

# Export Business Planner










For Your Small Business



## A downloadable tool to save and customize

- How to determine your export readiness
- Training and counseling information
- Worksheets for global market research
- Financing information and options
- Customizable Export Business Plan and Marketing Plan templates
- Helpful resources for exporters
- Glossary of Export Terms
- And more!

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SBA's **Export Business Planner For Your Small Business** is available for free download at:

[www.sba.gov/exportbusinessplanner](http://www.sba.gov/exportbusinessplanner)

# Using this Planner

Welcome to the **Export Business Planner For Your Small Business** – a hands-on exporting preparation guide brought to you by the **U.S. Small Business Administration (SBA)**.

This innovative tool is designed to serve as your roadmap for creating your Export Business Plan, exploring foreign markets, developing a Marketing Plan, exploring financing, costing your product, and more. But unlike a traditional printed manual, this *Planner* is a “living” document, ready to be customized and continually updated by **you**.

## Getting Started is Easy!

- The *Planner* includes a series of topical chapters to guide you through the export planning process efficiently, effectively, and at your own pace. You can tackle several chapters at once, or work through them one at a time.
- As you work through the various chapters and their coordinating worksheets, you’ll be developing and saving your custom Export Business Plan and Marketing Plan – right within the pages of this *Planner*.

Export planning entails a fair amount of research. But with the *Planner*, there’s no need to remember and/or compile these resources yourself – they are all embedded in appropriate topical locations. As such, you are given a “head start” on conducting export research, as the step of finding the best sources of further information has already been done for you.

All you need to do is complete the worksheets and then save them—and your Export Business Plan will be underway!

### Key Steps: At-A-Glance

1. **Save** the *Planner* to your computer/desktop
2. **Start using** the *Planner*: Explore chapter Information and extensive resource links
3. **Complete and save** the worksheets
4. **Print chosen pages** and completed worksheets as desired
5. **Update the *Planner*** as often as you wish. It’s yours to customize!

### Quick List of Features

- **Table of Contents** for an at-a-glance look at the process, with internal links to take you directly to your chapter of choice
- **Topical chapters** featuring background information and coordinated worksheets
- **Linked chapter heads** for easy navigation
  - *Information*: Links to topics within the chapter
  - *Worksheets*: Links to customization worksheets
- **Direct links** to web resources, training podcasts, small business videos, and more
- **Glossary of Terms**: putting you “in the know” for common export terminology
- **Index**: making it easy to reference key information on the fly

# Your Export Planning Begins HERE

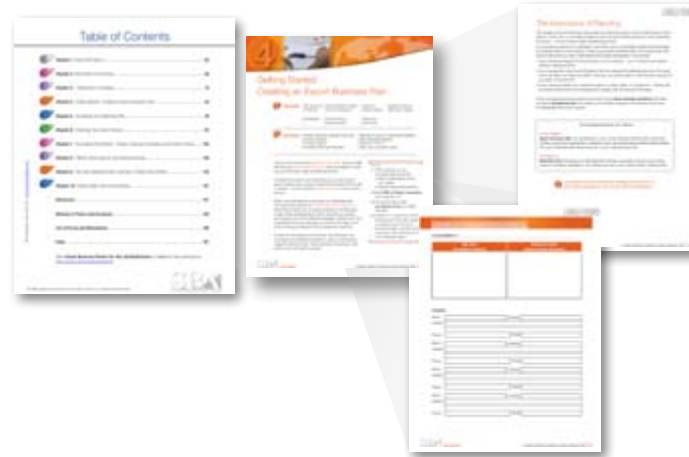
Read on for a quick overview of the format and attributes of the *Planner*. This “need to know” information will help you to make the most of this comprehensive and practical export planning tool.

## Inside the *Planner*: Basic Format



Chapter	Page
Chapter 1: Using the Planner	10
Chapter 2: Introduction to Exporting	11
Chapter 3: Why Export? Benefits	12
Chapter 4: Why Export? Overview of Export Business Plan	13
Chapter 5: Introduction to Marketing Plan	14
Chapter 6: Marketing Your Export Business	15
Chapter 7: Marketing Activities: Using Traditional Marketing and Advertising	16
Chapter 8: Selling Strategies for Exported Products	17
Chapter 9: The New Marketing Plan: Goals, Objectives and Metrics	18
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Start with the Table of Contents – it gives you a quick outline of the planning process and topical information you’ll need to review and work through.



Overall, the *Planner* is structured with two primary content areas:

**I** **Informational Pages:** Providing background, need-to-know exporting info, readiness background and assessment and a wealth of resources and links.

**W** **Customizable Worksheets:** Enabling you to work through the process and complete each exercise ... and then **save your work**. As a result, the pages of the planner become your own customized Export Business Plan and subsequent Marketing Plan.

**Bonus:** Worksheets that include financial calculations and costing are designed to “auto-calculate” once you’ve inserted your own specific information. In this way, your information is streamlined and automatic.

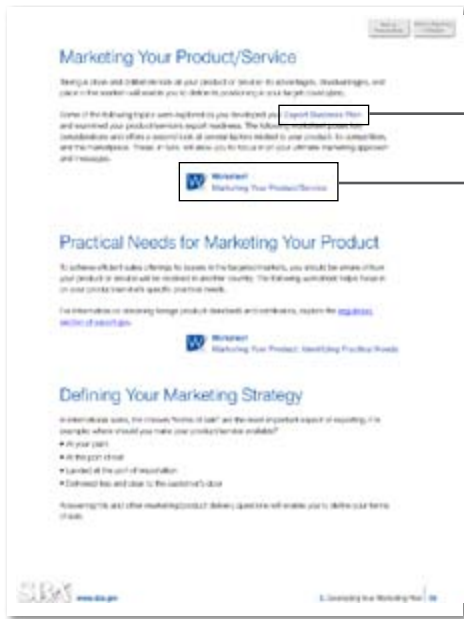
You can choose to work through one chapter at a time or explore multiple sections at once, depending on the time you have available and your current stage of export business planning.

### Remember: Save Your Work!

As you complete each worksheet, it’s important to **“Save”** the document. By saving, your input and changes will be recorded.

If you’d like, you can choose to use the **“Save As”** function to keep a running archive of your plan in its various stages of growth.

## Inside the Planner: Key Features



**Internal links** transport you directly to more information on a particular topic located within the *Planner*.

These include:

- Chapters with related/refresher information
- Sections within chapters, where applicable



Worksheet icons take you directly to customizable *Planner* pages.

Once you have jumped to a linked page, you will have two options, located at the top right of the page:



**Back to Previous View** takes you back to the last page viewed)

**Back to Beginning of Chapter** takes you back to the information section where you began)

**Glossary words** take you to the definition of the chosen exporting term.

**External links** provide a “research shortcut,” launching specific websites and resources to make your background research efficient and direct. These also provide a gateway to podcasts, videos, contact information, and more.



### Watch For Quick Links to ...

- *Government/exporting websites*
- *Training podcasts from SBA and export.gov, the government portal for exporting*
- *Video profiles from other small business exporters*
- *SCORE and SBDC locations*
- *SBA's current lender list*
- *The FTA tariff tool*
- *And more!*

# Maximizing the Worksheets

The worksheets provide the templates for developing your Export Business Plan, conducting business assessments and foreign market research, creating your Marketing Plan, costing and sales projections, goal-setting, and more.



Each worksheet includes “open” content boxes, ready to be customized by you. Simply move your cursor into any box, and begin typing.

Some of the worksheets require examining your business goals, options and decision-making steps; others provide automated calculations to assist you in forecasting and costing.

- The “**text**” boxes are set up to provide a typical amount of space for any given answer; however, should you find that you have additional information you’d like to record, you may use the Notes page, located at the end of each chapter.
- For “**numerical**” sheets, key calculations are automated. These will self-tally once you have entered in key information for your projects, expenses, and other financial aspects.

Once you have completed a worksheet, you have several options, including:

- **Save** the Worksheet
- **Continue using Planner**
- **Print the worksheet** (page numbers are provided for efficient printing)
- **Back to Previous View** takes you back to the last page viewed
- **Back to Beginning of Chapter** takes you back to the information section



By completing and saving the worksheets, you are building an ongoing plan that evolves and grows as you work through the rich step-by-step content within the *Planner*. In addition, you are encouraged to keep updating and adjusting it as your plans and tasks change so that your plan stays current and continues to evolve as your export endeavors grow.



To ensure maximum functionality of the Planner and its interactive Worksheets, be sure that you are using the most **current version** of Adobe Acrobat Reader. Visit [www.adobe.com](http://www.adobe.com) to check!

## Financing and Counseling Highlights

Don't miss...

- *Easy-to-compare information on SBA's export financing programs like **Export Express** and the **Export Working Capital Program**, along with the available services from the Export-Import Bank of the United States.*
- *Overviews and direct links to SBA's counseling services, like SCORE and Small Business Development Centers (SBDCs).*

# Printing the Planner Pages

The *Export Business Planner* is a robust PDF (“Portable Document Format”) that is chock-full of exporting information. Given its length, you will likely want to print those pages you need. For example:

- **Information:** Printing out key chapters will allow you to read and review them during “down time” when you are away from your computer. Be sure to select the page range you wish to print, if you don’t wish to output the entire *Planner*.
- **Worksheets:** Printing completed sheets will allow you to utilize them for preparation, presentations and meetings with key business partners, bankers, or export counselors.



To print this worksheet,  
print pages X to X

Each worksheet includes a “**Print Page X through X**” notation. Be sure to select this page range in your Printer Dialogue Box to ensure that you print the desired worksheet pages at any given time.

## Tech Tip:

Adobe Acrobat Reader’s features can help you make the most of the *Planner*. For example: experiment with using the **Bookmarks** as an in-depth “Table of Contents”; in addition, the **Thumbnails** offer miniature at-a-glance page views. (Both features are found to the left of the open document on your screen.)

## Development Team

The *Export Business Planner* was developed with a team of export counselors from Small Business Development Centers across the country. Special thanks to:

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### **Grow your business and the U.S. economy.**

Spread the word to other small businesses interested in exporting!

[www.sba.gov/exportbusinessplanner](http://www.sba.gov/exportbusinessplanner)

## Ready? Let’s Begin!

SBA welcomes your interest in becoming a small business exporter, and encourages you to utilize the streamlined information and integrated worksheets along with the wealth of resources you will find within these pages. As you move forward, so will your customized Export Business Plan.

Here’s to your success as a small business exporter!

# 2



## Introduction to Exporting



### Information

Service Exports:  
A Growth Opportunity

Should You Export?  
Weighing Your Decision

Government's Role: Working Together  
for Your Exporting Success

SBA Video Clips

Exporting: What's In It  
for Your Business?

Resource List for  
Beginning Exporters

In its simplest terms, exporting is the sale and transport of a good or service to another country. It offers businesses the opportunity to build upon domestic success. But exporting is crucial to America's economic health as a country, too. Increased exports mean business growth, and business growth means bigger profits for U.S. companies—and results in more jobs for American workers.

According to the U.S. Small Business Administration (SBA), small firms represent 99.7% of all employers, generate 60% to 80% of new jobs annually and account for 97% of all U.S. exporters. Indeed, small business success in international markets is extremely important to the overall economy of the United States.

There are many ways to become involved in exporting, from *selling to domestic buyers* who then export your product to *exporting products yourself* (commonly referred to as “direct exporting”). However you choose to export, a detailed and thorough strategy is an important part of planning. This *Planner* will guide you in an organized and strategic process.

As you'll discover when you begin **Chapter 4. Getting Started: Creating an Export Business Plan**, the general tasks in developing a strategy include:

- Evaluating your product's export potential;
- Determining if you are ready to make a commitment to international markets and evaluating whether your company is “export-ready”;
- Identifying key foreign markets for your products through market research;
- Evaluating distribution and promotional options and establishing an overseas distribution system;
- Determining export prices, payment terms, methods and techniques;
- Familiarizing yourself with shipping methods, export documentation procedures, export financing and other requirements for exporting.

### FACTS

#### Exporting by the Numbers\*

U.S. Exports:

- Totalled \$1.2 trillion in goods and \$543 billion in services
- Supported more than 16 million higher-paying U.S. jobs
- Strengthened companies and farms—in fact, agricultural production from one in three acres of U.S. agricultural land is now exported.
- Sent export revenue to local communities through restaurants, retail stores, etc.

