

WHAT IS THE INTERNATIONAL TRADE CENTER?

The Illinois SBDC International Trade Center of the Rockford Area is a program that works directly with companies to increase the total value of goods exported from the Rockford Area of Illinois. Services are provided to companies to guide them through the process of establishing and growing an export program. The ITC also can provide assistance to foreign companies interested in sourcing manufactured products from the United States.

WHY EXPORT?

Exporting is a great way to **strengthen your company** through **mitigating risk, expanding into new markets** and **growing your regional economy**. Some benefits include:

- Exporting enables companies to diversify their portfolios and to weather changes in the domestic economy.
- Exporting helps small companies grow and become more competitive in all their markets.
- 95% of the world's consumers live outside of the United States.
- Free trade agreements have opened up markets in Australia, Chile, Singapore, Jordan, Israel, Canada and Mexico, creating more opportunities for U.S. businesses.
- Small and medium-sized companies account for almost 97% of U.S. exporters, but still represent only about 30% of the total export value of U.S. goods.
- More than two-thirds of exporters have fewer than 20 employees.
- During the past 25 years, U.S. exports have made an important contribution to our country's economic growth—increasing five-fold from \$224 billion to more than \$1.1 trillion in 2010.
- About one of every five factory jobs—or 20% of all jobs in America's manufacturing sector—depends on exports.
- Workers in jobs supported by merchandise exports typically receive wages higher than the national average.

WHAT IS THE PURPOSE OF COMPLETING THIS WORKBOOK?

You know that you want to see your company grow through exporting. Five reasons it will be worth your time and effort:

- Careful completion of this workbook will help evaluate your level of commitment to exporting.
- The completed workbook can help you evaluate your product's potential for the international trade market.
- The workbook gives you a tool to help you better manage your international business operations successfully.
- The completed workbook will help you communicate your business ideas to persons outside your business and can be an **excellent starting point for developing an international financing proposal**.
- Businesses are more successful when working from a business plan.

CAN I HIRE SOMEONE TO DO THIS FOR ME?

No! Nobody will do your thinking or make decisions for you. This is your business. If the business plan is to be useful, it must reflect your ideas and efforts - not those of an outsider.

WHY IS PLANNING SO IMPORTANT?

The planning process forces you to look at your future business operations and anticipate what will happen. This process better prepares you for the future and makes you more knowledgeable about your business. Planning is vital for marketing your product in an international marketplace.

Any firm considering entering into international business transactions must understand that doing business internationally is not a simple task, nor one for the faint of heart. It is stimulating and potentially profitable in the long-term, but requires much preparation and research prior to the first transaction.

In considering products for the international market, a business needs to be:

- Successful in its present domestic operation.
- Willing to commit its resources of time, people and capital to the program. Entry into the international market may take as long as two years to generate profit with cash outflow during that period.
- Sensitive to and aware of the cultural implications of doing business internationally.

Developing a business plan helps you assess your present market situation, business goals, and commitment which will increase your opportunities for success.

WHAT'S THE BOTTOM LINE FOR ME IF I DO THE PLAN?

Research shows that small business failure rates among new businesses are significantly lower for new businesses that have developed a business plan.

ISN'T PLANNING JUST FOR THE BIG COMPANIES?

Planning is important for any organization that wants to approach the future with a plan of action. The future comes whether you are prepared for it or not. A business plan helps you anticipate the future and make well-informed decisions because you have thought about the alternatives you will be facing.

HOW OFTEN DO I HAVE TO DO THIS?

A plan must be revised as needed, at least once a year. Planning is a continuous process. You will be surprised how much easier it is to develop a business plan after your first effort. Plus, after a revision or two you will know more about your international business market opportunities to export products.

Export Readiness Assessment Questionnaire

Developed by Maurice Kogon, Director of the El Camino College Center for International Trade Development

Take the electronic version of this assessment online at <http://www.elcaminocitd.org/programs-and-services/export-readiness-assessment>

COMPANY READINESS

1. ARE YOU AN ESTABLISHED PRESENCE IN YOUR INDUSTRY DOMESTICALLY?

Recognition and acceptance within your industry are important assets in exporting. Foreign buyers need to feel they can rely on and trust their suppliers over the long haul. Unknown suppliers are greater risks than firms with established credentials. **If you're already well known and respected domestically, you have a head start.** You have a demonstrable, time-tested record of stability, reliability and relevant experience in filling orders, servicing the product, and managing inventory and costs. You'll want to reinforce that image in your overseas promotions. **If you're less known or unknown, you'll need to build credibility and confidence that you're worth the risk.** You should emphasize customer support in your promotions; consider price and other incentives to attract interest; respond promptly and professionally to inquiries, orders and customer requests for service; and consistently meet delivery expectations.

2. HOW EXTENSIVE IS YOUR CURRENT DOMESTIC SALES OUTREACH?

If you're already selling to a large nationwide customer base, exporting is a logical next step. You're already familiar with long-distance administrative, distribution and promotional techniques of the types used in exporting. You've already shown you can succeed throughout the domestic market, where you're already competing against foreign imports as well domestic products. This is the same competition you'd likely face in almost any export market. National exposure has also made you more visible to potential foreign buyers visiting or operating domestically. **If you're only selling locally or regionally now, you'll benefit from broadening your domestic sales base before you try exporting.** This will ease the transition. It will increase your exposure to customers, competition and long-distance marketing techniques. Thereafter, you might begin testing your export market appeal in a few selected countries, either on your own or by working through a domestic export intermediary.

