by the owner of the goods after providing evidence of the transshipment to customs authorities.

Free Trade Agreements

The U.S. has free trade agreements with 20 different countries. Free trade is a bit of misnomer, because although more than 90 percent of all goods are duty free at the start of the agreement, duties on a small percentage of goods are phased out over a period of years. The Department of Commerce has an online FTA Tariff Tool to help you estimate duties on products where they are still levied available at <http://export.gov/fta/FTA-TariffTool/>. For a list of countries with which the United States has free trade agreements, visit the Office of the U.S. Trade Representative's website at <http://www.ustr.gov/trade-agreements/free-trade-agreements>, which also provides information about key provisions of each agreement.

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Logistics and Documentation

If you engage a freight forwarder, part of his or her responsibility is to ensure that all documentation is properly prepared and filed with appropriate parties. Your product and country of destination will in part determine the kinds of documents that must be prepared. If you are shipping items of smaller size by air, the carrier will generally be able to ensure you've prepared the correct documents or they can prepare them for you, often online.

At minimum, you need a commercial invoice; bill of lading (for ocean shipments); waybill or airbill (for shipments by air); and a packing list. For a good description of the different kinds of documents that may be needed, click here http://www.export.gov/logistics/eg_main_018121.asp#P10_641.

In the United States, goods valued at more than U.S. \$2,500 require a shipper's export declaration or Automated Export System (AES) filing. You must file online using the AESDirect website: <http://www.aesdirect.gov/>. For further information, call (800) 549-0595.

Common Export Document Checklist

- Pro Forma Invoice (not required but often requested by the buyer)
- Commercial Invoice with instructions to the buyer
- Packing list
- Waybill/Airbill
- Certificate of Origin (if required)
- Health certificates, certificate of free sale
- File in AES (if amount of shipment is over \$2500 or requires an export license; products destined for Canada and not needing an export license do not require an AES filing.)

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Certificate of Origin

Many countries require a Certificate of Origin (CO or COO) which authenticates the product or service's country of origin. A CO is often required for a product to enter with duty-free status under a free trade agreement. Common sources for obtaining a CO include:

- U.S. Chamber of Commerce EZCertorigin (<http://www.ezcertorigin.com>)
- FedEx (<http://www.ftn.fedex.com/us/>)
- UPS (<http://www.ups.com/>)
- U.S. Postal Service (<http://www.usps.com>)
- U.S. Customs and Border Protection (for NAFTA: http://forms.cbp.gov/pdf/CBP_Form_434.pdf)

Packing

Your freight forwarder can advise you on packing materials and methods, and can arrange the packing for you. Smaller boxes and packages are packed in much the same way as for domestic shipments. Hazardous materials require special handling, and your carrier should be consulted from the outset. Wooden containers generally need to be fumigated, and proof of fumigation certification added to the other shipping documents. For additional information, visit http://export.gov/logistics/eg_main_018124.asp.

Packaging may be a function of consumer taste or a regulatory requirement of foreign government. For consumer products, certain colors should be avoided because of negative connotations, such as death. Japanese consumers are in general highly conscious of product packaging and your packaging may need to be altered in order to sell there. The best thing to do is to consult your buyer or distributor. You'll also learn a lot from the commercial representative at the U.S. embassy in the target country. Here are some additional packaging considerations:

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- Does your packaging require the use of metric weights and measures?
- Does information on product content and country of origin need to be provided?
- Must each item in a shipment be labeled individually? What is the language of labeling? There may be special labeling requirements for food, pharmaceuticals, and other products.
- Are the colors or illustrations used on labels and packages attractive or offensive to the foreign buyer?
- What kind of warranty and warranty information are required?
- The market often determines the packaging, so it's important to assume that what works in your domestic market may not work in your international markets. Doing your homework is essential here, and it's important that your export plan includes a section on packaging and the action steps needed to get it right. These steps might include interviews with your potential buyers, distributors, or your government specialists in the market.

Supply Chain Issues

In many cases you will fill orders placed by customers and they will handle supply chain issues. When that's not the case, you'll have to manage the process with the extended chain in mind.

Supply chain management starts with the management of the production or acquisition of the product prior to exporting it. If your production costs are unnecessarily high or you have trouble meeting deadlines, you'll have trouble competing in the foreign market.

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Other questions to ask yourself:

- Will I keep inventory in the target market by, for example, using warehouses operated by shipping companies or other parties for their customers?
- Will everything be packaged shipped and shipped from my main facility, or will components come from different places to be assembled and packaged in the foreign market?
- If the product is perishable, what are the cold chain requirements from my back door to the customer?
- How can I avoid under stocking and over stocking?
- What are the least costly shipping options?