\*Based on 2010 statistics



Back in 2001, Howard Lewis III and J. David Richardson's report, *Why Global Commitment Really Matters!* (published by the Institute for International Economics), offered companies new insight into the value of exporting. According to that landmark study:

- Companies that export grow faster and fail less often than companies that don't.
- U.S. exporting firms experience 2% to 4% faster annual growth in employment than their nonexporting counterparts.
- Exporting firms offer better opportunities for advancement, expand their annual total sales about 0.6% to 1.3% faster, and are nearly 8.5% less likely to go out of business, regardless of time period or export volume.
- Workers employed in exporting firms have better-paying jobs than their counterparts in nonexporting firms:
  - Blue-collar workers in exporting firms earn 13% more.
  - Wages in large plants that export are 23% higher.
  - Wages in small plants that export are 9% higher.
  - White-collar employees in exporting firms earn 18% more.
  - Benefits at exporting plants are 37% higher, and include improved medical coverage and paid leave.

## Service Exports: A Growth Opportunity

Since 1980, U.S. service exports have grown more than 289% faster than exports of goods. U.S. providers of service exports not only realize substantial business growth; they also play a major role in fortifying the U.S. economy. In fact, since 1971, the U.S. service sector has generated trade surplus that has consistently reduced the U.S. trade deficit. For example, in 2007, U.S. exports of services reached \$497 billion—and decreased the trade deficit by more than \$87 billion. And, according to the Progressive Policy Institute (PPI), if current service export rates of growth continue, America's services exports will exceed goods exports by 2037.

### FACT

Top Service Exporters by Volume:

1. United States
2. United Kingdom
3. France
4. Germany
5. Japan

The U.S. service sector has become extremely advanced and internationally competitive. In turn, the sector's wages have risen considerably. And as global demand for U.S. service exports increases, companies within the service sector are encouraged to expand internationally.

### Examples of In-Demand Service Exports:

- Accounting
- Advertising
- Business services
- Consulting
- Engineering
- Entertainment
- Financial services
- Franchising
- Health care
- Professional services
- Public relations
- Technical services
- Telecommunications
- Testing
- Training services
- Transportation
- Travel

The division between domestic and international markets is becoming increasingly blurred. In a world of nearly 7 billion people, technology-based commerce options, global communication networks and next-day air freight deliveries worldwide, it no longer makes sense to limit your company's sales to the local or even the national market. In fact, your business cannot ignore these "borderless" realities if you intend to maintain your market share and keep pace with your competitors.

Making the decision to export requires careful assessment of the advantages and disadvantages of expanding into new markets. Once the decision is made to export, developing an export business plan and an international marketing plan are essential.

## Should You Export? Weighing Your Decision

### Benefits

Exporting can help your business:

- Enhance domestic competitiveness
- Increase sales and profits
- Gain global market share
- Reduce dependence on existing markets
- Exploit corporate technology and know-how
- Extend the sales potential of existing products
- Stabilize seasonal market fluctuations
- Enhance potential for corporate expansion
- Sell excess production capacity
- Gain information about foreign competition

### Trade-offs

In making a balanced decision, it's important to note that there are certain trade-offs you can expect. These disadvantages may justify a decision to forego direct exporting right now, although your company may be able to pursue exporting through an intermediary. If your company's financial situation is weak, attempting to sell into foreign markets may be ill-timed.

Your business may be required to:

- Use short-term profits to achieve long-term gains
- Hire staff to launch the export expansion
- Modify your product or packaging
- Develop new promotional material
- Incur added administrative costs
- Dedicate personnel for traveling
- Wait longer for payments
- Apply for additional financing
- Obtain special export licenses

## Dispelling Export Myths

**Myth:** Exporting is only for large companies.

**Fact:** Small firms account for 97% of all exporters.

**Myth:** Only tangible projects can be exported.

**Fact:** Service exports are a fast-growing and profitable endeavor. In fact, U.S. service exports more than **doubled** between 1990 and 2000, increasing from \$148 billion to \$299 billion. By 2010, U.S. service exports reached \$543 billion annually!

**Myth:** It's difficult to get financing for exporting.

**Fact:** The U.S. government offers many opportunities for business financing and loans. Check out **Chapter 6. Financing Your Export Venture**.

**Myth:** I don't need to export; my domestic market is strong.

**Fact:** Your overseas-based competition is almost certainly looking at the U.S. market also. Meeting your competition in *their* market will lead to a global competitive advantage for you.

**Myth:** You need to be fluent in one or more foreign languages to export.

**Fact:** The U.S. Department of Commerce's Foreign and Commercial Service can provide translators for small businesses. In addition, many small businesses have found that English is spoken in many countries around the world.

**Myth:** Only experienced exporters should accept payment in foreign currencies.

**Fact:** Only quoting in U.S. dollars makes U.S. exporters less competitive. There are many tools, strategies and government programs to help you, as a new exporter, manage foreign risk.

**Myth:** Licensing requirements for exporting are not worth the effort.

**Fact:** Most products do *not* need an export license. Exporters simply write "NLR" for "no license required" on the Shipper's Export Declaration. (An export license is needed only when exporting certain restricted commodities, like high-tech goods or defense-related items, or when shipping to a country currently under a U.S. trade embargo or other trade restrictions.)

**Myth:** Companies interested in exporting have to "go it alone" to learn how.

**Fact:** There is vast array of services available, from financing to training to one-on-one counseling. Start exploring these resources today at [SBA's Exporting page](#)—and be sure to review **Chapter 3. Training and Counseling**.

## Government's Role: Working Together for Your Exporting Success

Entrepreneurs and small business owners like you drive innovation, strengthen the U.S.'s competitive edge, and create good jobs for American workers. With government support, you can get the export financing you need to buy space and equipment, hire more workers, and gear up for moving your company into exporting.

In 2010, President Barack Obama signed an Executive Order to promote U.S. exports. The [National Export Initiative](#) was launched as a critical component of stimulating economic growth by increasing the export of goods, services, and agricultural products. The initiative works to help firms—especially small businesses—overcome the hurdles to entering new export markets by assisting with financing, and in general by pursuing a government-wide approach to export advocacy abroad, among other steps. There is even a government web portal comprised of many government partners and dedicated exclusively to promoting export growth: [www.export.gov](http://www.export.gov).

The Small Business Administration supports small businesses interested in exporting through counseling, training and financing. Options for small business exporters include [Export Express](#) and the [Export Working Capital Program \(EWCP\)](#). The [Export-Import Bank of the United States](#) also has loans that can help small businesses who are looking to export their goods and services. You'll learn more about these options in [Chapter 6. Financing Your Export Venture](#).

### SBA Export Financing: At-A-Glance

SBA provides export financing through three different types of loan programs:

- Export Working Capital Program (EWCP)
- Export Express Program
- International Trade Loan Program

Learn more in [Chapter 6. Financing Your Export Venture](#).

## SBA Video Clips

View small business success stories online!



### Getting Started in Exporting

- [Why export?](#)
- [Finding Your First Customer](#)
- [Knowing the Export Environment](#)
- [Marketing Strategies/Market Research](#)
- [Creating an Export Business Plan](#)

### Connecting with Foreign Buyers

- [Meet Your Customers—Traveling There](#)
- [Identifying Marketing Channels/Activities](#)
- [Understanding Partnerships and Distributors](#)
- [Getting Your Product from Here to There](#)
- [Providing Good Customer Service](#)
- [Understanding Legal Considerations](#)
- [Financing](#)

### Case Studies

- [ATC International](#)
- [Nanmac](#)
- [Omega Technologies](#)
- [CA Wireless](#)
- [The Produce Connection](#)

# Exporting: What's In It for Your Business?

International trade enables producers of goods and services to move beyond the U.S. market of more than 300 million people and sell to the world market of nearly 7 billion people. If you are new to the international arena, you are encouraged to take advantage of the tremendous resources and services available to you from SBA and other United States government agencies.

There has never been a better time to expand into exporting. Today's business climate is offering:

- Reduction in trade barriers
- Available productive capacity in the United States to handle manufacturing expansion
- A ready supply of workers
- Lower costs for transportation and communications

*For your business, this can mean:*

- Increased sales and profit
- Reduced dependence on the domestic market alone
- Extended sales potential and product life of existing products
- Stabilized seasonal market/sales fluctuations

## Case Study: Moving from Domestic to International Business

**Who:** Southwest Windpower, located in Flagstaff, AZ

**Opportunity:** When Southwest Windpower began producing battery-charged small wind generators in 1987, the company realized that there could be great potential for the worldwide distribution of wind generators. Andrew Kruse, executive vice president for business development, discovered SBA resources while looking online for information about exporting.

**Results:** An SBA export counselor advised Kruse on how the **Export Working Capital Program** could be used to expand his business. Today, Southwest Windpower distributes products to more than 120 countries. Nearly half of its sales of \$425 million in 2008 came from international markets. In 2009, Southwest Windpower was recognized as SBA's National Exporter of the Year during National Small Business Week.

**“Financing to help expand exports has been one of the greatest challenges for our business. The SBA has been crucial to our success,” said Andy Kruse.**

# Resource List for Beginning Exporters

As you embark on the path toward equipping your business for exporting, you'll likely find it helpful to view the many resources available for beginning exporters.

[Explore Exporting](#): Information on government programs that offer training, counseling, and financial assistance to small businesses wanting to export their products and services.

[Where Will Your Next Customer Come From?](#): A beginner's overview at [www.export.gov/begin](http://www.export.gov/begin)

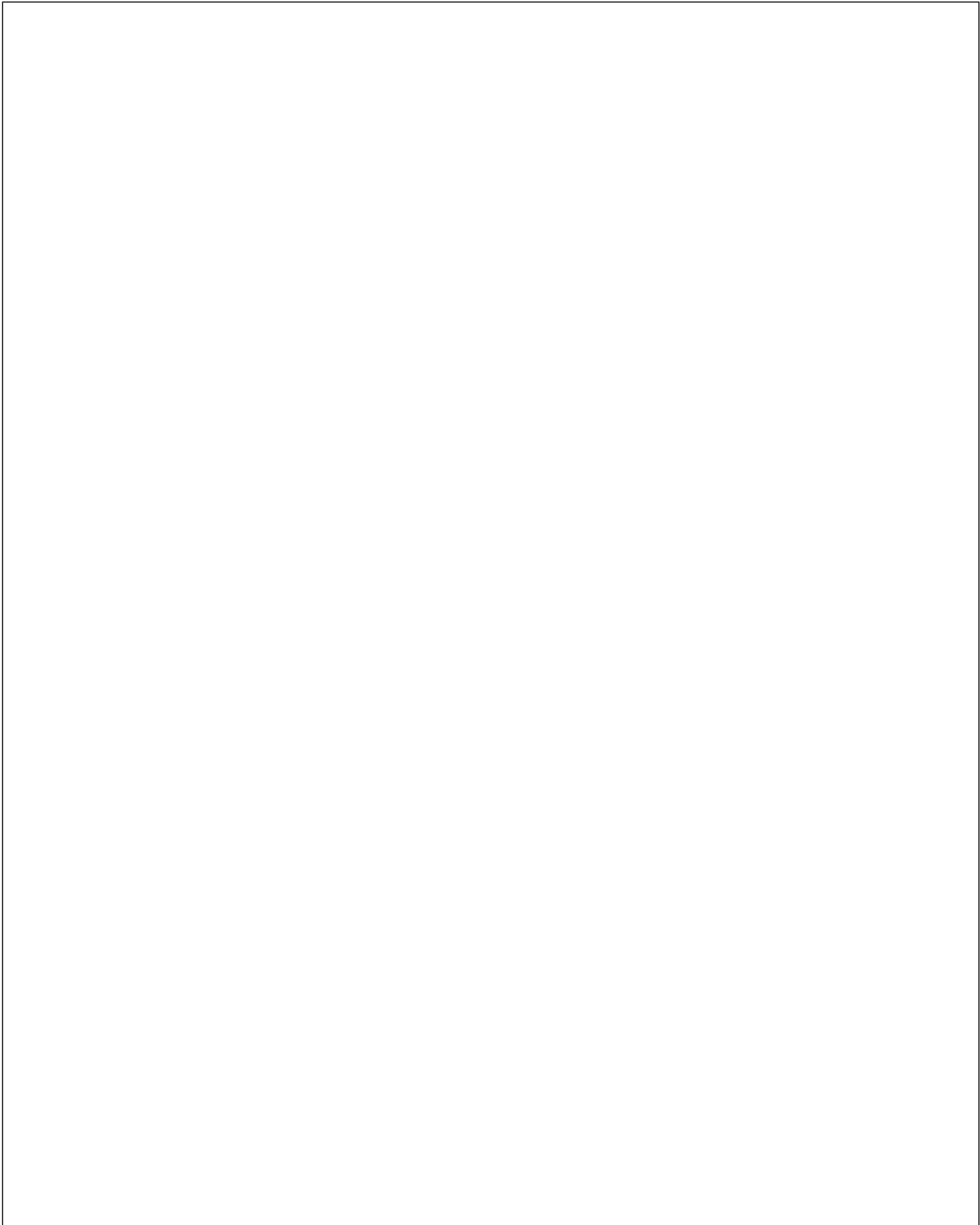
[Financing Your Small Business Exports, Foreign Investments or Projects](#): Information on government loans, insurance and grant programs.