3. HOW DO YOU SELL AND DISTRIBUTE YOUR PRODUCTS IN THE DOMESTIC MARKET?

Exporting requires an effective overseas sales and distribution network. **Most exporting is done through local agents or distributors in each market.** These market "insiders" speak the language, know the market, and know where the customers are and how to reach them. Their role is to develop and send you sales orders, arrange payment in dollars, prepare all required import documents, and clear your goods through customs. Many specialize by industry and are equipped to stock, install and service the goods. The end-users in the market know and prefer to deal with these local representatives, rather than buy direct from you or other foreign suppliers. **Although you could attempt to represent yourself through your home office or your own sales offices abroad, the benefits of increased "control" may not justify the costs. Unless sales volume warrants, you're better off finding good agents or distributors to represent you.**

Choosing the right reps is crucial. You're relying on them to be your eyes and ears in the market and bring you sales. If they don't perform as expected, you may not be able to switch to another distributor. In some countries, you can't easily terminate an agent/distributor relationship. Therefore, you want to be careful and selective in your search. The more you know about selecting and managing distributors, the better off you are. **If your company already has a domestic sales force, especially one with regional distributors, you have an advantage. Even if you have little or no prior experience, you can get "rep-find" help from a number of federal, state, county, and college-based trade assistance organizations in your locality.**

4. DO YOU CUSTOMARILY CONDUCT MARKET RESEARCH AND PLANNING FOR YOUR DOMESTIC OPERATIONS?

Systematic market planning is essential to exporting, just as it is in your domestic business. As the old adage goes, unsuccessful companies don't "plan to fail, they fail to plan." **Successful companies collect and use information to achieve an edge over the competition and to set realistic goals, budgets, strategies and timetables for future effort.** Analysis and planning are even more critical overseas and can be instrumental in avoiding costly mistakes. You can't assume that what's worked for you domestically will work overseas. **Exporters encounter different income levels and demand cycles abroad; different languages, cultures and**

environments; different laws and regulations; different ways of doing business; and different risks (e.g., foreign exchange fluctuations, civil strife, nationalization, etc.). Long-term success in exporting requires an awareness of these differences, an accurate assessment of the resulting potentials and pitfalls, and a strategy to deal with them in each target market. A "seat of the pants" approach runs a high risk of failure.

Help is available if you need it, and costs need not be high. **You can gather international marketing information from many sources, including the DOC/ITA BuyUSA service (www.buyusa.com).** These contain the latest trade statistics; country-specific commercial guides; industry-specific market surveys and trade contact lists; and relevant trade laws and regulations affecting market access in specific countries.

5. TO WHAT EXTENT DO YOU ADVERTISE AND PROMOTE YOUR PRODUCTS IN THE DOMESTIC MARKET?

Whether you export directly or through intermediaries, you'll need to promote to make your presence known. Although export promotion can be tailored to fit your budget, the more you do, the more results you'll likely see. **When you export, you're competing not only against potentially better known exporters from your own country, but also against domestic and third-country competitors vying for the same target market.** They might offer price discounts or liberal credit, improve their product, "pull strings," or take other steps to counter your presence. You'll have to contend with them while you're also trying to gain more market recognition for yourself. Since foreign buyers can't be presumed to already know or want your product, you'll have to educate, impress and motivate them. **Thus, if anything, unless your product essentially sells itself, you'll probably need to promote even more aggressively abroad than you've done domestically.**

Most countries have adequate media and can support any of the methods that would normally apply to your products, including direct mail, telemarketing, press releases, paid ads, trade shows, sales trips, Internet directories and Web pages, and e-mail. However, **some techniques may work better than others in particular markets.** Costs could also affect your approach. Certain techniques clearly cost more if done from afar, such as direct mail, telemarketing and business travel. These techniques might best be carried out by your overseas reps, possibly on a cost-sharing basis. **If your promotion budget is limited, there are low-cost ways to market and promote abroad. For example, DOC/ITA BuyUSA matchmaking services (www.buyusa.com) can get you worldwide exposure for your company and products, generate trade leads, and find qualified overseas distributors for you at modest cost.**

6. DO ANY OF YOUR CURRENT MANAGERS OR STAFF HAVE EXPORT MARKETING OR SALES EXPERTISE?

You don't need to be an expert to export. **If you prefer, you can use outside experts to deal with the complexities, including export intermediaries, freight forwarders, and overseas agents and distributors.** Between them, they can represent you, find overseas customers, present you with sales orders, handle all the export paperwork, and deliver the goods. You fill

the orders and get paid for the sale. You pay them a fee or commission. That's not too complicated. However, **if you opt to do your own exporting, you'll need at least some expertise.** There are key differences between domestic and foreign selling which must be understood and accommodated. These include different methods of calculating costs and quoting prices, different payment terms and methods; different currencies; different documentary requirements for invoicing, packing, labeling and shipping; different forms and levels of import barriers; and different legal systems, laws and regulations. Also critical are differences in language and culture among and even within countries. What is customary, appealing or innocuous in the domestic market might well be misunderstood or offensive elsewhere. Even experienced multinational companies have made mistakes in this environment. To avoid costly blunders, it's wise to invest in continual training for new as well as experienced staff. Look for export workshops sponsored by trade assistance organizations in your locality.

In-house expertise would be particularly useful in the following areas:

Market research and planning: It's important to look before you leap. Ignorance and poor planning are the leading causes of export failure. **Every potential export market differs somewhat in its needs, economic conditions, business environments and cultures.** Market research will help you determine which markets are most worth pursuing, who your customers and competitors are, how products are distributed and promoted in each market, what tariff or non-tariff barriers may exist, and whether you'll need to adapt your product or approach to the market. Market research and planning skills are valuable assets. **You need someone who knows not only what information to look for, but also where to find it and how to use it for effective market planning.**

Legal procedures and protections: **Laws and business practices vary widely among countries.** These encompass trade, monetary and fiscal policy; pricing, distribution and promotion; treatment of intellectual property; health, safety and technical standards; etc. Although many are business-friendly and compatible with international practices, some pose obstacles and risks for exporters. They can affect what you're allowed to do or should do to protect yourself in the market. **It's important to have access to legal counsel that can alert you to potential pitfalls and help you take the necessary precautions.** The DOC/ITA BuyUSA (www.buyusa.com) includes country and industry market surveys and extensive coverage of legal requirements in most world markets.

