

Assessing Your Export Readiness

Summary

In this session, you will learn if you have what it takes to be a successful exporter. We call this step an Export Readiness Assessment. If the assessment indicates that you're not at that point yet, we'll show you what you can do to become export ready. Topics covered in this second session include Indicators of Export Potential, Indicators of Export Readiness, and Export Readiness Assessment Tools.

Introduction

Welcome to the LA Export Series podcasts brought to you by the El Camino College Center for International Trade Development.

Each Podcast will focus on a specific export topic presented by an industry expert. Our complete series will walk you through all phases of the export process, from getting started to getting paid and delivering the goods.

The first session started with the basic question, Is Exporting for Me? It covered what exporting is; how it compares and contrasts with domestic selling; the benefits, costs and risks of exporting; the myths and excuses for not exporting; and why you should seriously consider exporting as a key new element of your business strategy.

In this second session, we'll walk you through the next step to determine if you have what it takes to be a successful exporter. We call this step an Export Readiness Assessment. If the assessment indicates that you're not at that point yet, we'll show you what you can do to become export ready.

Topics covered in this second session include Indicators of Export Potential, Indicators of Export Readiness, and Export Readiness Assessment Tools

Presenter: Maurice Kogon

Our Presenter is Maurice Kogon, Director of the El Camino College Center for International Trade Development. Maurice has over 49 years of experience in the international business field as a U.S. government official, business executive, educator, and consultant. He has written, lectured, and trained extensively on international trade and has developed numerous Web-based export tools now used throughout the world. He is also a past President of NASBITE and has served on the NASBITE Board of Governors since 1999. Maurice obtained both his Master's and Bachelor's degrees in Foreign Affairs from George Washington University.

Export Potential Indicators

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Export Readiness Indicators

Having export potential is not enough for export success; you must also be, or be able to become, export ready. What's the difference between export potential and export readiness? Export potential relates to your product or service – is there a demand for it outside the U.S. and can you export it competitively – on price, quality, brand, credit or other terms. Export readiness relates to your company – do you have the organizational capacity to export your high-potential product or service?

Here again, as with export potential, there are indicators of export readiness. By and large, we can say that your company is export ready if you have these five basic attributes:

- You have or can acquire at least one staff member with export knowledge, and
- Your budget can afford some additional marketing expenses, and
- Your top management is willing to give exporting a serious try, and
- You have capacity to handle an increased level of sales, and
- You use sound business practices in your domestic operations

Let's see how you measure up in each respect.

Export Knowledge

You don't have to be an expert to export. However, if you intend to do your own exporting, you cannot afford to be without some export-experienced staff. To avoid costly blunders, you should have at least one in-house person assigned to the export function or at least generally familiar with the procedural, financial and marketing aspects of exporting. This staff person, either hired or trained, would draw on banks, freight forwarders and other outside specialists as needed. It's also wise to invest in continual training for new as well as experienced staff. Here are some areas where knowledge can be most helpful:

- Market research and planning: It's important to look before you leap. Ignorance and poor planning are the leading causes of export failure. 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 that 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. It's important to have access to legal counsel that can alert you to potential pitfalls and help you take the necessary precautions.
- 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. Cultural sensitivity needs to be internalized in the company, not farmed out.
- 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, you can get by with English in most situations. English is widely used in international business, and interpreters and translators are available as needed.
- Export costs and pricing: 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. 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. 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. For example, they may want to buy on credit over an extended time period, leaving you to finance the shipment at greater risk of non-payment. 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.

Export Budget

There are low cost and high cost ways to approach exporting, but no-cost is not an option. It will take some money to establish market identity abroad, attract buyers, and build solid relationships with distributors and customers. There may be other incremental export costs as well (i.e., costs not encountered in domestic selling), such as for design changes to adapt the product to a foreign market, translations, sales trips abroad, and the like.

The first thing to look for are the free export services offered by nearby export assistance centers, such as the Commerce Department's U.S. Export Assistance Centers and state and local trade assistance offices. They typically offer free export advice and free or very low cost export workshops. Much of the information you need for market research is also free on the Internet.

Beyond the free advice and information available, you can take exploratory steps to test the waters and generate export leads on a \$1,000 to \$5,000 budget. You could be fairly aggressive on a \$10-50,000 per year export budget and very aggressive above that. The key point is, do the most with what you have.

Management Commitment

A motivated management is a prime factor in export success. There are good and bad reasons to export. The primary motivation should be to increase sales, profitability and growth over the long term. This long-term commitment is critical, because exporting is not a spigot that can be turned on and off at will. It requires patience to develop markets and sustain relationships with your buyers and distributors. Think of it as planting seeds; the benefits will not likely materialize in the first quarter, and perhaps not even in the first year.

If top management sees exporting in that positive light, it will more likely make the necessary long-term commitment. On the other hand, if management pursues exporting for opportunistic or short-term reasons -- say to offset a weak domestic market or in hopes of a quick profit, then the more likely outcome is disappointment at the least, if not failure.