[SBA Export Express—A Fact Sheet for Small Businesses](#): All about fast and easy loans for small exporters.

[International Trade Loan Fact Sheet](#): A handy primer describing SBA's enhanced export financing options.

[Export Working Capital Program—A Fact Sheet for Small Businesses](#): SBA's role in export financing.

Notes:



# 3



## Training and Counseling



### Information

Local Counseling  
& Training

SBA District Offices

Small Business Development  
Centers (SBDCs)

SCORE

Women's Business Centers  
(WBCs)

U.S. Export Assistance  
Centers (USEACs)

As you proceed through the export readiness process and begin to identify opportunities and potential hurdles, you will likely have more questions than when you started. Luckily, there is a wealth of training and counseling services available. These range from information for the beginning exporter who is determining export readiness to more advanced training and counseling opportunities as your export venture grows.

As you work through various sections of this *Planner* and review/update your Export Business Plan and Marketing Plan over time, you will likely wish to seek additional training opportunities and educational resources.

Opportunities for counseling include:

- [Small Business Development Centers](#), with over 950 offices across the country
- [SCORE](#) — Counselors to America's Small Business, with more than 400 offices
- [Women's Business Centers](#), more than 110 locations
- State-Level Exporting Offices (check your state website for contact information)

Exporters who take the [export-readiness assessment](#) at [export.gov](#) will be referred to the appropriate counseling office.

## Local Counseling & Training

Business guidance and support are crucial to increasing your odds of long-term exporting success. SBA encourages you to take advantage of counseling, training and business development specialists providing free and low-cost services in your area.



## **SBA District Offices**

[SBA's District Offices](#) are responsible for providing companies with information for enhancing and growing their businesses. SBA's District Offices also oversee the delivery of SBA's Technical Assistance programs throughout the states, such as:

- Financial assistance for new or existing businesses through guaranteed loans made by area bank and non-bank lenders.
- Free counseling, advice and information on starting a business through [SCORE](#). [Learn more.](#)
- Free consulting services through the network of [Small Business Development Centers](#). SBDCs also conduct training events throughout the district—some require a nominal registration fee. [Learn more.](#)
- [Women's Business Ownership Representatives](#) are available to advise women business owners. [Learn more.](#)

See opportunities for [online training with SBA](#).

## **Small Business Development Centers (SBDCs)**

Starting a business can be a challenge, but there is help for you in your area. Small Business Development Centers (SBDCs) are partnerships primarily between the government and colleges/universities, and administered by the Small Business Administration. SBDCs provide educational services for small business owners, including export counseling and training.

### **Locations**

- Located in all 50 states as well as the District of Columbia, Puerto Rico, and the U.S. Territories.
- Operated state-wide or at a state region-wide level.
- 63 Lead Small Business Development Centers (SBDCs).
- Lead organization coordinates program services offered to small businesses through a network of subcenters and satellite locations in each state.
- Each center has a director, staff members, volunteers and part-time personnel.
- Certain SBDCs have a focus on international trade. Find these through the lead SBDCs.

### **Offerings**

- SBDC services include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies.
- All services given at SBDCs are free and confidential.
- Additional low-cost training options are available.

### **Eligibility**

- Assistance from an SBDC is available to anyone interested in beginning a small business for the first time or improving or expanding an existing small business and who cannot afford the services of a private consultant.

### **Find an SBDC**

- Visit the [Association of Small Business Development Centers](#) website to find your nearest SBDC.

## SCORE

SCORE, known as “Counselors to America’s Small Business,” is a nonprofit association comprised of 11,500 volunteer business counselors throughout the United States and its territories. SCORE members are trained to serve as counselors, advisors and mentors to aspiring entrepreneurs and business owners. These services are offered at no fee, as a community service. Here are some of the ways you can get in touch with SCORE and start getting the business advice you are looking for:

- [SCORE Online](#): Choose a mentor. Ask your business questions with the click of a mouse.
- [Visit Your Local SCORE Office](#): Make an appointment with a mentor and talk face-to-face or attend a business workshop.
- [Online Workshops](#): Check out one of the free, online workshops or register for a webinar.
- [Business eNewsletters](#): Subscribe to the eNewsletter and get business tips and interviews with leading experts.

[Visit the SCORE Website today!](#)

## Women’s Business Centers (WBCs)

Women’s Business Centers (WBCs) represent a national network of nearly 100 educational centers designed to help women start and grow small businesses. Although few are currently providing export counseling, WBCs operate with the mission to “level the playing field” for women entrepreneurs, who still face unique obstacles in the world of business.

- Through the management and technical assistance provided by the WBCs, entrepreneurs—especially women who are economically or socially disadvantaged—are offered comprehensive training and counseling on a vast array of topics in many languages to help them start and grow their own businesses.
- Visit the SBA [Office of Women’s Business Ownership](#) to learn more about their program, how they can help your business, and where to find your closest WBC.

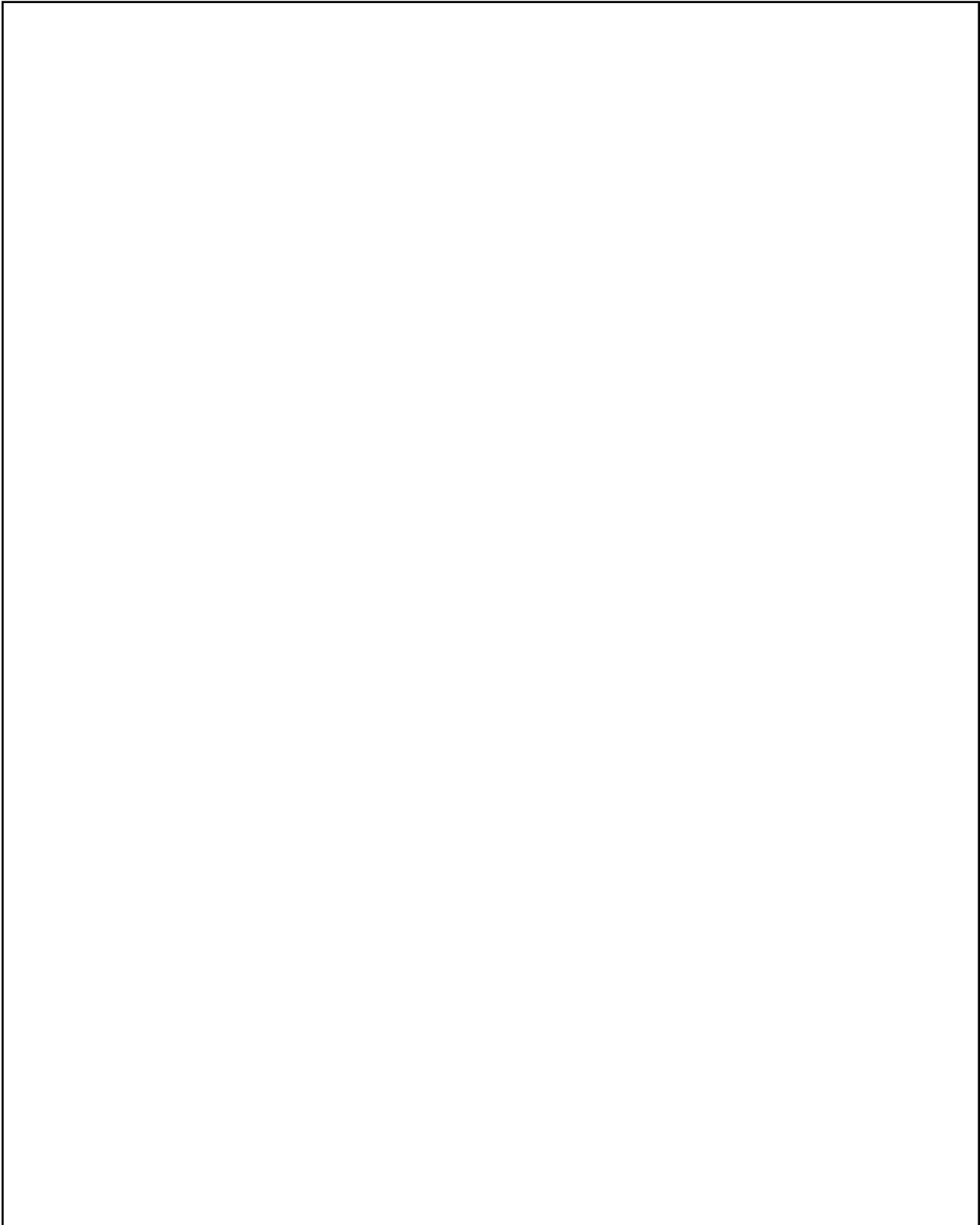
## U.S. Export Assistance Centers (USEACs)

U.S. Export Assistance Centers (USEACs) are located in major metropolitan areas throughout the United States. They provide help for small business owners who are further along in their exporting plans/initiatives.

Each USEAC is staffed by professionals from the SBA, the U.S. Department of Commerce, Export-Import Bank of the U.S., and other public and private organizations. Together, their mission is to provide the help you need to compete in today’s global marketplace. Your local U.S. Export Assistance Center is your one-stop shop, designed to provide export assistance for your small- or medium-sized business.

[Find your local U.S. Export Assistance Centers.](#)

Notes:



# 4

## Getting Started: Creating an Export Business Plan



### Information

The Importance of Planning

Export Readiness: Profiling Your Current Business

Conduct an Industry Analysis

Identifying Products With Export Potential

Marketability

Determining Your Expansion Needs

Setting Your Export Goals



### Worksheets

- > Market Expansion: Benefits/Trade-offs
- > Business Analysis
- > Industry Analysis
- > Products with Export Potential

- > Matching Products to Global Trends/Needs
- > Most Penetrable Markets
- > Markets to Pursue
- > Short- and Long-Term Goals

Once you have reviewed the **Benefits of Exporting** and are familiar with the many **Government Resources** that are available to assist you, you are ready to begin the planning process.

Immediate next steps involve determining your small business' export readiness and creating an initial Export Business Plan. [Later, in Chapter 5, you will develop a **Marketing Plan** for your product/service.]

While it may be tempting to jump right into a Marketing Plan, it is critical to first assess the **current state of your business**. Assessment enables you to evaluate potential *and* identify gaps to gain a clear understanding of what is necessary for growing your business into the international marketplace. What's more, this comprehensive process will equip you with the information you'll need to make good decisions as you expand into exporting.

As with all of the chapters in this *Planner*, the information and worksheets are integrated throughout, to guide you through the suggested planning steps. Proper planning for exporting is what can put you on the road to success!

### FACTS

1. With Exporting, you can:
  - Increase sales and profit
  - Reduce dependence on the U.S. market
  - Stabilize seasonal fluctuations
2. Nearly **96% of today's consumers** live *outside* the U.S.
3. Two-thirds of the world's **purchasing power** is in foreign countries.
4. Outside U.S. borders are markets that represent 73% of the world's purchasing power, 87% of its economic growth, and 95% of its consumers. Yet, fewer than 2% of U.S. businesses export.

# The Importance of Planning

This chapter and those that follow incorporate the worksheet portions of the *Export Business Planner*. At this point, you are likely intrigued by the vast opportunities afforded to small businesses that export ... and are ready to begin the planning process.

As you explore exporting, you will begin to see that it can be a potentially profitable path that leads to increased sales for your business. While doing business internationally is not a simple task, this *Planner* will provide you with a well-planned and researched blueprint to get started.

- Export planning will guide the future direction of your business ... so it is critical to have all key decision-maker(s) involved.
- If your assessment-based Export Business Plan and subsequent Marketing Plan are to be useful, they must reflect *your* ideas and efforts. That way, you can be ready to “hit the ground running” as you begin to execute them.
- Proper planning enables your exporting endeavor to reflect reality, not “guesswork.” Starting with an honest assessment and proceeding with a realistic plan are important first steps.

In fact, the planning process requires you to look at your **future business operations** and helps you better **anticipate growth**. As a result, you’ll be better prepared for the future *and* be more knowledgeable about your business.

## Key Planning Outcomes: At-A-Glance

### In this chapter:

**Export Business Plan:** The development of your Export Business Plan includes conducting business and product assessment, readiness review, and researching potential foreign markets. The Export Business Plan will become part of your overall Business Plan.

### In Chapter 5:

**Marketing Plan:** Developing your Marketing Plan will help you prepare to launch your product/service in the global marketplace. It too will become part of your overall company Business Plan.