Cross-cultural sensitivity: Exporters need to be sensitive to cultural differences among and even within countries. **These differences -- whether of language, race, religion, ethics, lifestyles, interpersonal relationships, tastes and preferences, or other -- can make or break your sales efforts in a country.** You want to appeal, not offend in the products you sell and the words, symbolism and body language you use in your promotions and face-to-face meetings. In many countries, you must first build trust and relationships with prospective partners, a time-consuming process of cultural interaction on their turf. **Cultural sensitivity needs to be internalized in the company, not farmed out.** There are many books and articles on this subject, both general and country-specific.

Language skill: A facility for the language of your markets is an important asset in exporting. **It shows you care, helps build trust and confidence in the relationship, reduces risks of miscommunication, and saves time and money.** However, since fluency in many different languages is not realistic, it is desirable at least to have an English language capability. English is widely used in international business, and interpreters and translators are available as needed.

Export costs and pricing: When you are asked for a price quote, you want your price to at least cover all your costs. **Exporting usually incurs added costs not typical in domestic sales.** These include fairly obvious costs to ship the goods overseas, but also some costs that a non-exporter might easily overlook or fail to include. Among such costs are documentary fees; fees for freight forwarding, financing and insurance services; port charges; and costs to adapt your products to meet international standards and regulations. **A local freight forwarder can help you determine these costs and how to minimize them, but it's also important to have someone on staff who knows what these costs may be and which ones to include in a price quotation.**

Export documentation: **Exporting involves more and different paperwork.** In addition to any domestic export documentary requirements, foreign governments typically require a commercial invoice and, in some cases, a consular invoice, certificate origin and possibly other documents. Various freight-related documents are needed for sea and air shipments, such as a packing list and bill of lading. **Although many exporters rely on freight forwarders to prepare and process these documents, it's best if the company has at least some in-house familiarity with documentary requirements.**

Getting paid: **Your foreign customers may differ on how and when to pay you.** First, they may want to pay in their own currency, which you would have to convert at some foreign exchange risk. Second, they may want to buy on credit over an extended time period, leaving you to finance the shipment at greater risk of non-payment. In a highly competitive environment, you may need to compromise or lose the order. **A commercial bank can advise and help you mitigate risk and get paid, but it's important to have some in-house familiarity with payment options and procedures.**

7. HAS YOUR COMPANY RECEIVED ANY UNSOLICITED INQUIRIES FROM FOREIGN FIRMS?

Unsolicited foreign inquiries are a strong indicator of export potential. They offer tangible proof that you have been discovered abroad. You may not know how or why, but count it as a plus that someone overseas has taken the initiative to search you out. Many company leaders say they first started exporting only after and because they received unsolicited inquiries. Although some foreign inquiries may be "fishing expeditions," many are serious expressions of interest from firms seeking new or better products. **They represent immediate or potential "money in the bank" for you, and deserve your prompt, solicitous response, even if you're not currently able to export the product.**

If you haven't been approached yet, don't be discouraged. A likely reason is not lack of interest, but lack of awareness. You and your product probably just aren't known abroad, either favorably or unfavorably. **You need exposure abroad to pique interest and demand. You can even do**

this indirectly as part of your domestic marketing. Try articles or ads in industry journals with international circulation. Consider exhibiting at a major domestic trade show known to attract foreign buyers. **For direct overseas exposure, the Internet is a low cost option and may well trigger an avalanche of unsolicited orders or inquiries.** Increasingly, companies are creating websites to promote products. You can also gain worldwide Internet exposure through Internet export directories or by posting your own sell offer in Internet trade lead systems.

8. COULD YOU PROMPTLY FILL ANY NEW EXPORT ORDERS FROM PRESENT INVENTORY OR OTHER SOURCES?

Exporters should be able to respond promptly to any new orders they receive. Foreign buyers typically can buy from various sources, and if you can't fill the order when they want it, they'll usually find someone else who can. You don't want to start or impair a relationship with delays and apologies. **If you have idle plant capacity, you're probably in a good position to fill any new orders.** You may already have inventory on hand, or you could increase production fairly quickly without needing more workers, materials or equipment. With that flexibility, you can go after new export business as aggressively as you wish. **However, if prompt delivery is a problem, you're better off not soliciting new export business until you're better able to respond.** One option is to start slowly and selectively. If the response warrants, you could begin an orderly expansion to meet the combined domestic and foreign demand.

On occasion, you may get an export order too good to pass up even if you're not ready. In these cases, particularly for unsolicited orders, the buyer may not have alternatives and may be willing to wait for your product. **If you need up-front money to produce or acquire the quantity sought, you may be eligible for a Working Capital Loan Guarantee from the Small Business Administration (SBA) or the Export-Import Bank (EXIM). SBA or EXIM will guarantee 90% of a commercial bank loan to enable an exporter to fill an export order, in effect using the purchase order as collateral.** The money can be used to procure additional labor, equipment or materials as needed. The loan is paid out of the proceeds of the sale.

9. HOW WOULD YOU HANDLE ANY NEW OR ADDITIONAL EXPORT BUSINESS WITHIN YOUR ORGANIZATION?

New or additional export business will create added and more specialized work for the company. **Successful exporters typically assign at least one specialist to the export function.** Larger exporters usually have their own export department, with one or more specialists handling specific functions. **Top managers often handle specific export tasks in smaller companies.** They may or may not do this in larger companies, but they should at least provide active oversight.