There is a wide array of off-the-shelf software to assist with all aspects of supply chain management, as well as export/import compliance, document preparation and filing. For a sampling of what's available, click on this link: <http://www.capterra.com/supply-chain-management-software>.

Some integrated freight forwarders also offer supply chain solutions for businesses of all kinds. They sometime specialize in specific kinds of products such as electronics, consumer goods, toys and car parts. Consulting is available. Here is one example offered by UPS: <http://www.ups-scs.com/>.

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Chapter Five Financial Assistance for Exporters

U.S. Small Business Administration

409 Third Street, SW, Washington, DC 20416

<http://www.sba.gov/international>

International Trade Loan Program

- **Description**—The International Trade Loan is part of SBA's 7(a) loan program. This program is designed to help small businesses engaged in exporting, preparing to engage in exporting, or adversely affected by competition from imports by providing funds for the fixed assets that the business will need in order to export. Loans are for up to \$5 million for fixed assets and working capital with a 90% guarantee.
- **Eligibility:**
Small businesses that meet the normal requirements for an SBA 7(a) loan guarantee
The applicant must establish that the loan proceeds will expand an existing export market or develop new export markets, or that the business is adversely affected by import competition.

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- **Use of Proceeds:** Proceeds from an International Trade Loan can be used to purchase land and buildings that will be used for producing goods and services for export; building new facilities; renovating or expanding existing facilities; purchasing or reconditioning machinery, equipment and fixtures; and making other improvements that will be used within the United States for producing goods or services. Proceeds may also be used to refinance existing debt if it is on unreasonable terms.
- **Features of the Program:** In addition to the regular 7(a) requirements, the applicant must provide a business plan that supports how the business is eligible and how it will use the loan proceeds to expand its exporting activities.

Export Working Capital Guarantee Program

<http://www.sba.gov/content/export-working-capital-program>

- **Description—**The Export Working Capital Loan Program (EWCP) is also part of the SBA's 7(a) loan program. This program is designed to provide the short-term working capital that the business needs in order to actually produce the goods and/or services for export production.
- **Features of the Guarantee:**
As a 7(a) loan, the maximum loan amount is \$5.0 million. Unlike any other 7(a) loan, an EWCP can be guaranteed up to 90 percent up to the maximum SBA share of \$1.5 million. The Guaranty Fee is the same as for any other 7(a) loan, but if the borrower obtains an EWCP with a maturity of one year or less, they pay a fee of only 0.25 percent and the loan can be reissued annually with only a new 0.25 percent guaranty fee each year.
- **Use of Proceeds:**
Supports single export-related transactions or serves as a revolving line of credit financing multiple transactions.

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Examples of proceed usage include:

- Purchase finished goods for export or acquire inventory to be exported
 - Finance pre-export costs of labor and materials used in the manufacture of goods for export
 - Finance costs of U.S. labor and overhead for service company exports
 - Finance Standby Letters of Credit used for bid or performance bonds
 - Finance foreign accounts receivables
- **Eligibility:**
 - Small businesses that meet the normal requirements for an SBA loan guarantee
 - Small businesses that have been in operation (not necessarily in exporting) for at least one year

Combining Two Loans for Exporting

In order to further promote exporting, SBA can provide a single business (including affiliates) with up to \$1.75 million in SBA guaranty support when the business obtains an International Trade Loan and any type of Working Capital Loan from SBA. Normally a single business is limited to \$1.5 million, but when the business is involved in exporting and has an International Trade Loan approved before December 7, 2004, the amount is increased to \$1.75 million.

Export Express

<http://www.sba.gov/content/export-express>

- **Description**—ExportExpress combines lending and technical assistance to help small businesses that have difficulty obtaining adequate export financing.
- **Features of the Guarantee:**
 - Any Lender approved to participate in the domestic SBAExpress program is automatically authorized to participate in SBA Export-Express

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- SBA ExportExpress Lenders use streamlined and expedited loan review and approval procedures, their own loan analysis, loan procedure and loan documentation
- Completed loan applications are submitted to SBA for an eligibility review; SBA typically provides lenders with a response within 36 hours
- Support for single transactions or revolving lines of credit
- **Use of Proceeds:**
 - Financing export-development activities such as participation in a foreign trade show or translation of product literature
 - Acquiring, constructing, renovating, improving or expanding facilities or equipment used in the United States to produce goods or services for export
 - Purchase finished goods for export or acquire inventory to be exported
 - Finance pre-export costs of labor and materials used in the manufacture of goods for export
 - Finance costs of U.S. labor and overhead for service company exports
 - Finance foreign accounts receivables
- **Eligibility:**
 - Small businesses that meet the normal requirements for a 7(a) loan
 - Small businesses that have been in operation (not necessarily in exporting) for at least one year.
- **Guarantee Coverage to the Lender:**
 - The maximum loan is \$500,000; the maximum guarantee is 90% for loans of less than \$375,000.
 - Loan guarantees above \$375,000 will vary and can be as low as 75%.