**Just as planning was important for starting your business, it is also vital for preparing to enter the international marketplace.**

## Proper Planning = Long-Term Business Benefits

Planning takes commitment. But there are five important reasons why going through this comprehensive process will be worth your time and effort:

1. Careful completion of the worksheets within this workbook will help evaluate your **level of commitment** to exporting.
2. The completed workbook can help you **assess your product/service's potential** for the global market.
3. Your initial plan gives you an **effective starting point** for managing your international business operations successfully.
4. Once you have your Export Business Plan and subsequent Marketing Plan, you'll have prepared materials for **communicating your business ideas** to potential investors, partners, and other interested parties. For example: this section is an excellent starting point for pursuing international financing. [See [Chapter 6. Financing Your Export Venture.](#)]
5. With a plan, you can stay focused on primary objectives ... and **measure your results** as each step is achieved.

## FACTS

According to both the Small Business Administration and the Department of Commerce, creating an **export business plan** is vital for defining your company's present status, internal goals and commitment.

The business planning process entails assembling facts, identifying potential constraints, and setting specific goals and objectives as milestones to success.



## Keys to Your Export Success

As you begin to consider whether your products or services are well-suited for the international marketplace, use this checklist from the **Small Business Administration** as a starting point.

A business that can succeed in the export marketplace should be:

- Successful in its present domestic operation.
- Willing to commit its resources of time, people and capital to the export program.
  - Entry into international markets may take as much as two years of cash outflow before generating a profit.
- Sensitive to and aware of the cultural differences in doing business in other countries.

Approach your export operations in the same way you would your domestic operations—using sound business fundamentals. Developing an Export Business Plan and subsequent Marketing Plan helps you assess your present market situation, business goals and commitment. This will increase your opportunities for success.



## Export Readiness: Profiling Your Current Business

Profiling your current business will help reveal what is involved with expanding into global markets. Take a closer look at the where you are today ... and where you need to go to be ready to export.

### 1. Determine Benefits and Trade-offs of International Market Expansion

You'll begin by brainstorming a list of **benefits and trade-offs** for expanding your market internationally. Determine your probability of success in the international markets based upon your current assumptions about 1.) your company, 2.) your company's products, and 3.) market knowledge.

*For example:*

#### Benefits:

- Increased sales
- Greater spread of risk

#### Trade-offs:

- New venture can be time-consuming
- Intensive paperwork

As you proceed through this *Planner*, you may wish to return to this particular section and add to it to use for ongoing referral down the road.



**Worksheet**

Market Expansion: Benefits/Trade-offs

### 2. Perform a Business/Company Analysis

Identifying opportunity begins with an in-depth analysis of your existing business to determine the feasibility of growth. This entails evaluating your company and its attributes.



**Worksheet**

Business Analysis

## Online Resource: Take the Export Readiness Assessment Quiz

Check out the [online assessment quiz](#) at [export.gov](#). Depending on your results, the site will point you toward training and additional information tailored to your export readiness.

## Conduct an Industry Analysis

Once you have examined the status of your own company, the next area for consideration is your overall industry. How is it currently involved in the global marketplace? This industry review will enable you to capture the key aspects of your industry that will affect your exporting decisions.



## Identifying Products With Export Potential

Part of the overall analysis of your current business involves identifying those products that may have export potential.



## Marketability: Matching Your Product/Service with a Global Trend or Need

Now that you have identified products/services with export potential, the next step is to identify the most *profitable foreign markets* for those products. This entails gathering foreign market research.





## Background on Product Classification

The following information may be helpful for classification of your product/service:

- The most critical method of classifying products for export is the Harmonized System (HS). It is an internationally agreed-upon classification system that is the basis for obtaining domestic and international trade and tariff information. The codes can be searched on the [U.S. International Trade Commission's](#) website. Also, see the U.S. Census Bureau's [Schedule B: Statistical Classification of Domestic and Foreign Commodities Exported from the United States](#).
- The [North American Industry Classification System \(NAICS\)](#) is the system by which the U.S. government formerly classified its goods and services. Knowing the proper code for your product or service can be useful in collecting and analyzing data available in the United States.
- Data originating outside the United States or information available from international organizations usually are organized under the [Standard International Trade Classification \(SITC\)](#) system, which may assign a different code to your product or service.
- [Department of Commerce](#) and [U.S. Department of Agriculture](#) trade specialists can also assist you in identifying the codes for your products. In addition, check out the FTA Tariff Tool at [www.export.gov/FTA/FTATariffTool](http://www.export.gov/FTA/FTATariffTool).

## Identifying Countries with the Largest and Fastest-Growing Markets for Your Product

At this stage of your research, determine those countries to which your domestic competitors are exporting. It is also advisable for you to explore your own state's largest export markets, which may reflect the competitive advantages of your state and/or historical trading partners. Refer to your state trade offices for that data.

Due to their proximity to U.S. borders, Canada and Mexico can be good first choices for new-to-export companies for logistical reasons. In addition, the United States has free trade agreements with several countries/regions; these agreements can have significant impact on small businesses doing business abroad. Learn more about [free trade agreements](#).

Trade associations can often provide data on where companies in a particular industry sector are exporting their products. Additionally, U.S. government databases and reports from other global organizations can identify those countries that represent significant export potential for your product.

*For example:*

- [U.S. Census Foreign Trade Website](#), the official source for U.S. export and import statistics.
  - This informative site includes export statistics, information on export regulations, commodity classifications, and a host of other trade-related topics.
- [World Factbook](#), produced by the Central Intelligence Agency.
- [World Population](#), published by the Department of Commerce's U.S. Census Bureau.
- [The World Bank Atlas](#), available from the [World Bank](#).
- The [United Nations International Trade Statistics Yearbook](#).

Some of these resources are free online; others are available for purchase.

## Determining the Most Penetrable Markets

Once you have defined and narrowed your search to a few prospective foreign markets for your product, you will need to examine them in detail. List the top three markets that your research has shown to be most penetrable for your product, and continue to explore them in depth. There are many resources available to help you select which foreign markets are most conducive to selling your product. Check out [Training and Counseling](#) in Chapter 3 as well as [Where to Find Answers](#), below.



### Worksheet Most Penetrable Markets

## Conducting Your Initial Market Research: Where to Find Answers

At the U.S. government's exporting portal: [www.export.gov/mrktresearch/index.asp](http://www.export.gov/mrktresearch/index.asp):

- Country and Industry Reports
- Video Market Report Library
- Country Facts, Data, Demographics
- Customized Market Research Services
- [Partners and Trade Leads](#) to match interests, business focus and export strategy

Export.gov is managed by the International Trade Administration in collaboration with:



[Department of Agriculture](#)



[Export-Import Bank of the U.S.](#)



[Department of Commerce](#)



[Office of the U.S. Trade Representative](#)



[Department of Energy](#)



[Overseas Private Investment Corp.](#)



[Department of State](#)



[Small Business Administration](#)



[Department of Treasury](#)



[U.S. Trade and Development Agency](#)

At the [U.S. Census Bureau/Foreign Trade](#):

- The Census Bureau now provides facts, figures and information that was formally available at the National Trade Data Bank.

At [Small Business Development Centers](#):

- These centers are affiliated with the U.S. Small Business Administration and offer a wealth of information, counseling, and expertise for small business exporters. [Locate your nearest SBDC.](#)

You will learn more about doing in-depth market research in [Chapter 5. Developing Your Marketing Plan.](#)

## Exploring Foreign Markets: Additional Considerations

### About Political Risk

It is prudent to factor in potential political risk as well as commercial risks when targeting foreign markets. These can be checked by using the [Country Credit Assessment](#) prepared by economic specialists of the [Export-Import Bank of the U.S.](#) Use the “Quick Select” alphabetical country selection for a review of a country’s credit standards.

### Trade Legality

The U.S. government maintains a list of prohibited companies and individuals. You can cross-check the legality of trading with these entities by reviewing the listing of [Specially Designated Nationals \(SDN\)](#) at the U.S. Treasury’s website. The site also contains a comprehensive list of sanctions that prohibit trade with designated countries.

### For the High-Tech Industry

If you produce technology-based products, it is important for you to become familiar with export regulatory compliance.

- Department of Commerce: Bureau of Industry and Security’s [Export Administration Regulations \(EAR\)](#).
- U.S. Department of State: [International Traffic in Arms Regulations](#).

### Modifying a Product for Exportability

Making cultural and product modifications as well as packaging and/or labeling changes are a necessary part of preparing export ventures.

- Conforming to entry requirements that are of a technical nature—such as the [CE Mark](#) for entry into the European Union markets—may require redesigning or retrofitting your products in order to be allowed entry.
- Talk to your local [U.S. Export Assistance Center](#) about specific requirements. Commercial Service trade specialists can offer advice and information on these requirements as well.
- Search the customs website(s) for the country/ies to which you are considering exporting.

### Tariffs and Import Restrictions

Another fundamental issue to discuss with your local [U.S. Export Assistance Center](#) or other trade specialists involves tariffs or import restrictions, which may exist for your product.

- Food items, supplements and cosmetics may require pre-clearance prior to import into a foreign market.
- In many cases, experienced trade specialists can assist you in achieving clearance simply by helping you understand the process or by providing details on the requirements.

#### FACT

According to the Small Business Administration, new-to-export businesses often tend to choose *too many markets* at first. For most small businesses, choosing **one to three foreign markets** initially is recommended.

## Tariffs At-A-Glance

Tariffs are the taxes imposed on imported goods in the target markets. Unless you are trading within the [North American Free Trade Agreement](#) area (the United States, Canada and/or Mexico) or in markets linked to the U.S. by trade agreements, tariffs can become a major factor in determining your pricing.

- If tariffs raise the price of imported goods beyond the level of domestic goods, you may not be competitive.
- To determine the rate of duty, you will need to identify the [Harmonized number](#) for the product you wish to export.

While each country has its own schedule of duty rates, most classification systems are based on the Harmonized System of Tariff Nomenclature, which was developed by the World Customs Organization.

Learn more about local tariffs and taxes at the World Bank's business regulation site: [www.doingbusiness.org](http://www.doingbusiness.org).

## Defining Which Markets to Pursue

Once your research has revealed the largest, fastest growing and simplest markets to penetrate for your product or service, the next step is to define which markets to pursue.

- It is best to test one market and then move on to secondary markets as your expertise develops.
- Focusing on regional, geographic clusters of countries is more cost effective than choosing markets scattered around the globe, especially when you plan trips or marketing events.

### Worksheet Markets To Pursue



Now that you have determined your export readiness and investigated foreign market options, your next strategic steps will be to begin examining your expansion needs as you summarize your **Short- and Long-Term Goals**, and then develop your Marketing Plan. (See **Chapter 5. Developing Your Marketing Plan.**)

**For More Information  
on sourcing out in-country resources:**

The U.S. Foreign and Commercial Service can provide assistance in locating distributors located in potential export markets for your goods and services. You may also find such in-country distributors/resources at “Foreign Buyer Trade Events” located throughout the U.S., sponsored by the U.S. Department of Commerce and the U.S. Trade and Development Agency.

For more about locating overseas resources, see export.gov’s [Frequently-Asked Questions](#).

## Determining Your Expansion Needs

### **A Note About Export Financing: Government Financing Resources**

The U.S. government provides a substantial amount of export financing assistance. In fact, with the [National Export Initiative](#) announced in March of 2010, there is an ever-increasing focus on assisting small businesses with entering the export arena.

U.S. government export financing assistance comes primarily in the form of guarantees, made to U.S. commercial banks, which in turn make loans available to exporters. Federal agencies, as well as some state governments, have their own particular programs.

You will learn more about the many options available in **Chapter 6. Financing Your Export Venture.**

**At-A-Glance:  
Financing through the U.S. Small Business Administration (SBA)**

SBA provides financial and business development assistance to help small businesses sell overseas. SBA’s export loans are available under SBA’s 7(a) loan guarantee program. As a prospective applicant, you can request that your lender seek SBA participation if the lender is unable or unwilling to make a direct loan. Check out SBA’s [list of lenders](#).

- The SBA personnel based in [U.S. Export Assistance Centers](#) (USEACs) around the country administer the specialized trade finance/Export Working Capital Program.
- You can contact the finance division of your nearest SBA office for a list of participating domestic-only lenders. The USEAC staff can provide you with a list of participating trade-finance lenders and counseling on how to structure requests for export financing.

More in-depth financing information can be found in **Chapter 6. Financing Your Export Venture.**

For more information on determining your financing needs and options, visit:

- U.S. Small Business Administration: [Financing Information](#)
- Export.gov: [International Financing Information](#)
- U.S. Department of Agriculture: [Export Financing](#)
- The U.S. Government's Overseas Private Investment Corporation (OPIC): [Small Business Assistance](#)
- The Export-Import Bank of the United States: [Ex-Im Bank](#)

## Setting Your Export Goals

As you've worked through Chapter 4, you've examined your current business, determined your export readiness, and done initial research on prospective foreign markets to pursue. So at this point, you're almost ready to develop a **Marketing Plan**.