However you choose to organize, you'll need managers and staff that can handle the extra load and know what they're doing. Foreign customers have little tolerance for errors, bottlenecks, backlogs or delays that can create complications and add to their costs. If necessary, they can and will find more reliable suppliers. **Thus, if you're now understaffed, or your current staff lacks key export skills - in planning, market development, promotion, shipping,**

documentation, collections, etc. -- you'll need to add experienced staff or train your existing staff. Even if you rely on outside freight forwarders to handle your shipping and documentation, it's still best to have some internal familiarity with these procedures. **If staff upgrades aren't feasible, you're better off exporting through a domestic intermediary.**

10. WHAT IS THE CURRENT STATUS OF YOUR EXPORT ACTIVITY?

Prior export experience is a definite plus, but not a prerequisite. It proves that you have an exportable product and that you can sell it competitively in at least some markets. It also suggests that you appreciate the significance of exporting to your bottom line and already have some experience in the mechanics of exporting, such as documentary, financing, shipping, distribution and marketing procedures. If you have not previously exported, you lack the experience but not necessarily the potential to export. Every experienced exporter was at one time a non-exporter. **Experience, while obviously an advantage, is not a necessity if you export through a domestic intermediary. If you'd rather handle your own exports, you can overcome initial inexperience by hiring a professional or training someone in-house.** Be sure to make use of government and private services available to help you along the way (e.g., Department of Commerce, state and local export assistance centers, freight forwarders, banks, etc.).

11. IS YOUR TOP MANAGEMENT COMMITTED TO EXPORTING AS A NEW OR EXPANDED AREA OF ACTIVITY?

A motivated management team is a prime factor in export success. **Other export needs can be acquired, such as financing, experience and market exposure, but exporting requires strong management commitment and support over the long haul.** There are good and bad reasons to export. The primary motivation should be to increase sales, profitability and growth over the long term. Exports can contribute in many ways - they help broaden and diversify existing markets, reduce vulnerability to domestic slowdowns, match or preempt competitors, extend product life-cycles, exploit superior proprietary technology, use idle capacity, and reduce unit costs through economies of scale. If management pursues exporting for these sound reasons, it will more likely make the necessary long-term commitment. This support is critical, because exporting is not a spigot that can be turned on and off at will. It requires patience and adequate resources to develop markets and long-term relationships. **If your management sees little or no benefit in exporting, views it as a possible sideline, or has more opportunistic motives for exporting - unload surplus inventory, offset a domestic slowdown, fill occasional unsolicited orders - it probably won't support the effort at critical times. In these situations, it's generally best to avoid any major export initiatives until management is more on board. Consider instead a low risk, "go-slow" approach, such as exporting through a domestic intermediary or using available low-cost services to attract foreign inquiries or find overseas agents.** If these steps produce initial results, they will help build management's confidence in a stronger commitment.

12. HOW MUCH PER YEAR COULD YOU AFFORD TO SPEND ON EXPORT DEVELOPMENT?

Costs of exporting can be kept low, but can't be avoided altogether. If you're starting from scratch, as with any business, you'll face the usual start-up costs for an office, furniture and equipment, supplies, etc. **As a beginning exporter, you'll have some up-front research costs to identify your best markets.** To enter and develop these markets, you'll incur costs to gain exposure, set up sales and distribution networks, and attract customers. As your exports increase, you might translate your sales literature, take overseas business trips, do more media advertising, and participate in trade shows abroad. In some countries, you may have to redesign or modify your product to meet local requirements or customer preferences. **Generally, the more you spend to prepare, promote and adapt for export, the greater your return.** Clearly, firms with stronger, more flexible resources are in the best position to finance an export venture. That doesn't mean you have to be "big" to export. While bigger firms can afford to do more, most firms now exporting are small businesses.

So, don't be deterred if your funds are limited. You can start even on a tight budget. The key is doing the most with what you have. You could be fairly aggressive on an export budget of 75,000-150,000 per year and very aggressive above that. If you can't afford that much, there are low-cost ways to market and promote abroad, handle new export orders, and finance receivables. These don't require hiring new staff or setting up an export department. **For example, low-cost help is available from U.S. Department of Commerce Export Assistance Centers, state export agencies, and international trade assistance centers located at universities and community colleges.** At no cost in some cases, or modest cost, you can get worldwide market exposure, generate trade leads, and find qualified overseas distributors to represent you. **If internal funds are not available for export start-up or working capital, consider export financing programs offered by the Small Business Administration (SBA) the U.S. Export-Import Bank (Exim bank) or state agencies. Alternatively, you could save up-front costs by exporting through an intermediary.** They already have relationships abroad and will incur some or all of the initial costs to find you customers and generate orders. You mostly pay only when and if any business actually results, usually in the form of a commission based on a percentage of the sales price. **Export trading companies typically buy goods outright from domestic producers for eventual resale abroad.** You, as the producer, would get paid right away and would also benefit from exposure of your product abroad.

13. HOW LONG WOULD YOUR MANAGEMENT BE WILLING TO WAIT TO ACHIEVE ACCEPTABLE EXPORT RESULTS?

Don't expect immediate results from exporting, even with a good product in a promising market. Patience is a virtue and perhaps a necessity. It takes longer for export "seeds" to develop and return profits - sometimes several years. While the payoff may be shorter or longer in your case, you'll need time to establish market identity abroad, select distributors, attract buyers, and build solid relationships with your distributors and customers. **These efforts will ultimately result in high, ongoing sales and profits.** If you're under pressure or can't wait, however, there are some steps you can take to try to generate fairly quick inquiries and orders. **At a fairly low cost, you can use mail list, "repfind," trade lead, and promotion services available from the Commerce Department, state export agencies, and local trade assistance centers.** These can

help you contact potential buyers, find qualified overseas reps, and promote your product in promising markets. **A more costly approach for fast results might be to exhibit at a promising overseas show, where buyers can see your product and possibly order it "off-the-floor".**

PRODUCT READINESS

14. HAVE DOMESTIC SALES OF YOUR PRODUCT GROWN OVER THE PAST 3 YEARS (AVERAGE PER YEAR)?

A strong domestic sales performance is a good indicator of export competitiveness. **If your domestic sales are increasing, or have at least kept pace with your competitors, you're likely to be competitive abroad.** You've already shown strength in the domestic market against the same domestic and imported foreign products you'd likely face in export markets. Exporting is definitely a step to consider. **Even if your domestic sales have been weak, don't necessarily assume you've lost competitiveness and can't export.** In fact, if your sluggish sales are mainly due to a domestic economic slowdown, or to product obsolescence, exporting may be just the ticket to turn things around. **When the domestic economy stagnates, other countries may be booming.** As their production and consumption increase, their import demand also rises, including for domestic products. Exporting to markets in higher growth cycles could be very profitable. **Similarly, if technology advances have made your product obsolete in the domestic market, it could still conceivably sell very well in less-developed countries where older technology may suffice or even be preferred.** Over half the world's economies are less developed. They may not need or can't afford your latest model, and you should be able to offer substantial competitive discounts for your older model.