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Export-Import Bank of the United States (EXIMBANK)

811 Vermont Avenue, NW, Washington, DC 20571

<http://www.exim.gov>

EXIMBANK is an independent federal government agency that provides export financing to large and small businesses and to potential exporters who need working-capital loans from commercial lenders. EXIMBANK financial assistance is provided in the form of direct loans, insurance, and loan guarantees for lenders to foreign buyers of goods and services produced in the United States. EXIMBANK offers the following export financing programs:

- Working Capital Guarantee Program for commercial loans to U.S. exporters
- Direct loans to foreign buyers
- Loan guarantees for lenders to foreign buyers of U.S. products
- Special financing programs for environmental exports
- Export credit insurance for commercial and political risk
- The Foreign Buyers Guarantee program provides guarantees of commercial loans to foreign buyers for commercial or political risk.

For more information about specific EXIMBANK programs, call the EXIMBANK Financing Hotline at (800) 565-3946.

Overseas Private Investment Corporation

1100 New York Avenue, NW, Washington, DC 20527

<http://www.opic.gov>

The Overseas Private Investment Corporation (OPIC) is a self-sustaining federal agency that helps U.S. businesses invest in almost 150 developing nations and emerging markets. OPIC provides medium and long-term loans and political risk insurance. Companies with annual revenues less than \$250 million qualify for OPIC's special small business programs. Small business programs include direct loans with a minimum

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loan size of \$250,000 and streamlined loan procedures. The Contractor's Guarantee Program helps small contractors and construction companies obtain financing for projects overseas. OPIC will guarantee up to 75 percent of a standby letter of credit or other form of performance or advance-payment guarantee issued on behalf of a contractor. OPIC's small business services also include "quick cover" insurance with a two-week turnaround to small businesses investing in certain sectors. OPIC offers a simplified insurance application for small businesses and a streamlined contract which helps reduce premium costs. For more information on OPIC programs, call the OPIC Small Business Hotline at (202) 336-8799.

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Chapter Six Protecting Your Intellectual Property*

If yours is like many small businesses, your intellectual property (IP) is one of your most valuable assets and can give you a real competitive advantage in the international marketplace. The legal protection accorded to your patents, trademarks, and copyrights, however, is only as effective as your willingness to defend it.

Many SMEs have aggressive strategies for protecting one or more components of their intellectual property. The extent to which you protect your property is an individual decision relating in part the value of the property, the degree of commitment to the international marketplace, and the potential damage of stolen IP coming back to haunt you in the form of competition in your domestic market. Some smaller companies, for example, consciously choose a minimal protection approach, relying instead on keeping ahead of pirates and other competition by innovating their core products.

Some of the benefits of IPR protection can be summarized as follows:

- A stronger market position
- Higher return on investment

*Written with the assistance of Ian K. Portnoy and Phil Foret of Dilworth Paxson, LLP, Washington, DC.

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- Opportunity to sell, license and distribute a product
- Increased negotiating power
- Positive market image
- Defense of charges of infringement against you

Failure to protect your intellectual property, however, can expose you to significant risks. These risks include:

- Others acquiring your IP rights
- Your infringing on the rights of others
- Market exploitation of an unprotected invention by copying
- Counterfeits or reverse engineering by copying
- Loss of revenue from licensing, transferring, or selling IPR

In general, your IPR strategy will follow from the markets you select to enter, although this selection may be influenced by how well (or poorly) the target country protects IPR and the reliability of the legal system. Your strategy may be influenced by the following:

- Time horizon for expanding in specific markets
- Incremental or rapid market expansion
- Need to partner with local companies that may own IP similar to yours
- Target companies to license your product or technology
- Future plans to manufacture in the country

It is extremely important to file on time, so your export plan needs take into account a strict filing timeline. For inventions, a patent application must be filed as soon as possible after the invention is conceived and no later than one year after a publication event, if one take place. If you want patent rights in another country, a patent application must be filed before any public disclosure of the invention. Applications in other countries must be filed no later than 12 months after the U.S. application is filed.