But first, it's important to summarize your short- and long-term goals for your Export Business Plan. Identifying business goals can be an exciting and often challenging process. It is, however, an important step in managing your entry into the international marketplace!



### Worksheet Short- and Long-Term Goals

#### Quick Review: Resources for Updating Your Business Plan

When you started your business, you likely developed an initial business plan. However, as you create the Export Business Plan (and subsequent Marketing Plan) and incorporate these into your overall business plan, you may find that the original plan needs updating in other ways.

If you'd like a quick refresher on the basics for writing a business plan, the Small Business Administration offers a wealth of information and guidance on general business planning. To learn more about the basics involved with writing a business plan, check out [Writing a Business Plan](#).

**Register for an [Online Business Planning Workshop](#).**

**Benefits:**

**Trade-offs:**

**Complete the following sections:**

**A. Current Successes**

1. Why is your business successful in the domestic market? Give specific reasons.

2. What is your company's annual growth rate?

**B. Competitive Advantages**

1. Domestic Competitors

Currently Exporting?

Yes

No


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



**C. Company “Commitment”**

1. On a scale of 1 to 10, what is the company’s level of commitment to expanding into international markets? (1 = not interested in exporting; 10 = fully planning to export)

Key Management (Name/Title)

Name	Title	Level of Commitment (Scale of 1-10, 1 being lowest)
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

2. How much are you willing to commit to implementing an export program? Be specific:

Preparation time: hours per week  month  year

List planning and resources that are intrinsic to your business.  
For example: *management time, manpower, financial commitment, facilities, other assets*

## Step 1: Find export data available on your industry.

Researching your industry is easier than ever before.

- Check out [Export.gov](https://www.export.gov) to explore [sector reports](#) for your industry.

Record at least **three key findings** about your industry's exporting potential or current exporting status that could impact your exporting decisions:

1.
2.
3.
4.
5.

## Step 2: Research how competitive your industry is in the global markets.

There are several sources for obtaining information about your potential competition in international exporting.

- Evaluate import-export statistics from the [Bureau of Census](#).
- Contact your trade association. If you need to locate information about relevant trade organizations, you can search the [Google listing of top business Trade Associations](#).
- Contact your nearest [U.S Export Assistance Center](#).
- Contact your nearest [Small Business Development Center](#).

Document up to three findings about your competition:

1.
2.
3.

What do you estimate could be the projected sales for similar products in your chosen international markets for the coming year? Please explain.

**Step 3: Assess your industry’s international growth potential.**

This exploration can be conducted through such avenues as conversations with industry colleagues/ contacts, attending trade shows, and researching your industry.

- Talk to companies in your industry or trade association.
- Read industry-specific magazines.
- Attend a national trade fair.

List up to three findings about your industry’s growth potential:

1.	
2.	
3.	

What might these findings lead you to believe about your *own* company’s international growth potential?

--

What do these findings reveal about potential barriers to growth or market entry?

--

**Step 4: Research government market studies.**

Federal and state studies have been conducted on many industries’ potential international markets. Check for these studies at the following locations:

- [U.S. Department of Commerce](#)
- Your local [U.S. Export Assistance Center](#)
- Your closest [Small Business Development Center](#)
- Related trade associations

List pertinent studies for future reference. (Copy website URLs for easy access.)

Study/Source	URL

## Products with Export Potential

List those of your company's products/services that you believe have export potential. List the strengths and weaknesses of each of them. In addition, document *why* you believe each product will be successful in the international marketplace. At this stage, the reasons should be based on your current knowledge.

Product/Service	Strengths	Weaknesses	Reasons for Potential Export Success

Based on the Reasons for Potential Export Success, decide whether you believe that one or more of your products/services might have exporting potential. (See next page.)

If one or more of your products/services has export potential, continue through the following steps:

**Step 1: Select the most exportable products/services to be offered internationally.**

To identify your products/services with the greatest export potential, you need to consider which of your products are sold successfully in the **domestic market**. You'll then look at this/these product(s) in terms of whether they could fill a targeted need in export markets according to price, value to customer/country and market demand. It is also quite possible that you could see some of your products that only have marginal sales in the U.S. market in high demand in foreign markets! Many small businesses have 100% of their sales going into foreign markets.

List your company's major products/services:	Present U.S. market share for each:
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

If unsure of market share: what is your current assessment of your standing in the marketplace?

Be specific—for example: *small and unknown, one of top three brands.*

Which product do you feel has the best export potential?

Why?

**Step 2: Evaluate the product/service(s) to be offered internationally.**

If you have several product lines, you will need to conduct a product comparison/evaluation here in this section. However, if you have just one product line, your major focus will be on ensuring product certifications, adaptations, and cost effects of changes.

Consider:

What makes this/these product(s) attractive for an overseas market?

Why do you believe international buyers would purchase this/these products?

Product:	Attributes for Overseas Sales:	Reasons International Buyers will Purchase:

## Steps for Foreign Market Research:

1. [Classify your product](#) by the HS-Code/Schedule B number:

2. Find countries with the **best-suited markets** for your product:

3. Determine which foreign markets will be the **easiest to penetrate**:

In each case, consider: How does the quality of your product or service compare with that of goods already available in your target foreign markets?

Is your price competitive in the markets you are considering?    Yes                      No

Who could your major customers be?

4. Define and **narrow down** those export markets you intend to pursue:

5. Talk to your U.S. customers or other companies who are doing business internationally:

Contact List:

Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>
Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>
Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>

6. Research export efforts of U.S. competitors.

Findings/Notes:

Explore the FTA Tariff Tool at [www.export.gov/FTA/FTATariffTool](http://www.export.gov/FTA/FTATariffTool)



Top Three Most Penetrable Markets:

1.
2.
3.

Reasons [for each]:

**Market 1** \_\_\_\_\_

**Market 2** \_\_\_\_\_

**Market 3** \_\_\_\_\_

# Markets To Pursue

Country/Market 1: \_\_\_\_\_

## Additional Research

Web Links (for pertinent research)	Reasons to Pursue (based on trends discovered)

## Contacts:

Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>
Name:	<input type="text"/>	Company:	<input type="text"/>
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Phone:	<input type="text"/>	Email:	<input type="text"/>
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Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>

Country/Market 2: \_\_\_\_\_

**Additional Research**

<b>Web Links (for pertinent research)</b>	<b>Reasons to Pursue (based on trends discovered)</b>

**Contacts:**

Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
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Phone:	<input type="text"/>	Email:	<input type="text"/>
Name:	<input type="text"/>	Company:	<input type="text"/>
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Phone:	<input type="text"/>	Email:	<input type="text"/>
Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>

Country/Market 3: \_\_\_\_\_

**Additional Research**

<b>Web Links (for pertinent research)</b>	<b>Reasons to Pursue (based on trends discovered)</b>

**Contacts:**

Name:	<input type="text"/>	Company:	<input type="text"/>
Address:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>
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Address:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>

## Short- and Long-term Goals

### Step 1: Define short-term goals.

**A.** Make a preliminary list of required steps to prepare for exporting: Select one or two target markets. Research and list product standards and certification requirements. Outline product modifications needed to get product export ready.

**Market 1:** \_\_\_\_\_

Product Standards	Certification Requirements	Product Modifications Needed

**Market 2:** \_\_\_\_\_

Product Standards	Certification Requirements	Product Modifications Needed

**B.** Based upon this list, what are your **two-year goals** for your international business products/services? For example: *Modify product for metric definition; expand international opportunities from initial penetration of a market to other similar markets.*

1.
2.
3.
4.
5.

**Step 2: Define long-term goals.**

What are your long-term goals for your business in the next five years?  
 For example: *Increase export sales by % annually or % market share or % profitability or return on assets.*

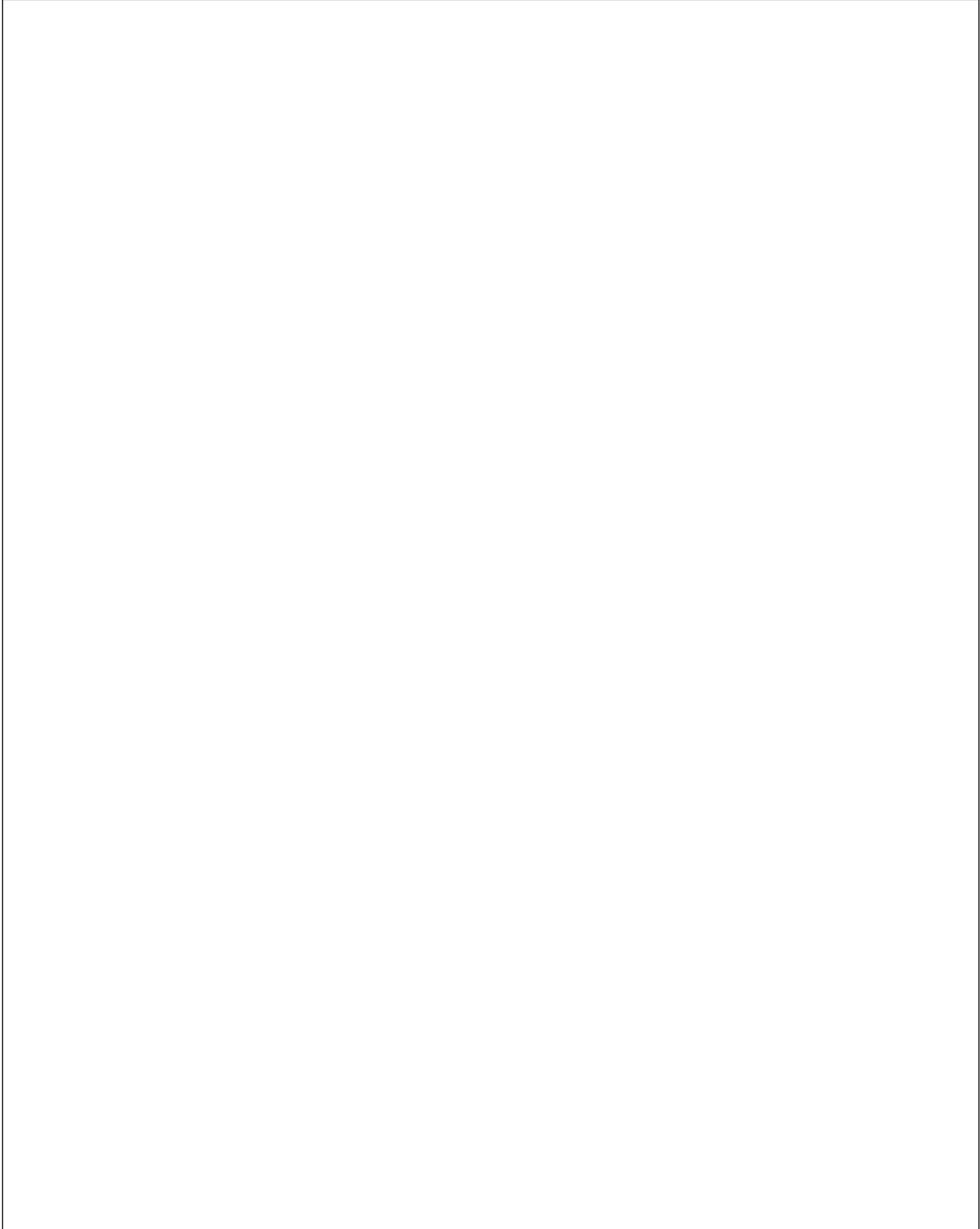
Goal	Tasks	Requirements

How will the international trade market help you reach your long-term goals? Explain:

**Step 3: Develop an action plan with timelines to reach your short-term goals.**

Next Steps	Timeline	Completion Date

Notes:



# 5



## Developing Your Marketing Plan



### Information

Your Chosen Markets:  
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- > Marketing Your Product:  
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Once you have examined your company's export readiness and crafted an [Export Business Plan](#) (see Chapter 4), you are ready to proceed with developing your Marketing Plan. The Marketing Plan helps to prepare your business to enter the international marketplace. This chapter will lead you through the process of creating one.

## Your Chosen Markets: In-Depth Exploration

In Chapter 4, you identified up to three target markets for your product/service. (See the [Markets to Pursue Worksheet](#).)

Often, an industry will have a few key indicators or measures that will help 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 these products.



The next worksheet outlines the process of assessing market factors in your target countries. You can conduct your own research or utilize the many resources outlined in **Focus on: In-Depth Market Research**.

**Step 1:** Begin a separate worksheet for up to three countries. You will use these worksheets to screen/rate each of these potential markets. Preliminary screening involves defining the physical, political, economic and cultural environment.

1. Explore the three 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 to 5 with 5 being the best.
5. Prioritize your target market countries/regions based on your ratings.