15. WHAT IS YOUR PRODUCT'S CURRENT SHARE OF THE DOMESTIC MARKET?

Market share is a key indicator of product competitiveness, whether you're selling locally, regionally or nationally. **If your share of that market is already high or growing, or at least holding steady, your product likely has fundamental competitive strengths; e.g., attractive pricing, uniqueness, high quality, strong service and customer support, etc.** These competitive assets are as appealing to foreign buyers as domestic. If you've been able to meet or beat the domestic competition for these reasons, you should also be competitive abroad. In many cases, you'll be facing the same competitors abroad that you've already done well against domestically. **Conversely, a low or declining market share reflects competitive weaknesses not normally conducive to exporting.** Because competition is even more intense overseas, the chances are that you would do no better overseas, and probably worse. **However, this could depend on the reasons for your low domestic market share. For example, if product obsolescence is the reason, exporting may offer a new lease on life.** Other countries, particularly lower income or less developed countries, may not need the latest technology and may value yours for its presumably lower cost.

16. IS YOUR PRODUCT PRICE-COMPETITIVE IN THE DOMESTIC MARKET?

Domestic price-competitiveness is a big plus in exporting. Competition abroad is usually stiffer than at home, and price is often a decisive competitive factor. **A competitive price is a must for products that are otherwise indistinguishable, such as basic commodities.** Even for performance-based products, price often becomes decisive at some point. Unless your product is indisputably superior to the others, or is indispensable, the buyer may ultimately let price be the final determinant. If your prices are competitive domestically, you're in a strong position to offer very attractive export pricing as well. While you'll need to add some export delivery costs to your prices (e.g., freight, insurance, etc.), so too will most of your exporting competitors. You can thus retain your relative price advantage in many export markets. **On the other hand, if you have little or no price advantage domestically, and have no offsetting product strengths (superior quality, uniqueness), exporting may not be a viable option.** Given the importance of competitive pricing, you should try to obtain comparative price information before you enter a target market. If necessary, strongly consider adjusting your prices to meet the competition.

17. WHAT PAYMENT TERMS WOULD YOU BE WILLING TO OFFER REPUTABLE FOREIGN BUYERS?

Exporters become more competitive abroad when they allow their buyers more time to pay, particularly for price-conscious products. With more time to pay, foreign buyers can lower their up-front costs and leverage their resources. This might allow them to buy larger quantities or pay higher prices they couldn't otherwise afford. Typically, buyers seek payment terms ranging from 30-120 days after receipt of the goods. For more costly purchases, buyers may seek multi-year credit terms. **Although exporters would rather be paid in advance or on delivery to reduce risk and financing costs, this may not be feasible in a highly competitive export environment.** Foreign buyers often have alternative sources and may well opt for a supplier more willing to finance the sale. They'll generally pay in advance or on delivery only when they need or want a product badly enough, have no good alternative, and can afford it. Thus, willingness to extend credit is often a determining factor in making export sales. For higher-priced products, offering attractive payment terms may be the only way to beat the competition. Credit sales do incur risks and financing costs. However, these can be minimized. There are services available to help determine a prospect's credit-worthiness. **Export credit insurance will protect against non-payment and other commercial risks.** Suppliers can also finance or discount the export receivable so that, in effect, they get their money right away (less interest or a premium) even though the buyer has more time to pay.

18. DOES YOUR PRODUCT COMPARE FAVORABLY WITH DOMESTIC COMPETITORS IN FEATURES AND BENEFITS?

It helps to be "superior" in some key way, particularly when you're higher priced than your competition. Foreign buyers look at product performance, not just cost, when they make procurement decisions (e.g., dependability, versatility, durability, repair frequency, productivity, labor-saving, etc.). They will often pay more to get more. **If your product fits a niche in the domestic market, or has some advantage over competing products, you have strong export**

potential. In your overseas marketing, you'll want to emphasize any areas of product superiority or tout other advantages, such as reliability as a supplier, strong customer service, etc. If you have no particular qualitative advantages, you may still have export potential. Many of the most heavily exported products are virtually indistinguishable (e.g., agricultural products, raw materials and semi-manufactures). You and your competitors alike must use price and credit as your main selling points. **If you do have a distinguishable product, but it's comparatively "inferior," consider markets that aren't as selective.** Buyers in many less-developed, cost-conscious, labor-intensive countries may not need or want the "best" or "latest". They'll often take a lesser product to pay less (e.g., manually-operated vs. automated equipment, yesterday's technology, no frills models).

19. WOULD YOU BE WILLING TO ADAPT YOUR PRODUCT AND/OR PACKAGING TO BETTER SUIT FOREIGN MARKETS?

Adaptability is a must in exporting. Foreign markets differ from the domestic market in many ways that can critically affect product acceptance -- in income levels, standards, climates, sizes of people and space, language, religion, cultural preferences and taboos, business practices, etc. These differences often dictate whether your products would be allowed into a market; could be afforded; could tolerate the local physical environment; would "fit" or operate efficiently; or would appeal to or offend potential buyers. For example, your products must comply with different health, electrical and technical standards abroad. Low income countries may demand more affordable versions of your products than high income countries (stripped down, second generation, etc.). Harsh environmental conditions in some countries can affect product performance (e.g., abnormal temperatures, humidity, altitudes, pest infestations, pollutants, etc.).

Your products may not fit the smaller sizes of people, homes, streets, etc. in some countries. The colors and shapes of your products, or the words or symbols you use in your product literature, could be culturally offensive in countries with different religions, languages and customs.