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Rights in a mark are based on who used the mark first and, in certain cases, who first filed a federal application for the mark. Similar to the patent system, filing a U.S. application also initiates a rigid timeline to file foreign applications, which must occur six months after the U.S. application is filed if you want to rely on the filing priority of the U.S. application.

Copyrights exist based on the creation of a work of authorship and can be easily registered with the U.S. Copyright Office. Broad legal protections for copyright are provided by the Berne Convention outside the United States.

The following questions and answers are compiled by WIPO, the World Intellectual Property Organization, and are featured on their useful website at <http://www.wipo.int/portal/index.html.en>.

The last set of questions and answers deal with how to file a patent application in the U.S., how to file a trademark under the Madrid Protocol, and training resources. This is a complex, rapidly changing area of law, and you should obtain competent legal advice.

What is a Patent?

A patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. In order to be patentable, the invention must fulfill certain conditions (please see the answer to the question below "what kinds of inventions can be patented?").

What does a patent do?

A patent provides protection for the invention to the owner of the patent. The protection is granted for a limited period, generally 20 years.

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What kind of protection does a patent offer?

Patent protection means that the invention cannot be commercially made, used, distributed or sold without the patent owner's consent. These patent rights are usually enforced in a court, which, in most systems, holds the authority to stop patent infringement. Conversely, a court can also declare a patent invalid upon a successful challenge by a third party.

What rights does a patent owner have?

A patent owner has the right to decide who may - or may not - use the patented invention for the period in which the invention is protected. The patent owner may give permission to, or license, other parties to use the invention on mutually agreed terms. The owner may also sell the right to the invention to someone else, who will then become the new owner of the patent. Once a patent expires, the protection ends, and an invention enters the public domain, that is, the owner no longer holds exclusive rights to the invention, which becomes available to commercial exploitation by others.

How is a patent granted?

The first step in securing a patent is the filing of a patent application. The patent application generally contains the title of the invention, as well as an indication of its technical field; it must include the background and a description of the invention, in clear language and enough detail that an individual with an average understanding of the field could use or reproduce the invention. Such descriptions are usually accompanied by visual materials such as drawings, plans, or diagrams to better describe the invention. The application also contains various "claims," that is, information which determines the extent of protection granted by the patent.

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What kinds of inventions can be protected?

An invention must, in general, fulfill the following conditions to be protected by a patent. It must be of practical use; it must show an element of novelty, that is, some new characteristic which is not known in the body of existing knowledge in its technical field. This body of existing knowledge is called "prior art". The invention must show an inventive step which could not be deduced by a person with average knowledge of the technical field. Finally, its subject matter must be accepted as "patentable" under law. In many countries, scientific theories, mathematical methods, plant or animal varieties, discoveries of natural substances, commercial methods, or methods for medical treatment (as opposed to medical products) are generally not patentable.

Who grants patents?

A patent is granted by a national patent office or by a regional office that does the work for a number of countries, such as the European Patent Office and the African Regional Intellectual Property Organization. Under such regional systems, an applicant requests protection for the invention in one or more countries, and each country decides as to whether to offer patent protection within its borders. The WIPO-administered Patent Cooperation Treaty (PCT) provides for the filing of a single international patent application, which has the same effect as national applications filed in the designated countries. An applicant seeking protection may file one application and request protection in as many signatory states as needed. Patents filed in the U.S. are filed with the U.S. Patent and Trademark Office <http://www.uspto.gov>.

How can a patent be obtained worldwide?

According to WIPO, no world patents or international patents exist. In general, an application for a patent must be filed, and a patent will be granted and enforced, in each country in which you seek patent protection for your invention, in accordance

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with the law of that country. In some regions, a regional patent office, for example, the European Patent Office (EPO) and the African Regional Intellectual Property Organization (ARIPO), accepts regional patent applications, or grants patents, which have the same effect as applications filed, or patents granted, in the member States of that region.

Further, any resident or national of a Contracting State of the Patent Cooperation Treaty (PCT) may file an international application under the PCT. A single international patent application has the same effect as national applications filed in each designated Contracting State of the PCT. However, under the PCT system, in order to obtain patent protection in the designated States, a patent shall be granted by each designated State to the claimed invention contained in the international application.

Procedural and substantive requirements for the grant of patents as well as the amount of fees required are different from one country/region to the other. It is recommended that you consult a practicing lawyer specializing in intellectual property or the intellectual property offices of those countries in which you are interested to get protection.

Where can I find patent information?