### Worksheet Market Factor Assessment

Now that you have identified your target markets, it is important to launch a more detailed research phase. The following special section, **Focus on: In-Depth Market Research**, provides several resource suggestions.

### Focus on: In-Depth Market Research

As you begin to craft your plans to market in these countries/regions, a more in-depth exploration is recommended. For a small business, this process is potentially both time-consuming *and* costly.

However, the U.S. federal government, state governments, trade associations, exporters' associations and foreign governments offer low-cost and easily accessible resources to simplify and speed your foreign market research. Some of these groups have been introduced in other sections of this *Planner*; the following information gives a more in-depth look at each office and how it works in providing you with research options, export assistance and training.

To assist you in your research and planning, these resources offer services that are specifically designed for small businesses and their growth. In addition, check out the training and counseling services outlined in greater detail in **Chapter 3**.

#### **The U.S. Small Business Administration (SBA)**

SBA's resource partner SCORE® has more than 10,500 volunteers (389 chapters nationwide) available for basic business start-up help and counseling.

Another SBA resource partner providing management and export advice is the network of Small Business Development Centers (SBDCs). These are affiliated with colleges and universities throughout the United States; they offer counseling, training and research assistance on all aspects of small business management. Many have programs for international business development.

[Access a list of SBDCs.](#)

Women's Business Centers (WBCs) represent a national network of nearly 100 educational centers designed to assist women start and grow small businesses. [Find your local WBC.](#)

As a general rule, SCORE is well-suited for very new exporters; SBDCs typically work with exporters who are a little more advanced. To find the most appropriate resource for you, take the self-assessment at [www.export.gov/begin](http://www.export.gov/begin).

### **U.S. Export Assistance Centers (USEACs)**

USEACs are designed to provide the U.S. exporting community a single point of contact for all federal export promotion and finance programs.

USEACs can provide you with direct service or refer you to appropriate public and private sector partners. The centers integrate representatives of SBA, the Department of Commerce (DOC) and, at some locations, the Export-Import Bank of the United States (Ex-Im Bank), as well as additional federal and state agencies.

- Whenever feasible, the centers are conveniently co-located with other partners who concentrate on assisting export-ready firms in all areas of export development and trade financing.
- The USEAC staff can assess your company's export readiness and can refer you, if you are a start-up business, to basic "How to Export" programs.
- For new-to-market companies, the specialists at the USEAC have a full menu of market entry programs, including industry and country profiles, help with finding distributors overseas, identifying tariff and regulatory requirements and assisting with financing or questions related to securing payment.

Typically, small business owners who are new to exporting should work with SCORE or an SBDC before seeking out a USEAC.

### **Export.gov**

The federal government's exporting portal, [www.export.gov](http://www.export.gov), is a valuable source of advice and information. Managed by the U.S. Department of Commerce, export.gov is a useful starting point for your online search for information about export development, federal export support programs, services, and staff.

- Country research is available in the [Market Research](#) section of export.gov. You can find Country Commercial Guides for each country where there is a Foreign Commercial Service presence.

### **District Export Councils (DECs)**

District Export Councils, affiliated with the Commerce Department, are another useful resource. Appointed by the Secretary of Commerce, they are comprised of leaders from the local business community, whose knowledge of international business provides a source of professional advice for local firms. For more than 25 years, DECs have served the U.S. by assisting companies in their local communities to export.

- Council members come from banks, manufacturing companies, law offices, trade associations, state and local agencies, consulting companies and educational institutions.
- The volunteers draw upon their own experience to encourage, educate, counsel and guide potential, new and seasoned exporters in their individual marketing needs.

Learn more about [District Export Councils](#).

### ***The Export-Import Bank of the United States***

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets. Ex-Im Bank can also provide you with information about a country's political and economic risk.

Through its export credit insurance program, Ex-Im Bank also offers:

- Protection against failure of foreign buyers to pay their credit obligations for commercial or political reasons
- Greater financial flexibility for you and your bank in handling overseas accounts receivable
- Greater ability to offer foreign buyers competitive terms of payment
- Support for prudent penetration of higher-risk foreign markets

Explore Ex-Im's [Country Risk Assessment](#). Visit Ex-Im's [Information for Small Business Exporters](#).

### ***The United States Department of Agriculture***

If you have an agricultural product, your best choice for help is the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS). With posts in embassies and consulates worldwide, the FAS can obtain specific overseas market information for your product. The FAS also maintains sector specialists in the United States to monitor foreign markets for specific U.S. agricultural products.

The [Foreign Agriculture Service \(FAS\)'s Exporting Section](#) can assist you in finding out more about the export programs of the USDA.

### ***Other Federal Resources***

General country-specific information is also available through these sources:

- [World Fact Book](#) from the U.S. Central Intelligence Agency
- [Country Reports](#) from the Department of State

### ***Non-Federal Resources***

#### ***State Economic Development Offices***

Some state commerce and economic development offices have international trade specialists to assist you; additionally, state trade offices can be found in some overseas markets. Some state port authorities may offer small business export assistance, as well; although traditionally associated with transportation services, in some cases these port authorities have expanded their services to provide export training programs and foreign-marketing research assistance.

Consult your state website to find a list of available state offices.

#### ***Exporters' Associations***

[World Trade Centers](#) and organizations such as the [American Association of Exporters and Importers](#) and the [Small Business Exporters Association](#) can aid in your foreign market research. Explore their vast resources online.

### **Trade Associations**

The [Federation of International Trade Associations](#), founded in 1984, fosters international trade by strengthening the role of local, regional and national associations throughout the United States, Mexico and Canada.

FITA affiliates are 450+ independent international associations that fall into six categories:

- World trade clubs
- Associations/chambers of commerce with regional/bilateral interests
- Associations focused on international logistics
- Associations supporting international trade
- Associations supporting exporters and professional associations

More than 5,000 trade and professional associations currently operate in the United States; many actively promote international trade activities for their members. Chambers of commerce, particularly state chambers, or chambers located in major industrial areas, often employ international trade specialists who gather information about markets abroad.

In addition, contact every trade association of which you are a member; or, join your industry trade association(s) if you are not already a member. Most have an international section and often offer excellent market research and contacts. Be sure to check for upcoming special events, and read all trade publications issued by your organizations.

## Your Industry in Global Markets

As you delve more deeply into your new marketplace(s), you will need to consider the overall global competitiveness of your industry. Much of this information can be obtained from an industry trade association for your particular industry; the following worksheet can be used to compile, track and update this information on a long-term basis.



**Worksheet**

**Your Industry in Target Global Markets**

# Determining Your Method of Exporting

How you plan to export will drive many of the decisions you will make as you develop your marketing plan. The key decisions you will need to consider include whether you will sell direct to the customer, or whether you will have a third party represent your firm and/or service your customers' needs. As you research your options for getting your product/service into the market, you'll also need to decide whether you will appoint a representative/agent to handle your export market on your behalf, or if you would be better served by an in-country distributor. An informative chart comparing the role of an agent versus a distributor can be found on page 54.

In fact, having appropriate representation "on the ground" in your target markets will be critical to your exporting success. Whichever type of local affiliate you choose, you should plan to travel to the country(ies)/region(s) you are targeting as many times as is necessary to build a successful relationship.

The following worksheet can help you organize your options. In addition, consider legal advice from the Export Legal Assistance Network (ELAN); setting up an appropriate contract will be crucial. A free initial consultation is available by [contacting ELAN](#).

In addition, once you have researched potential distributors/agents with this worksheet, you may wish to review [Agent and Distributor Agreements](#) in Chapter 7.



## Worksheet

### Building a Distributor or Agent Relationship

## Comparison of Agents and Distributors

Issue	Agents	Distributors	Generally Favors
Type of representation	Exclusive or nonexclusive	Exclusive or nonexclusive	Neutral
Size of company	Often a one-person company	Can also be small operation, but generally larger than agents	Distributor, depending on the industry
Sale to foreign end-user made by ...	Agent	Distributor	Neutral
Takes title to the goods during the sale	Typically, no	Yes	Distributors, because U.S. company deals with only one company
How does representative earn its profit and does the U.S. company have strong control over foreign pricing?	Generally, through commissions paid to agent directly by U.S. company. High control over pricing.	On the margin between their purchase price from the U.S. and the selling price to the local end-users (or next level of distribution .) Generally, low control over pricing.	Agents, because U.S. company has more control over foreign pricing.
Marketing activities such as advertising, trade shows, translation of marketing materials	Low compared to distributors	High compared to agents	Distributors, assuming such activities are not to be done by the U.S. company
Customer support activities such as training, warranty repair, customer inquiries	Low compared to distributors	High compared to agents	Distributors, assuming such activities are not to be done by the U.S. company
Foreign receivable risk assuming terms not payment in advance	Risk is potentially high because sales can be to different buyers each time	Probably lower because sales are to the same distributor(s)	Distributors
Overseas inventory maintained?	Generally, no	Generally, yes	Assuming maintaining a foreign inventory is of benefit, distributors
Speed of delivery of goods to foreign end-user	Slower compared to distributors if no inventory is maintained	Faster compared to agents if inventory is maintained	Assuming maintaining a foreign inventory is of benefit, distributors
Direct contact with end-user to solve technical issues or other customer support issues	Likely	Unlikely, depending on specific role assumed by distributor	Probably neutral as U.S. companies may either prefer or not prefer to deal directly with foreign end-users
Knowledge of importing procedures and local regulations	Perhaps lower than distributor, but varies greatly	Generally strong	Distributors
Termination of relationship concerns	Difficult to say. In some countries, agents can be legally treated as employees, making termination complicated.	Also difficult to say. In some countries, local laws strongly favor distributor, making termination complicated.	Varies by country
Ability to effectively represent U.S. products	Depends on specific background and industry contacts	Depends on specific background and industry contacts	Neutral
Preference of local market	Varies by country, but some markets tend to use agents more than distributors	Varies by country, but some markets tend to use distributors more than agents	Neutral – depends on market

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# Marketing Your Product/Service

Taking a close and deliberate look at your product or service—its advantages, disadvantages, and place in the market—will enable you to define its positioning in your target country(ies).

Some of the following topics were explored as you developed your [Export Business Plan](#) and examined your product/service’s export readiness. The following worksheet poses key considerations and offers a second look at several factors related to your product, its competition, and the marketplace. These, in turn, will allow you to focus in on your ultimate marketing approach and messages.



## Practical Needs for Marketing Your Product

To achieve efficient sales offerings to buyers in the targeted markets, you should be aware of how your product or service will be received in another country. The following worksheet helps focus in on your product/service’s specific practical needs.

For information on obtaining foreign product standards and certificates, explore the [regulation section of export.gov](#).



## Defining Your Marketing Strategy

In international sales, the chosen “terms of sale” are the most important aspect of exporting. For example: where should you make your product/service available?

- At your plant
- At the port of exit
- Landed at the port of importation
- Delivered free and clear to the customer’s door

Answering this and other marketing/product delivery questions will enable you to define your terms of sale.

It is also important to understand that terms of sale have internationally accepted definitions. You should become familiar with the most commonly used terms of sale, and be prepared to include them in quotations. Pricing strategy depends on “terms of sale” and also considers value-added services of bringing the product to the international market.

If you have questions regarding your pricing strategy/terms of sale, consult a member of your resource team (banker, freight forwarder) or government sources for help and clarification.

Review definitions of [INCO terms](#).



## Entering Foreign Markets

Now that you have determined your target markets and outlined your marketing strategy, you can move on to assessing how to actually get your products/services to potential customers. Exporting can be done directly or indirectly.

With the direct method, you will expand your business plan to add exporting as a new activity, and acquire expertise and staff to implement the plan. This would include:

- Locating foreign buyers
- Getting the product and labeling ready
- Making shipping arrangements
- Invoicing

However, for many small businesses, direct exporting can be beyond the scope of in-house capabilities. If this is the case with your business, consider indirect exporting through an export intermediary. This section outlines the options for both indirect and direct exporting.

### **Indirect Exporting**

There are several types of export intermediaries that could facilitate your indirect exporting strategy.

#### ***Commissioned Agents***

Commissioned agents act as “brokers,” linking your product or service with a specific foreign buyer.

- Generally, the agent or broker will not actually fulfill orders; rather, he/she will pass them to you for your acceptance.
- In some cases, the agent or broker may assist with export logistics, such as packing, shipping and export documentation.

#### ***Export Management Companies (EMCs)***

EMCs act as your “off-site” export department, representing your product/service—along with the products of other companies—to prospective overseas purchasers. Hiring an EMC is a viable option if you lack the time and expertise to break into international markets on your own.



The EMC looks for business on behalf of your company and takes care of all aspects of the export transaction. EMCs often will use your company letterhead, negotiate export contracts and then provide after-sales support. They may assist in arranging export financing, but they do not generally guarantee payment.