Willingness to adapt your product design, packaging or promotion can greatly increase your market options and may well be crucial in certain markets. Unwillingness will limit you to the fewer markets that accept domestic products exactly as they are. If costs to adapt are deterring you, think again. Not all needed adaptations are costly or difficult. Some may be fairly easy and inexpensive, such as adjusting the sweetness in a soft drink; switching packaging materials to protect against rot, rust, mildew, pests, etc; changing the color or shape of the product package; translating or adding local context to brochures to make them more understandable. These are usually well worth the cost or effort. In other cases, you may need to make more substantial changes, such as re-engineering or retooling the product. **Rather than rule out change altogether, weigh the potential benefits of greater sales against the increased costs to adapt.**

20. IS YOUR PRODUCT COSTLY TO TRANSPORT OVER LONG DISTANCES?

Transportation costs are not usually a prohibitive or decisive competitive factor in exporting. With modern containerization and other advances in transportation and logistics and a more competitive shipping environment, transportation costs generally can be kept to a low

percentage of landed cost (product cost plus freight and insurance). **The exceptions are unusually heavy or bulky items that can't be knocked down or containerized.** Your domestic competitors presumably face comparable transport costs, since their products are similar in size and weight; are destined for the same markets; and will have to get there by the same mode, mostly by sea or air. Other competitors could have some transport cost advantage if they're closer to your market or could get there by truck or rail (e.g., Europeans selling within Europe; Asians within Asia, etc.). **If transportability or transport costs are a serious constraint, you might consider contracting or licensing production in the target countries.** Alternatively, you may still have possibilities in nearby, contiguous markets that can be reached more easily and quickly. **Whatever your destination, you should look for the most cost-effective mode and rate.** A freight forwarder can help you optimize your transportation costs and handle all the arrangements.

21. IS ANY SPECIAL TRAINING REQUIRED TO ASSEMBLE, INSTALL OR OPERATE YOUR PRODUCT?

You could have a competitive problem if overseas users need extensive on-site training. Many products require little or no training, or the users can get along with basic instruction sheets that cost little to translate. However, on-site training can be very costly and cumbersome, particularly abroad, where languages and distances vary greatly, and skilled or trainable labor may be in short supply. **High training costs will put you at a competitive disadvantage against in-country suppliers who could probably meet a local training requirement more readily than you.** You may need a competent local distributor who can install and use the product and train end-users. **To cut costs in these cases, you might try a "train the trainer" approach, either at your domestic site or overseas.** The trainee(s) would then provide the necessary ongoing or follow-up training in each market.

22. DOES YOUR PRODUCT REQUIRE ANY SPECIAL TECHNICAL SUPPORT OR AFTER SALE SERVICE?

Support-intensive products require a more costly, more logistically complex support structure than other products, particularly in exporting. Customers must have access to replacement parts and competent technicians to install and repair the product. When the customers are overseas, the normal difficulties are compounded by distance and language differences. If your main competitors are locally-based, they could presumably provide in-country support more easily and at less cost than you. **To ease the logistics and costs of an overseas support requirement, you could team up with a local distributor equipped to install and repair your product and stock your spare parts.** That might limit your support role to supplying any special tools or testing equipment needed; possibly translating your installation and repair manuals into the local vernacular; and providing some hands-on training of your local rep's technical staff. **Alternatively, you could establish your own support facilities in-country, or airlift technicians and parts in as needed.** However, these are more costly, more complex options, usually best avoided in a start-up phase. You might reconsider them later should higher sales volume justify the higher costs.

23. CAN YOUR PRODUCT TOLERATE HARSH OR WIDELY VARYING ENVIRONMENTAL CONDITIONS?

Many products can tolerate different environmental conditions up to a point, but lose effectiveness as extremes are approached (e.g., abnormal temperatures, humidity, altitudes, pollutants, etc.). The more sensitive the product to these changes, the more required to "protect" it against the elements. Although even the domestic market varies environmentally among regions, the problem is compounded in exporting, where differences from country to country are far more pronounced. Protection could be as inexpensive as strengthening or insulating the packaging, or it could involve more costly measures, such as altering the product itself or storing it under controlled conditions. **It's best to avoid markets where costs of protection would be prohibitive or make you uncompetitive and focus instead on more environmentally conducive markets.**

Export Business Plan

Developed by the U.S. Commercial Service of the U.S. Department of Commerce

Fill out the electronic version of this business plan online at

The purpose of the Export Business Plan is to prepare your business to enter the international marketplace. This worksheet will serve as a step-by-step guide to lead you through the process of exporting your product to an international market. The worksheet is divided into 11 sections.

Each section must be completed before you start the next section. After you have completed the entire worksheet, you will be ready to develop an international business plan to export your product.

GOAL SETTING

Determining your business goals can be a very exciting and often challenging process. It is, however, a very important step in planning your entry into the international marketplace. The following exercise is intended to help you clarify your short and long-term business goals.

STEP 1:

Define long-term goals.

1. What are your long-term goals for this business in the next 5 years? Examples: increase export sales by ___% annually; develop country cultural profiles.
2. How will the international trade market help you reach your long-term goals?

STEP 2:

Define short-term goals.

1. For your international business, what are your first year goals? Examples: attend export seminars, select a freight forwarder.
2. What are your two-year goals for your international business products/services?

STEP 3:

Develop an action plan to reach your short-term goals by using international trade.

PRODUCTS/SERVICES

STEP 1:

Select the most exportable products to be offered internationally.

To identify products with export potential for distribution internationally, you need to consider products that are successfully distributed in the domestic market. The product needs to fill a targeted need for the purchaser in export markets according to price, value to customer/country and market demand.

What are the major products your business sells?

1. _____
2. _____
3. _____

What products have the best potential for international trade?

1. _____
2. _____
3. _____

STEP 2:

Evaluate the products to be offered internationally.

What makes your products unique for an overseas market?

1. _____
2. _____
3. _____

Why will international buyers purchase the products from your company?

1. _____
2. _____
3. _____

How much inventory will be necessary to sell overseas?