In order to search patent applications and granted patents, some national or regional patent offices provide free-of charge electronic databases via the Internet. A list of URLs of web-based databases is available at <http://www.uspto.gov>. WIPO provides access to a comprehensive electronic database on published international patent applications filed under the PCT system from 1978 to the present day in image format and to fully searchable text of descriptions and claims for PCT International Applications filed as from July 1998.

Wherever web-based databases are not available, patent information may be consulted on paper, on microfilms or CD-ROMs, at the national or regional patent offices. Searchable

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Internet patent databases have significantly facilitated access to patent information. However, given the complexity of patent documents and the technical and legal skills required, it is advisable to contact a professional patent attorney if a high-quality patent search is required. WIPO Patent Information Services (WPIS) provides free-of-charge services for users in developing countries who wish to obtain technical search results in relation to their inventions.

How can I find the patent laws of various countries?

The Collection of Laws for Electronic Access (CLEA) provides easy access to intellectual property legislation from a wide range of countries and regions as well as to treaties on intellectual property administered by WIPO. Many national or regional patent offices provide information concerning national or regional legislation on their websites. A list of URLs of national and regional intellectual property offices is available at <http://www.uspto.gov>.

Can I obtain a patent for my software-related invention?

Procedural and substantive requirements for the grant of patents are different from one country/region to the other. In particular, practices and case law regarding the patentability of software-related inventions vary significantly in different countries. For example, in some countries, inventions within the meaning of patent law must have a technical character and software as such is not considered a patentable invention, while in others, such requirements do not exist, so that software is generally patentable subject matter.

It is recommended that you consult a practicing lawyer specializing in intellectual property or the intellectual property offices of those countries in which you are interested to get protection. A list of URLs and a directory of national and regional intellectual property offices are available at <http://www.uspto.gov>. The U.S. embassy in the market in which you are interested in acquiring

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protect may also have a list of resources, including lawyers.

On the other hand, computer programs may be protected under copyright. However, according to a well-established principle, copyright protection extends only to expressions, not to ideas, procedures, methods of operation or mathematical concepts as such.

Can I discuss the details of my invention with a potential investor before filing a patent application?

It is important to file a patent application before publicly disclosing the details of the invention. In general, any invention which is made public before an application is filed would be considered prior art (although the definition of the term "prior art" is not unified at the international level, in many countries, it consists of any information which has been made available to the public anywhere in the world by written or oral disclosure). In countries which apply the above definition of the term "prior art", the applicant's public disclosure of the invention prior to filing a patent application would prevent him/her from obtaining a valid patent for that invention, since such invention would not comply with the novelty requirement. Some countries, however, allow for a grace period, which provides a safeguard for applicants who disclosed their inventions before filing a patent application, and the novelty criteria may be interpreted differently depending on the applicable law.

If it is inevitable to disclose your invention to, for example, a potential investor or a business partner, before filing a patent application, such a disclosure should be accompanied by a confidentiality agreement. Again, consult an attorney about how to draft and execute such an agreement.

How do I file in the U.S.?

In the U.S., patent applications and supporting documentation can be filed online with the United States Patent and Trade-

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mark Office. To get started, visit: <http://www.uspto.gov/patents/process/file/efs/index.jsp>.

Can I protect my trademark in more than one country at a time?

Yes, the Madrid Protocol provides a vehicle for applying for protection in multiple countries that are signatories to the Protocol by filing one application and paying one fee in one national currency. For information on the Protocol and how to file, click on this link: <http://www.uspto.gov/trademarks/law/madrid/index.jsp>.

How can I learn more about international IP law?

The Global Intellectual Property Academy provides training programs in multilateral and country specific contacts. Click on this link for more information: <http://www.uspto.gov/ip/training/index.jsp>.

How long does it take to get a patent granted?

In the U.S. the wait is now about two years, down from three years not long ago. Government officials have stated that this wait is unacceptable, and efforts are underway to reform the process and reduce wait times. Meanwhile, inventors must make due with a patent pending designation.

How do I file a complaint if I think my IP has been stolen?

A number of U.S. government agencies have joined forces to investigate and prosecute IP theft. For more information on the "Stop Fakes" program, click on this link: <http://www.stop-fakes.gov/>.

Is it expensive to protect your IP? It can be especially when it involves litigation in a foreign country. But not every case will

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or needs to wind up in court. A good lawyer can often help find a reasonable solution short of court action. Put it this way, if you have no protection, there is little hope of solution, reasonable or otherwise.