Some of the specific functions EMCs perform include:

- Conducting market research to determine the best foreign markets for your product/service
- Attending trade shows and promoting your product/service overseas
- Assessing proper distribution channels
- Locating foreign representatives and/or distributors
- Arranging export financing
- Handling export logistics, such as preparing invoices, arranging insurance, and creating customs documentation
- Advising you on the legal aspects of exporting and other compliance matters dealing with domestic and foreign trade regulations

EMCs usually operate on a commission basis. However, some work on a “retainer plus commission” basis, while others take title to the goods they sell and make a profit on the markup. In fact, it is becoming increasingly common for EMCs to take title to goods.

### ***Export Trading Companies (ETCs)***

ETCs perform many of the functions of EMCs. However, they tend to be demand-driven and transaction-oriented, acting as an agent between the buyer and seller.

Most ETCs source U.S. products for their overseas buyers.

If you offer a product that is competitive and popular with ETC buyers, you are likely to get repeat business. Most ETCs will take title to your goods for export and will pay your company directly. This arrangement practically eliminates the risks manufacturers incur with exporting.

### ***ETC Cooperatives***

ETC Cooperatives are U.S. government-sanctioned co-ops of companies with similar products who seek to export and gain greater foreign market share.

Many agricultural concerns have benefited from ETC cooperative exporting, and many associations have sponsored ETC cooperatives for their member companies. Check with your particular trade association for further information.

### ***Foreign Trading Companies***

Some of the world’s largest trading companies are located outside the United States. They can often be a source of export opportunity.

The trade specialists in the USEACs can help you locate FTCs by contacting colleagues in embassies around the world. These contacts are familiar with the trading companies in their local markets.

## Focus on: Exporting through an Intermediary

### *Factors to Consider*

Working with an EMC/ETC makes sense for many small businesses. The right relationship, when structured properly, can bring enormous benefits to you as an exporter.

However, it's important to remember that no business relationship is without its drawbacks. You should always weigh the pros and cons carefully before entering into a contract with an EMC/ETC. Your company's image and name are at stake, so you should incorporate any concerns you may have into your contract. Moving forward, you will want to monitor the ongoing activities and progress of your intermediary.

#### ***Some advantages of exporting through an intermediary include:***

- Product exposure in international markets with little or no commitment of staff and resources from your company.
- The EMC/ETC's years of experience and well-established network of contacts.
- Lower (or virtually no) export start-up costs and associated risks. You can negotiate your contract with an EMC so as to pay nothing until your first export order is received.

#### ***Some trade-offs include:***

- Loss of control over the way in which your product is marketed and serviced.
- Loss of part of your export-sales profit margin by discounting your price to an intermediary. (However, you may find that the economies of scale realized through increased production offset this loss.)
- A higher price passed on to the overseas buyer or end-user. This may or may not affect your competitive position in the market; the issue of pricing should be addressed at the outset.
- Lack of information on markets and customers—which all remain with the EMC. Any shifts in the market cannot be anticipated, and the sudden loss of a customer or market may create business instability.
- In some countries, terminating these representatives can be costly and complicated.

#### ***Export Merchants/Export Agents***

Export merchants and agents purchase and then repackage your products for export. They assume all risks of selling to their customers.

However, this export intermediary option should be considered carefully, as your company could run the risk of losing control over your product's pricing and marketing overseas.

#### ***Piggyback Exporting***

Piggyback exporting is allowing another company, which has an existing export distribution system in place, to sell your company's product in addition to its own.

Piggyback exporting has several advantages:

- This arrangement can help you gain immediate foreign market access.
- All the requisite logistics associated with selling abroad are borne by the exporting company.

If you have no intention of ever exporting directly, this method is an excellent choice for you.

### How to Find Export Intermediaries

Small businesses often report that intermediaries find *them*—at trade fairs and through trade journals where their products have been advertised. For this reason, it is often extremely helpful to “spread the word” that you are interested in exporting. At the same time, however, you must be willing to set aside the time and resources to properly vet the potential/prospective intermediaries that contact you.

In addition, you can begin your search for a U.S.-based export intermediary in online phone directory pages. After just a few initial phone calls or emails, you will likely be able to determine whether indirect exporting is an option you want to pursue further.

Other Resources:

- [Federation of International Trade Associations \(FITA\)](#)
- [American Association of Exporters and Importers \(AAEI\)](#)
- [National Association of Export Companies \(NEXCO\)](#)

Locating the best export intermediary to represent you overseas is important, so thoroughly research your options before signing an agreement. In addition, use due diligence and caution to thoroughly check out any potential intermediary.

### Direct Exporting

Direct exporting requires the exporter to handle every aspect of the exporting process, from market research to foreign distribution and collections. A significant commitment of management time and attention is required, but this approach can maximize profits and sales growth.

- Direct exporting underscores your company’s commitment to engage in international trade.
- It requires that you dedicate sufficient/appropriate staff to support your export efforts, and that you are prepared for management to travel abroad frequently if it is necessary.

Selling directly to international buyers also means that you will have to handle the logistics of moving the goods overseas. This means that if you do not have the technical expertise for document preparation in-house, securing a relationship with a [freight forwarder](#) is essential.

Direct exporting can be achieved with the help of many organizations. These include:

### ***Sales Representatives/Agents***

Like manufacturers' representatives in the U.S., foreign-based representatives, or "agents," work on a commission basis to **locate buyers** for your product. Sales agents, sales representatives or commercial agents are all terms for the same function.

- A sales representative most likely will handle several complementary—but non-competing—product lines, typically between three and six.
- Designating someone as an agent has considerable legal implications, as it means that this person has the authority to make commitments on behalf of your firm. Commitment to an agent can be substantive, in terms of contractual obligations (e.g., pensions, termination, benefits, etc.)
- Your agreement should specify whether the agent/representative has legal authority to obligate the firm.

A sales agent does not take title to goods, but instead solicits orders on behalf of a company. The agent is usually paid a percentage sales commission. How the commission is calculated depends on the contract. Other duties of an agent/representative can include:

- Sales calls
- Sales office operations
- Sample showrooms
- Customer service
- Market research
- Invoicing and debt collection
- Advertising
- Social media and promotion

Many attorneys discourage the use of the term "agent," as it is used in legal terms to signify one that can act in place of the principal and/or bind the principal in a number of ways. For this reason, attorneys often recommend the term "manufacturers representative"; however, be aware that the term "agent" is very commonly used.

In addition, the terms "agents" and "distributors" (see next section) are often used interchangeably; however, the differences between these two roles are substantive. In both cases, it is critical that your contract provide a clear definition of all duties, expectations and contractual obligations for both you and your agent or distributor.

### ***Distributors***

Foreign distributors, in comparison, take on a different role than a sales representative or agent. A distributor takes title to goods purchased from U.S. companies and resells it abroad at a profit.

- Typically, distributors carry product inventory, which allows the buyer to receive the goods quickly.
- They also often provide after sales service to the buyer.

## Finding a Distributor

Finding overseas distributors for your product/service is similar to finding one domestically. However, it will likely require an investment of time and resources to travel to your target market to meet face-to-face.

- A good way to identify potential distributors is through export.gov's [International Partner Search program](#). This program provides a customized search to identify agents, distributors and representatives for U.S. products based on a foreign company's examination of U.S. companies' product literature.
- Other sources of leads include trade associations, foreign chambers of commerce in the United States and [U.S. chambers of commerce located in foreign countries](#), called AM-CHAMs.
- Publications can also be useful. For example, the [Manufacturers' Agents National Association](#) has a roster of agents in Europe.
- Helpful information from export.gov:  
[http://www.export.gov/salesandmarketing/eg\\_main\\_018205.asp](http://www.export.gov/salesandmarketing/eg_main_018205.asp)

### A Note About Representatives, Agents and Distributors: Agreements and ELAN Services

Your agreement with any overseas business partner—whether a representative, agent or distributor—should address the following:

- Whether the arrangement is exclusive or non-exclusive
- The territory to be covered
- The length of the association
- Performance requirements
- Termination of the relationship
- Any other important issues

Legal advice from international attorneys is advised for distributor agreements.

You can get a free initial consultation through the [Export Legal Assistance Network](#) (ELAN), a cooperative program between the National Bar Association and Department of Commerce (DOC).

The attorneys can address questions pertaining to:

- Distributor agreements
- Contract negotiations
- Licensing
- Other legal issues relevant to your target market.

For more information about agreements/contracts with your international representatives, refer to [Agent and Distributor Agreements](#) in Chapter 7.

### **Foreign Government Buying Agents**

Small businesses may wish to consider contracting opportunities with foreign government(s) as a way to enter the exporting market. Foreign government agencies or quasi-governmental agencies are often responsible for procurement. In some instances, countries require an in-country agent to access these procurement opportunities.

This type of scenario can represent significant export potential for U.S. companies, particularly in markets where U.S. technology and know-how are valued. Foreign country commercial attachés in the United States can provide you with the appropriate in-country procurement office. Contact the U.S. embassy of your target market to locate these attachés.

### **Retail Sales**

If you produce consumer goods, you may be able to sell directly to a foreign retailer. In this instance, you could either:

- Hire a sales representative to call on retailers in target markets,
- Introduce your products to retailers through direct-mail campaigns,
- Show your products at a trade show, or
- Advertise your products in a catalog.

The direct marketing approach will save commission fees and travel expenses, but may not be as effective. You may wish to combine trips to your target markets with exploratory visits to retailers; such face-to-face meetings will reinforce your direct marketing efforts.

Learn more about [export marketing strategies](#) at [export.gov](#).

### **Direct Sales to End-Users**

Your product line will determine whether direct sales to the end-user are a viable option. A manufacturer of medical equipment, for example, may be able to sell directly to hospitals. Other major end-users include foreign governments, schools, businesses and individual consumers.

Take advantage of your industry's trade shows, associations and publications. These can serve as invaluable resources for identifying and pursuing industry opportunities.

In addition, consider these resources for seeking out industry-specific information:

- U.S. Commercial Service's [Matchmaking Page](#)
- SBDCs [On-line international trade platform](#), connecting buyers and sellers
- International Trade Administration's [International Buyer Program](#)

# Identifying Customers Within Your Chosen Markets

Once you have your product/service, target markets and marketing strategy identified, your next step will be to identify potential companies, agents and/or distributors. By identifying who they are, you can move toward determining how best to reach and engage them.



## Worksheet

### Identifying Customers Within Your Chosen Markets

#### **Finding Buyers**

You will likely find that reaching potential overseas buyers entails many of the same techniques/strategies as seeking out domestic ones. Consider a combination of the following actions.

#### ***Advertise in Periodicals***

For example, an ad placed in a trade journal or in DOC's [Commercial News USA](#) (CNUSA) can be a low-cost method for testing market interest and often yields inquiries from abroad. It has proven to be a most effective vehicle for selling products overseas and is available both in print and online.

- The printed version of CNUSA is a monthly export catalog-magazine promoting U.S. products and services to a quarter of a million readers in 178 countries around the world—at a fraction of the cost of any other advertising. CNUSA is placed in embassies and consulates worldwide.
- CNUSA is the ideal way for U.S. companies to showcase their products and services around the world and increase export sales with a minimal investment.

#### ***Participate in Catalog and Video/Catalog Exhibitions***

Catalog and video/catalog exhibitions are another low-cost means of advertising your product abroad.

- Your products are introduced to potential partners at major international trade shows on your behalf.
- For a small fee, U.S. and Foreign Commercial Service (US & FCS) officers in embassies show your catalogs or videos to interested agents, distributors and other potential buyers.

[Learn more about this option.](#)

### ***Pursue Trade Leads***

Trade leads from international companies seeking to buy or represent U.S. products can be found in several places:

- [US & FCS officers worldwide](#)
- [Domestic Commercial Service Locations](#)
- [World Trade Centers](#)
- U.S. Department of Agriculture (USDA) [Foreign Agricultural Service](#) (FAS), if your product is agricultural
- [U.S. Agency for International Development's Global Trade & Technology Network](#) promotes economic development in developing countries.

### ***Exhibit at Trade Shows***

Trade shows are another means of locating foreign buyers.

- Each year, the U.S. Commercial Service selects and promotes major U.S. trade shows representing leading industrial sectors through its [International Buyer Program](#), which brings thousands of international buyers annually to meet with U.S. companies.
- International trade shows are an excellent way to market your product abroad. Many U.S. small businesses find that attending only one foreign trade show is just not enough.

Find more information about [U.S. and international trade shows](#).

### ***Participate in Trade Missions***

Public/private trade missions are often organized cooperatively by federal and state international trade agencies and trade associations. All arrangements are handled for you, in order to simplify the process of meeting prospective partners or buyers.