Organizational Capacity

Exporting will create added and more specialized work for the company, particularly as new inquiries and orders begin to flow in. Foreign customers have little tolerance for errors, bottlenecks, backlogs or delays that can create complications and add to their costs. If you're serious about exporting, you should not burden your existing staff with the added export workload unless they can readily absorb it. You'll need managers and staff that can handle the extra load and know what they're doing. Successful exporters typically assign at least one specialist to the export function. This provides expertise in all key areas, such as planning, market development, promotion, shipping, documentation, and collections.

Sound Business Practice

If you're successful in the highly competitive U.S. market, it's probably because you not only have a good product, but that you're also

very good at promoting and selling your product. The same best practices that help account for your domestic success are just as important for exporting, perhaps even more so. Here are the best practices that will most help you to be a successful exporter.

Market research: Most successful businesses conduct research on the demand for their product, who and where their customers are, and customer likes and dislikes. Market research of this kind is even more important for exporting. With over 200 foreign markets to choose from, it's essential to differentiate the high potential from the less potential markets. You don't want to waste time, effort and money on markets that won't pay off.

Once you identify the best markets, say the top 3-5, you then need to determine the best entry strategy for each target market, such as the best distribution, pricing, promotion and localization strategies. One of the biggest exporting mistakes is to treat all markets alike, or just like the home market. They all have potential differences that make a difference, such as different income levels, cultures, religions, languages, business practices, and regulations. Some markets, like Canada, will not be so different from ours. Others like China or countries in the Middle East, will be quite different from ours.

Market research helps you target on the best markets and best market entry strategies. Fortunately, you can find much of the information you need on the Internet or from trade assistance organizations that can direct you to the right sources.

Market planning: Market research tells you what you need to do; market planning tells you how and when to do it. As the adage goes, businesses do not plan to fail, they fail to plan. Systematic market planning is essential, both domestically and for export. You will be most successful as an exporter if you have a game plan that translates recommended strategies into affordable action plans and timetables.

For example, if the recommended distribution strategy for Target Market A is to sell through a local distributor rather than direct to retailers or end users, then your Market Plan must include an action and budget to find a qualified and interested distributor. Similarly, if the recommended localization strategy is to translate your label into the local language, or adapt your product to comply with local requirements or preferences, your Market Plan must include an action and budget to do just that. And so on for actions on recommended pricing and promotion strategies in each the target market.

Market promotion: Unless your product essentially sells itself, you will need to take promotional steps to gain exposure in your target markets. 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, you will need to promote even more aggressively abroad than you do domestically.

Most countries have adequate media and can support any of the marketing methods you use domestically, 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, business travel, and trade shows. These techniques might best be carried out in-country by your overseas representative, possibly on a cost-sharing basis.

Sales and distribution: If you are successful in the domestic market, more likely than not you are selling your product nationwide, rather than locally or regionally, and have already set up a network of regional and national sales reps or distributors. Since most exporting is also done through local agents or distributors in each market, the more you know about selecting and managing distributors, the better off you are. Also, by going nationwide, you have already mastered the use of long-distance administrative, distribution and promotional techniques. Your familiarity with these techniques will make your transition to an export mode that much easier.

If you don't yet have such networks or experience, you'll need to prepare yourself to reach that point as an exporter. Choosing the right overseas representatives 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. In some countries, you can't easily terminate an agent/distributor relationship. Therefore, you want to be careful and selective in your search.

Your local trade assistance center can help you find overseas distributors. For example, the Department of Commerce has two, low-cost partner-find services. Both use experienced trade specialist in the target country to conduct a customized search in your behalf. The International Partner Search version of that service sends you a list of the qualified and interested prospects. With the Gold Key version of the service, you would travel to the country to meet face to-face with the listed prospects.

Assessment Tools

To assess your export readiness and develop export readiness skills, we offer a few valuable tools. All are available for free in the Start-Up Kit section of our CITD Website: <http://elcaminocitd.org>. These tools are designed to build your export knowledge and capacity, so you can confidently move to the next step and develop export markets.

First is a free copy of my book, *Exporting Basics*, in an easy to download PDF format. In addition to the three chapters on *Is Exporting for Me*, *Developing Export Markets*, and *Making Export Sales*, it offers templates for partnership letters, legal agreements, qualification checklists for potential agents and distributors, and much more.

Second is a compilation of answers to frequently asked questions about exporting.

Third, and most important, you'll find an on-line export readiness diagnostic tool, consisting of 23 basic questions used to identify areas in which you might be weak or strong as a potential exporter; with advice and recommendations on how to overcome weaknesses.

Credits

Thank you for listening and special thanks to Maurice Kogon for sharing his time and international business insights. Check out our full line of LA Export Series podcasts on our website www.exportassist.org, where you will find information on additional export topics with complementary tools and resources.

This podcast is brought to you by the El Camino College Business Training Center, a trusted resource delivering high-quality training and assistance to help meet your need for a more productive and competitive workforce. The Business Training Center is part of the El Camino College Community Advancement Division and is proud to be part of the state's economic development mission to advance California's economic growth and global competitiveness through quality education and services focusing on continuous workforce improvement, technology deployment, and business development. Funding for this podcast was provided by the El Camino College Center for International Trade Development and a Statewide Collaborative for Business Computer Information Systems Education mini-grant from Coastline Community College.

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