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Appendix Summary of Useful Websites

Business Export Counseling

<http://www.asbdc-us.org>

<http://www.export.gov/eac/>

Currency Converters

<http://www.xe.com/currencyconverter>

<http://www.oanda.com/currency/converter>

<http://www.finance.yahoo.com/currency-converter>

Directory of Intellectual Property Offices

www.wipo.int/directory/en/urls.jsp

Escrow Services Online

<https://www.escrow.com>

Export Business Plans

<http://www.sba.gov/exportbusinessplanner>

http://www.export.gov/begin/eg_main_022468.asp

Foreign Market Negotiations

United States Trade Representative (USTR)

Overseas trade negotiations

<http://www.ustr.gov>

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Freight Forwarders

National Custom Brokers and Forwarders Association
of America

<http://www.ncbfaa.org>

Industry/Trade Associations

National Association of Export Companies

<http://nexco.org/home.php>

American Association of Exporters and Importers

<http://www.aaei.org>

Small Business Exporters Association

<http://www.sbea.org/>

Intellectual Property

<http://www.uspto.gov>

Intellectual Property Protection

<http://www.stopfakes.gov/business-tools>

World Intellectual Property Organization

<http://www.wipo.int>

International Anti-Counterfeiting Coalition

<http://www.iacc.org>

International Business Etiquette

<http://www.businessculture.com>

International Credit Reports

<http://www.dandb.com>

<http://www.internationalcreditreports.com>

<http://experian.com>

<http://equifax.com>

International Patents

http://www.uspto.gov/patents/int_protect/index.jsp

Language Learning

<http://www.RosettaStone.com>

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Legal Export Assistance Network

<http://www.exportlegal.org/>

Market Development (Agriculture)

Market Development/Credit Guarantee Programs

<http://www.fas.usda.gov/programs.asp>

Marketing Intelligence and Analysis

<http://www.fas.usda.gov/data.asp>

Foreign Suppliers and Trade Prospects

http://www.fas.usda.gov/agx/partners_trade_leads/us_suppliers_list.asp

Market Research

<http://www.export.gov/mrktresearch/index.asp>

Patent Attorney/Agent Search

<https://oedci.uspto.gov/OEDCI/>

Patent Resources

<http://www.uspto.gov/patents/resources/index.jsp>

Patent Cooperation Treaty (PCT)

<http://www.wipo.int/pct/en>

Trade Data

<http://www.export.gov/tradedata/index.asp>

<https://usatrade.census.gov>

<http://comtrade.un.org/>

Trademarks

International Trademark Association

<http://www.inta.org>

Trademark Process

<http://www.uspto.gov/trademarks/process/index.jsp>

<http://www.uspto.gov/trademarks/teas/index.jsp>

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Glossary of Export-Related Terms

Air Waybill – A document issued by the air carrier to the shipper serving as a receipt for the goods, a contract for carriage, an insurance receipt (if applicable), and a bill for the freight charges. Also called an airbill, the air waybill is also used as evidence of the freight charges for customs clearance purposes. An air waybill does not confer title.

Automated Export System (AES) – A system managed by the U.S. Census Bureau through which U.S. exporters declare their international exports by filing their Electronic Export Information (EEI). The EEI is an electronic transmission of information which was formerly submitted on the paper-form Shipper's Export Declaration. With some exceptions, an EEI must be submitted by the exporter prior to shipping when the value of any product or commodity in the shipment exceeds \$2,500. See <http://www.aesdirect.gov> for more information.

Bill of Lading – A document issued by a carrier to the shipper serving as a receipt for the goods, a contract for carriage, and proof of shipment of the goods. A bill of lading also confers title of the goods to the consignee, and for this reason is typically an important document needed for payment under the terms of a letter of credit or documentary collection.

Carnet – A customs document that allows the holder to temporarily import the goods listed without paying the duties or taxes that would otherwise be due. Carnets are issued by a variety of organizations worldwide, and can be obtained in the United States from the U.S. Council for International Business at <http://www.merchandisepassport.org/>. Carnets are useful when you are ship-

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ping or carrying trade samples or display fixtures abroad to trade shows or sales trips.

Certificate of Origin (COO) – A printed document signed by the exporter attesting to the country of origin of the covered products. The country of origin is not always the country from which the product is shipped by the seller, as many products contain imported components or are simply re-exported whole. A COO must be validated by an issuing authority, such as a chamber of commerce or a consulate in the importer's country.

Commercial Invoice – A document issued by the seller to the buyer that describes the products or services being sold, lists prices, and provides details on other terms of the sale, such as shipping costs, payment terms, etc. A commercial invoice is used by customs officials for duty determination and — unlike a pro-forma invoice, also constitutes a demand by the seller for payment from the buyer.