1. _____
2. _____
3. _____

STEP 3:

Identifying Products with export potential

List below the products you believe have export potential. Indicate the reasons you believe each product will be successful in the international marketplace.

Products/Services Reasons for Export Success

1. _____
2. _____
3. _____
4. _____
5. _____

Decision Point: These products have export potential:

- _____
- _____
- _____
- _____

INDUSTRY ANALYSIS

STEP 1:

Determine your industry's growth for the next 3 years.

Talk to people in the same business or industry, research industry-specific magazines, attend trade fairs and seminars.

STEP 2:

Research how competitive your industry is in the global markets.

STEP 3:

Find out your industry's future growth in the international market.

STEP 4:

Research government market studies that have been conducted on your industry's potential international markets.

STEP 5:

Find export data available on your industry.

YOUR BUSINESS/COMPANY ANALYSIS

STEP 1:

Why is your business successful in the domestic market? What's your growth rate?

STEP 2:

What products do you feel have export potential?

STEP 3:

What are the competitive advantages of your products or business over other domestic and international businesses?

PROS AND CONS OF MARKET EXPANSION

Brainstorm a list of pros and cons for expanding your market internationally. Based on your product and market knowledge, determine your probability of success in the international market.

INDUSTRY/PRODUCT:

<i>Pros</i>	<i>Cons</i>

Probability of Success

0% _____ 25% _____ 50% _____ 75% _____ 100% _____

MARKETING YOUR PRODUCT

Given the market potential for your products in international markets, how is your product unique?

1. What are your product's advantages?
2. What are your product's disadvantages?
3. What are the competitive product's advantages?
4. What are the competitive product's disadvantages?
5. What are the needs that will be filled by your product in a foreign market? What competitive products are sold abroad and to whom?

How complex is your product?

What skills or special training are required to:

- a. Install your product?
- b. Use your product?
- c. Maintain your product?
- d. Service your product?

What options and accessories are available?

1. Has an aftermarket been developed for your product?
2. What other equipment does the buyer need to use your product?
3. What complementary goods does your product require?

If your product is an industrial good:

1. What firms are likely to use it?
2. What is the useful life of your product?
3. Is use or life affected by climate? If so, how?
4. Will geography affect product purchase, for example transportation problems?
5. Will the product be restricted abroad, for example tariffs, quotas or non-tariff barriers?

If the product is a consumer good:

1. Who will consume it? How frequently will the product be bought?
2. Is consumption affected by climate?
3. Is consumption affected by geography, for example transportation problems?
4. Will the product be restricted abroad for example tariffs, quotas or non-tariff barriers?
5. Does your product conflict with traditions, habits or beliefs of customers abroad?

Select the best countries to market your product.

Since the number of world markets to be considered by a company is very large, it is neither possible nor advisable to research them all. Thus, your firm's time and money are spent most efficiently by using a sequential screening process.

The first step in this sequential screening process for the company is to select the more attractive countries for your product. Preliminary screening involves defining the physical, political, economic and cultural environment. Rate the following market factors in each category.

1. Select 2 countries you think have the best market potential for your product;
2. Review the market factors for each country;
3. Research data/information for each country;
4. Rate each factor on a scale of 1-5 with 5 being the best; and
5. Select a target market country based on your ratings

STEP 1:

Market Factor Assessment: Country A, Country B

Demographic/Physical Environment:

	Country A:	Country B
Population size, growth, density		
Urban and rural distribution		
Climate and weather variations		
Shipping distance		
Product-significant demographics		
Physical distribution and communication network		
Natural resources		

Political Environment:

	Country A:	Country B
System of government		
Political stability and continuity		
Ideological orientation		
Government involvement in business		
Attitudes toward foreign business (trade restrictions, tariffs, non-tariff barriers, bilateral trade agreements)		
National economic and developmental priorities		

Economic Environment:

	Country A:	Country B:
Overall level of development		
GNP, industrial sector		
Role of foreign trade in the economy		
Currency		
Inflation rate, availability, controls, stability of exchange rate		
Balance of payments		
Per capita income and distribution		
Disposable income and expenditure patterns		

Social/Cultural Environment:

	Country A:	Country B:
Literacy rate, educational level		
Existence of middle class		
Similarities and differences in relation to home market		
Language and other cultural considerations		

Market Access, Limitations on trade:

	Country A:	Country B:
high tariff levels, quotas		
Documentation and import regulations		
Local standards, practices, and other non-tariff barriers		
Patents and trademark protection		
Preferential treaties		
Legal considerations for investment		

Taxation, repatriation, employment, code of laws:

Product Potential:

	Country A:	Country B:
Customer needs and desires		

Local production, imports, consumption		
Exposure to and acceptance of product		
Availability of linking products		
Industry-specific key indicators of demand		
Attitudes toward products of foreign origin		
Competitive offerings		

Local Distribution and Production:

	Country A:	Country B:
Availability of intermediaries		
Regional and local transportation facilities		
Availability of manpower		
Conditions for local manufacture		

Indicators of population, income levels and consumption patterns should be considered. In addition, statistics on local production trends, along with imports and exports of the product category, are helpful for assessing industry market potential. Often, an industry will have a few key indicators or measures that will help them determine the industry strength and demand within an international market. A manufacturer of medical equipment, for example, may use the number of hospital beds, the number of surgeries and public expenditures for health care as indicators to assess the potential for its products.

What are the projected growth rates for the two countries selected over the next 3-5 years?

STEP 2:

Determine Projected Sales Levels

- What is your present domestic market percentage?
- What are the projected sales for similar products in your chosen international markets for the coming year?
- What sales volume will you project for your products in these international markets for the coming year?
- What is the projected growth in these international markets over the next five years?

STEP 3:

Identify Customers within Your Chosen Markets

- What companies, agents or distributors have purchased similar products?

- What companies, agents or distributors have made recent requests for information on similar products?
- What companies, agents or distributors would most likely be prospective customers for your export products?

STEP 4:

Determine Method of Exporting

- How do other domestic firms sell in the markets you have chosen?
- Will you sell direct to the customer?
- Who will represent your firm?
- Who will service the customer's needs?