Country Commercial Guide – Economic and marketplace overviews prepared by U.S. Commercial Service offices at U.S. embassies around the world. *Country Commercial Guides* provide useful information about the commercial landscape in a particular country, including leading export sectors for U.S. products and services, regulations, business travel, and the investment environment. The *Guides* are a good place to start when exploring opportunities in a specific country, and are available at <http://www.export.gov>.

Customs Broker – A firm that acts on behalf of an importer or exporter to facilitate the clearance of goods through customs. Customs brokers have expertise in customs documentation, commodity classifications, and country-specific regulations and practices that can otherwise delay customs clearance. Many freight forwarders and

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freight carriers have offer in-house customs brokerage services or work closely with a broker to expedite customs clearance for their shipping customers.

Duty/Tariff – A tax levied on imported products by the government of the country into which the goods or services are imported. When used in respect to taxes on imported products, "duty" and "tariff" mean the same thing and can be used interchangeably.

Export Assistance Center – Local office of the U.S. Commercial Service that specializes in providing training, counseling, and advice to U.S. businesses that are already exporting or that are ready to begin exporting.

Export License – License issued by the U.S. Department of Commerce's Bureau of Industry and Security (BIS) or other government agency that permits U.S. exporters to ship certain high-technology or dual-use products abroad. To determine whether your product requires an export license based on its characteristics or destination, visit the BIS website at <http://www.bis.doc.gov/licensing/index.htm>.

Foreign Trade Division – Office of the United States Census Bureau responsible for regulating the reporting of export shipments from the United States. The Foreign Trade Division also compiles and disseminates official export and import statistics and provides information about export regulations and commodity classifications.

Free Trade Agreement (FTA) – A treaty between two or more countries that provides for the immediate or eventual elimination or reduction of duties on products traded between the signatories. Many FTAs contain provisions relating to intellectual property, environmental protections, technical standards, and labor rights. The

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United States currently has free trade agreements with 20 countries, including most recently South Korea and Colombia.

Freight Forwarder – A company that specializes in managing the transportation of goods. International freight forwarders can handle all aspects of transportation, including contracting with the carrier (air, rail, truck, or ship), managing export documentation and customs clearance, and warehousing.

GEE (Global Entrepreneurial Ecosystem) – Your personal network of external resources to help you export more. Your GEE can consist of government resources such as your local Small Business Development Center and Export Assistance Center, as well as other businesses that you rely on for advice, networking or business services.

Gold Key Service – A fee-based matching service of the U.S. Commercial Service. With Gold Key Service, a commercial service officer will research and identify potential customers or business partners in a targeted export country on behalf of the U.S. exporter, make appointments for one-on-one meetings, and if appropriate, attend the meeting between the U.S. company and the foreign customer.

Harmonized System (HS) – A system using numbers to describe and classify goods for international trade, for customs purposes, for reporting and compiling international trade statistics, and for freight and transport documentation. The first six digits of an HS code are uniform for all countries adhering to the system. The remaining digits, if used, are country-specific and meet each country's individual tariff and statistical requirements. U.S. exports are classified under Schedule B, Statistical Classification of Domestic and Foreign Commodities

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Exported from the United States (Schedule B), which is based on the Harmonized System.

Incoterms – Short for International Commercial Terms, Incoterms are used to concisely communicate and assign the costs, responsibilities and risks associated with transporting products from seller to buyer. For example, the Incoterm "CIF" stands for "Cost, Insurance, and Freight" and means that the seller quotes a price for the goods that includes all transportation, insurance and miscellaneous charges to the point of debarkation from the vessel.

Intellectual Property – Refers to intangible products of creativity or intellect to which the owners have exclusive rights under the law. Examples include trademarks, patents, copyrights, and industrial designs. The application of intellectual property rights varies by country, and having rights in one country does not automatically guarantee rights in other country.

Landed Cost – The final cost to the buyer of a product shipped internationally. The landed cost includes the price of the product itself, plus shipping, insurance, duties, other taxes, brokerage fees, and any other cost paid by the buyer.

Letter of Credit – A document issued by a bank or other financial institution at the request of the bank's customer (usually the buyer in an international transaction) that guarantees payment to the seller when the terms of the letter have been fulfilled. Letters of credit are used to reduce or eliminate the risk of nonpayment to the seller. Payment from a letter of credit is dependent upon the terms of the letter and not on the underlying sales contract. Usually the terms specify that payment will be made only upon presentment of documents, typically

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including a bill of lading showing that the product has been shipped and/or received.

Non-tariff Barrier (NTB) – Any rule, restriction, practice or procedure other than a tariff that has the effect of limiting imports. Common examples are import licenses, packaging and labeling requirements, inspections, administrative hassles, and local content requirements.