STEP 5:

Building a Distributor or Agent Relationship

- Will you appoint an agent or distributor to handle your export market?
- What facilities does the agent or distributor need to service the market?
- What type of client should your agent or distributor be familiar with in order to sell your product?
- What territory should the agent or distributor cover?
- What financial strength should the agent or distributor have?
- What other competitive or non-competitive lines are acceptable or not acceptable for the agent or distributor to carry?
- How many sales representatives does the agent or distributor need and how often will they cover the territory?
- Will you use an export management company to do your marketing and distribution for you?
- If yes, have you developed an acceptable sales and marketing plan with realistic goals you can agree to?

Comments:

SUPPORT FUNCTIONS

To achieve efficient sales offerings to buyers in the targeted markets, several concerns regarding products, literature and customer relations should be addressed.

STEP 1:

Identify product concerns

Can the potential buyer see a functioning model or sample of your product that is substantially the same as would be received from production?

Comments:

What product labeling requirements must be met? (Metric measurements, AC or DC electrical, voltage, etc.) Keep in mind that the European Community now requires 3 languages on all new packaging.

When and how can product conversion requirements be obtained?

Can product be delivered on time as ordered?

Comments:

STEP 2:

Identify literature concerns

- If required, will you have literature in language other than English?
- Do you need a product literature translator to handle the technical language?
- What special concerns should be addressed in sales literature to ensure quality and informative representation of your product?

STEP 3:

Identify customer relations concerns.

- What is delivery time and method of shipment?
- What are payment terms?
- What are the warranty terms?
- Who will service the product when needed?
- How will you communicate with your customer? . . . through a local agent or fax?
- Are you prepared to give the same order and delivery preference to your international customers that you give to your domestic customers?

MARKETING STRATEGY

In international sales, the chosen "terms of sale" are most important.

Where should you make the product available: at your plant, at the port of exit, landed at the port of importation or delivered free and clear to the customer's door? The answer to this question involves determining what the market requires, and how much risk you are willing to take.

Pricing strategy depends on "terms of sale" and also considers value-added services of bringing the product to the international market.

STEP 1:

Define International Pricing Strategy

- How do you calculate the price for each product?
- What factors have you considered in setting prices?
- Which products' sales are very sensitive to price changes? How important is pricing in your overall marketing strategy? What are your discount policies?
- What terms of sales are best for your export product?

STEP 2:

Define promotional strategy

- What advertising materials will you use?
- What trade shows or trade missions will you participate in, if any?
- What time of year and how often will foreign travel be made to customer markets?

STEP 3:

Define customer services

- What special customer services do you offer?
- What types of payment options do you offer?
- How do you handle merchandise that customers return?

SALES FORECAST

Forecasting sales of your product is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Remember that sales forecasts show the expected time the sale is made. Actual cash flow will be impacted by delivery date and payment terms.

STEP 1:

Fill in the units-sold line for markets 1, 2, and 3 for each year on the following worksheet.

STEP 2:

Fill in the sales price per unit for products sold in markets 1, 2 and 3.

STEP 3:

Calculate the total sales for each of the different markets (units sold x sales price per unit).

STEP 4:

Calculate the sales (all markets) for each year - add down the columns.

STEP 5:

Calculate the five year total sales for each market - add across the rows.

Sales forecasts:

Market 1

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Sales					

Market 2

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Sales					

Market 3

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Sales					

All markets

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Sales					

COST OF GOODS SOLD

The cost of goods sold internationally is partially determined by pricing strategies and terms of sale. To ascertain the costs associated with the different terms of sale, it will be necessary to consult an international freight forwarder. For example, a typical term of sale offered by a domestic exporter is cost, insurance and freight (CIF) port of destination. Your price includes all the costs to move product to the port of destination.

A typical cost work sheet will include some of the following factors. These costs are in addition to the material and labor used in the manufacture of your product: export packing, forwarding, container loading, documentation, inland freight, consular legalization, truck/rail unloading, bank documentation, wharfage, dispatch, handling, bank collection fees, terminal charges, cargo insurance, ocean freight, other misc., bunker surcharge, courier mail.

To complete this worksheet, you will need to use data from the sales forecast. Certain costs related to your terms of sale may also have to be considered.

STEP 1:

Fill in the units-sold line for market 1, 2, and 3 for each year.

STEP 2:

Fill in the cost per unit for products sold in markets 1, 2, and 3.

STEP 3:

Calculate the total cost for each of the products - (units sold x cost per unit).

STEP 4:

Calculate the cost of goods sold - all products for each year - add down the columns.

STEP 5:

Calculate the five-year cost of goods for each market - add across the rows.

COST OF GOODS SOLD:

Market 1

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Cost					

Market 2

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Cost					

Market 3

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Cost					

Cost of Goods Sold All Markets

Year	1	2	3	4	5
Units Sold					
Sale Price/Unit					
Total Cost					

INTERNATIONAL OVERHEAD EXPENSES

To determine overhead costs for your export products, you should be certain to include costs that pertain only to international marketing efforts. For example, costs for domestic advertising of service that do not pertain to the international market should not be included. Examples of most typical expense categories for an export business are listed on the next page. Some of these expenses will be first year start-up expenses, and others will occur every year.

STEP 1:

Review the expenses listed on the next page. These are expenses that will be incurred because of your international business. There may be other expense categories not listed - list them under "other expenses."

STEP 2:

Estimate your cost for each expense category.

STEP 3:

Estimate any domestic marketing expense included that is not applicable to international sales.

STEP 4:

Calculate the total for your international overhead expenses.

EXPENSE COST

Market	1	2	3	Total Yr 1
Legal Fees				
Accounting Fees				
Promotional Material				
Travel				
Communication				
Equipment				

Advertising Allowances				
Promotional Expenses (e.g., trade shows, etc.)				
Other Expenses				
Total Expenses				
Less Domestic Expenses (included above, if any)				
Total International Start-up Expenses				

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