Phytosanitary Certificate – Certificate issued by the U.S. Department of Agriculture's Animal and Plant Health Inspection Service indicating that the covered goods for export have been inspected and found to be in compliance with the import regulations of the buyer's country. Such certificates apply to plants and products derived from plants.

Pro-forma Invoice – In trade, a document sent from the seller to the buyer containing specifics on what is being purchased, including price, quantity, shipping costs, payment terms, etc. It essentially serves as an order confirmation to the buyer, but is also used in some cases to provide initial customs valuations. Unlike a commercial invoice, a pro-forma invoice is not a demand for payment.

Schedule B – An implementation of the Harmonized System in the United States, Schedule B is used to classify goods exported from the United States and to compile statistics about them. It is managed and administered by the U.S. Census Bureau. U.S. companies can look up the HS codes for their products here: <https://uscensus.prod.3ceonline.com/>.

U.S. Commercial Service – An agency of the U.S. Department of Commerce's International Trade Administration, the U.S. Commercial Service promotes trade and exports by providing market-specific assistance to U.S.

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exporters. The Commercial Service operates over 100 U.S.-based U.S. Export Assistance Centers and has commercial offices in almost 80 U.S. embassies and consulates abroad.

The U.S. Commercial Service provides these and other services:

- Customized market research
- Trade show assistance
- Matchmaking services
- Trade counseling and advocacy
- Training
- Publications

Value Added Tax (VAT) – A consumption tax levied on the value of the product. From the perspective of the end-user, a VAT is similar to a sales tax. For producers, the VAT is paid only on the incremental value added at a certain stage of production (essentially the selling price minus the cost of previously taxed inputs). Imported goods are assessed the VAT upon entry into commerce in the importing country. For this reason, U.S. exporters need to be aware that their customers will have this additional expense in countries where VATs are assessed, most notably European countries where typical VATs are in the 20 percent range.

Waybill – A document issued by a carrier or freight forwarder to the shipper serving as a receipt for the goods, a contract for carriage, an insurance receipt (if applicable), and a bill for the freight charges. A waybill does not confer title.

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Small businesses that accept Visa also benefit from faster payments and an immediate connection to hundreds of millions of cardholders worldwide. Accepting Visa payments also streamlines back-office processing which can lower cash- and check-handling costs.



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- Make business purchases quickly and easily at millions of places worldwide
- Enjoy unlimited deposits at most of your issuing financial institutions' ATMs
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Save your business money the hassle-free way — whichever Visa Business card you use. All Visa cards are eligible for additional savings at places where small businesses make purchases. As your sourcing partner, we bring you negotiated discounts that don't require coupons or codes. With Visa SavingsEdge², you simply enroll your Visa card and start saving automatically³.



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¹Covers U.S.-issued cards only. Does not apply to ATM transactions, PIN transactions not processed by Visa, or certain commercial card transactions. Individual provisional credit amounts are provided on a provisional basis and may be withheld, delayed, limited, or rescinded by your issuer based on factors such as gross negligence or fraud, delay in reporting unauthorized use, investigation and verification of claim and account standing and history. You must notify your financial institution immediately of any unauthorized use. Transaction at issue must be posted to your account before provisional credit may be issued. For specific restrictions, limitations and other details, please consult your issuer.

²Visa SavingsEdge is an automated discount program offered by Visa U.S.A. Inc. to eligible businesses and their authorized cardholders that hold an eligible Visa Business card and whose enrollment in the program is accepted by Visa. Under the program, cardholders can receive discounts from participating merchants each time the cardholder uses an enrolled Visa Business card to make qualifying purchases of goods or services pursuant to an active discount offered by the merchant and that transaction is processed or submitted through the Visa payment system (a "Qualifying Purchase"). Visa may modify, restrict, limit or change the program in any way and at any time. Visa reserves the right at any time to cancel the program. Visa also reserves the right to suspend or cancel any cardholder's participation in the program. Enrolled cardholders will only receive discounts for qualifying purchases that are in full compliance with the terms of the applicable discount offer. Discount offers may be subject to additional terms and conditions. Discount offers may be removed from the program at any time and are subject to availability. Discount offers are also subject to any applicable law or regulation that may restrict or prohibit certain sales. Discounts will not appear on a cardholder's receipt at the point of sale. Discounts are provided in the form of credits posted to the cardholder's applicable Visa Business card account. Please visit www.visasavingsedge.com for complete details on the program, including the program terms and conditions.

³Discounts provided as credits on account statement.

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