- “Matchmaker Trade Delegations” are [U.S. government sponsored trade missions](#) to help U.S. companies select foreign markets. Through these missions, your company is matched carefully with potential agents and distributors interested in your product.
- Being properly prepared for the kinds of inquiries you might encounter on overseas trade missions is important. SBA offers pre-mission training sessions through some of its district offices, Export Assistance Centers and the SCORE program.

### ***Customized Country Visits***

[Gold Key](#) and [Platinum Key](#) matching services are offered for a fee by the Department of Commerce. These allow you to schedule visits in your target markets and have your appointments preplanned by the in-country trade specialists and the in-country foreign service staff.

- This fee-based service enables you to specify the timing and purpose of your trip.
- Your product literature is sent to the overseas location prior to your visit to assist the Commercial Service staff in selecting potential business partners for your exporting initiative.

Many small business firms have used this service repeatedly for expanding into new foreign markets.



### **Contact the Multilateral Development Banks (MDBs)**

In developing countries, large infrastructure projects are often funded by multilateral development banks. These include:

- [World Bank](#)
- [African](#), [Asian](#), and [Inter-American](#) Development Banks
- [European Bank for Reconstruction and Development](#)

Multilateral Development Bank projects often represent extensive opportunities for U.S. small businesses to compete for project work. While small businesses can benefit from subcontracting opportunities when larger U.S. firms win major project funding, cultivating the relationship with the prime contractor is key to success.

If this specialized field is of interest to you, a visit with the exporting representative to one of the MDBs can help you assess the steps for best results. Project financing by the MDBs helps U.S. businesses gain access to many export opportunities.

Additionally, the International Trade Administration's [Office of Energy, Infrastructure and Machinery, Infrastructure Division](#) can assist in identifying contracting and subcontracting opportunities.

### **Qualify Potential Buyers or Representatives**

Once you locate a potential foreign buyer or representative, the next step is to qualify them by reputation and financial position. First, obtain as much information as possible from the company itself.

Once you have secured this initial background information and are comfortable about proceeding, you should obtain a credit report on the buyer's financial position.

For More Information:

- Country-specific information from the [U.S. Commercial Service](#).
- There are also online services for due diligence on foreign companies and a growing list of reputable credit report providers, even in emerging markets. Check online for due diligence reports on foreign companies.

## Questionnaire: *Qualifying Representatives*

Key factors vary significantly according to the products/service you will be exporting and countries involved, so tailor the following checklist to your own needs.

Here are a few sample questions\* you will want to consider when qualifying potential representatives/buyers:

### **Overview:**

- Do they appear on any of the government's restricted individuals or entities lists?
- What is the company's history?
- What are the qualifications and backgrounds of the principal officers?
- What is their current sales volume?
- How long have they been in this line of business?
- What is their banking relationship?
- Please describe the personnel, facilities and resources that would be devoted to your business.
- How will they market your product (retail, wholesale or direct)?
- Which territories or areas of the target country do they cover?
- Do they have other U.S. or foreign clients?
- Are any of these clients your competitors? (It is important to obtain references from several current clients.)
- What types of customers do they serve?
- Do they publish a catalogue?
- What are their e-commerce capabilities?
- What are the features of their website?
- How effective is their sales force?

In addition, the Department of Commerce recommends exploring the following capabilities in greater detail, depending on the factors that are applicable to/important for your business and its needs:\*

### **Size of Sales Force**

- How many field salespeople does the representative or distributor have?
- What are the short- and long-range expansion plans, if any?
- Would the representative company need to expand to accommodate your account properly?
- Would it be willing to do so?

### **Sales Record**

- Has the sales growth of the representative company been consistent? If not, why not? Try to determine its sales volume for the past five years.
- What is the average sales volume per outside salesperson?
- What are the sales objectives of the representative or the distributor for next year? How were they determined?

### **Territorial Analysis**

- What sales territory does the representative company now cover?
- Is the sales territory consistent with the coverage you desire? If not, is the representative or distributor able and willing to expand the territory?
- Does the representative company have any branch offices in the territory to be covered? If so, are they located where your sales prospects are greatest?
- Does it have any plans to open additional offices?

### **Product Mix**

- How many product lines does the representative company handle?
- Are these product lines compatible with yours?
- Is there any conflict of interest?
- Does it represent any other U.S. firms? If so, which ones? (names and addresses)
- Would the representative company be willing to alter its present product mix to accommodate yours?
- What is the minimum sales volume that the representative or distributor needs to justify handling your lines? Do its sales projections reflect that minimum figure? From what you know of the territory and the prospective representative or distributor, is the projection realistic?

### **Facilities and Equipment**

- Does the representative company have adequate warehouse facilities?
- What is the method of stock control?
- Does it use computers? Are they compatible with yours?
- What communications facilities does it have (fax, modem, email)?
- If your product requires servicing, is the representative company equipped and qualified to perform that service? If not, is it willing to acquire the needed equipment and arrange for training? To what extent will you have to share the training cost? Are there alternative ways in the market to service the product?
- If necessary and customary, is the representative or distributor willing to inventory repair parts and replacement items?

### **Marketing Policies**

- How is the sales staff compensated?
- Does the representative company have special incentive or motivation programs?
- Does it use product managers to coordinate sales efforts for specific product lines?
- How does it monitor sales performance?
- How does the representative or distributor train its sales staff?
- Would it pay or share expenses for its sales personnel to attend factory-sponsored seminars?

### **Customer Profile**

- What kinds of customers is the representative company currently contacting?
- Are its interests compatible with your product line?
- What are the key accounts?
- What percentage of the total gross receipts do those key accounts represent?

### **Principals Represented**

- How many principals is the representative or distributor currently representing?
- Would you be its primary supplier?
- If not, what percentage of the total business would you represent? How does this percentage compare with other suppliers?

### **Promotional Thrust**

- Can the representative company help you compile market research information to be used in making forecasts?
- What media does it use, if any, to promote sales?
- How much of the budget is allocated to advertising? How are those funds distributed among various principals?
- Will you be expected to contribute funds for promotional purposes?
- How will the amount be determined?
- If the representative or distributor uses direct mail, how many prospects are on the mailing list?
- What type of brochure does it use to describe the companies and products that it represents?
- If necessary, can it translate your advertising copy?
- Does the representative have a website to promote the product?
- Can it provide product demonstrations and training if needed?

\*From A Basic Guide to Exporting, Tenth Edition, Department of Commerce/International Trade Administration, ISBN 978-0-16-079204-5, pp. 64 - 66

# Getting Your Product Export-Ready

If you have decided to proceed into direct exporting, it is now time to assemble a resource library and a team to assist you in export development leading to sales.

As you proceed into direct exporting, you might consider the following professionals to provide assistance:

- An international attorney
- Freight forwarder
- Banker
- An advisor from SCORE, SBDC, USEAC or a mentoring export company (See [Chapter 3. Training and Counseling](#) to help determine which type of counseling service best suits your needs.)
- For high-tech companies, optionally, an engineer from the National Institute of Standards and Technology's [Manufacturing Extension Partnership](#)

You will need all of them to get your product ready, develop pricing, respond to inquiries, prepare quotations, negotiate sales, prepare shipping documents, and select the best form of payment.

## Keys to Successful Marketing

To be successful in placing your product/service in a foreign country, you must be mindful of incorporating the following important aspects into your marketing strategy:

- Industry standards
- Government regulations and requirements
- Correct labeling
- Consumer preferences
- Other consumer-driven considerations

In many cases, only a minor product alteration may be required to gain appeal successfully; in others, technical modifications must be made to incorporate standards of the importing country.

*The CE mark, for instance, is required for products entering European Union countries; stringent labeling standards apply to food, supplements and cosmetics in most countries.*

Consideration should also be given to:

- Product name (beware of negative connotations in the local language)
- Cultural and/or religious connotations
- Packaging
- Compliance with standards
- Different electrical power systems
- Metric dimensions
- Local product regulations

# About ISO Certification

Another consideration when planning a market strategy is understanding the ramifications of [ISO 9000](#), a quality control/management system. When competing for business in foreign countries, particularly with regard to procurement bidding, it may be a requirement to be ISO-certified.

- In many instances, subcontractors supplying parts or services for major overseas contractors are required by the terms of government contracts to be ISO 9000-qualified.
- The purpose of the ISO 9000 series is to document, implement and demonstrate the quality assurance systems used by companies that supply goods and services internationally.

ISO standards are required to be reviewed every five years. Additional information on these revisions can be obtained from the [American Society for Quality](#) (ASQ). For local help in quality control and manufacturing efficiency issues, contact the [Manufacturing Extension Partnership](#), a joint effort of the National Institute for Standards and Technology (NIST) and state governments.

## ISO Compliance

There are three ways for a manufacturer to prove compliance with the requirements of one of the ISO 9000 standards.

- You may evaluate your quality system and self-declare the conformance of the system to one of the ISO 9000 quality systems.
- Second-party evaluations occur when your buyer requires and conducts quality system evaluations of suppliers. These evaluations are mandatory only for companies wishing to become suppliers to that buyer.
- Third-party quality systems and evaluations and registrations may be voluntary or mandatory and are conducted by persons or organizations independent of both the supplier and the buyer. Interpretations of an ISO 9000 standard may not be consistent from one registrar to another.

Since the supplier's quality system is registered, and not an individual product, the quality system registration does not imply product conformity to any given set of requirements. Additional information on U.S., foreign and international voluntary standards and government regulations and rules of certification for nonagricultural products is available from the National Center for Standards and Certification Information (NCSCI), which is part of the [National Institute of Standards and Technology](#) (NIST).

# Market Factor Assessment

Country 1: \_\_\_\_\_

Rating Scale: 1 to 5 (5 being the best)

	RATING
<b>Demographic/Physical Environment</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	
<b>Political Environment</b>	
System of government	
Political stability and continuity	
Ideological orientation	
Government involvement in business	
Attitudes toward foreign business (trade restrictions, tariffs)	
<b>Competitive Environment</b>	
Uniqueness of your product/service	
Pricing of competitive products (nontariff barriers, bilateral trade agreements)	
National economic and development priorities	
Regulatory or quality standards for imports	
<b>Economic Environment</b>	
Overall level of development	
Economic growth; 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	

	RATING
<b>Social/Cultural Environment</b>	
Literacy rate, educational level	
Understanding of the class structure	
Similarities and differences in relation to domestic market	
Language and other cultural considerations	
<b>Market Access</b>	
Limitations on trade: high 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, employment and common contracts	
<b>Product Potential</b>	
Customer needs and desires	
Opportunity for market segment within the greater population	
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 demand	
Competitive offerings	
Imports in product category	
<b>Local Distribution and Production</b>	
Availability of intermediaries	
Regional and local transportation facilities	
Availability of manpower	
Conditions for local manufacture	

**Country 2:**

**Rating Scale: 1 to 5 (5 being the best)**

	<b>RATING</b>
<b>Demographic/Physical Environment</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	
<b>Political Environment</b>	
System of government	
Political stability and continuity	
Ideological orientation	
Government involvement in business	
Attitudes toward foreign business (trade restrictions, tariffs)	
<b>Competitive Environment</b>	
Uniqueness of your product/service	
Pricing of competitive products (nontariff barriers, bilateral trade agreements)	
National economic and development priorities	
Regulatory or quality standards for imports	
<b>Economic Environment</b>	
Overall level of development	
Economic growth; 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	

	<b>RATING</b>
<b>Social/Cultural Environment</b>	
Literacy rate, educational level	
Understanding of the class structure	
Similarities and differences in relation to domestic market	
Language and other cultural considerations	
<b>Market Access</b>	
Limitations on trade: high 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, employment and common contracts	
<b>Product Potential</b>	
Customer needs and desires	
Opportunity for market segment within the greater population	
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 demand	
Competitive offerings	
Imports in product category	
<b>Local Distribution and Production</b>	
Availability of intermediaries	
Regional and local transportation facilities	
Availability of manpower	
Conditions for local manufacture	



**Country 3:**

**Rating Scale: 1 to 5 (5 being the best)**

	<b>RATING</b>
<b>Demographic/Physical Environment</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	
<b>Political Environment</b>	
System of government	
Political stability and continuity	
Ideological orientation	
Government involvement in business	
Attitudes toward foreign business (trade restrictions, tariffs)	
<b>Competitive Environment</b>	
Uniqueness of your product/service	
Pricing of competitive products (nontariff barriers, bilateral trade agreements)	
National economic and development priorities	
Regulatory or quality standards for imports	
<b>Economic Environment</b>	
Overall level of development	
Economic growth; 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	

	<b>RATING</b>
<b>Social/Cultural Environment</b>	
Literacy rate, educational level	
Understanding of the class structure	
Similarities and differences in relation to domestic market	
Language and other cultural considerations	
<b>Market Access</b>	
Limitations on trade: high 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, employment and common contracts	
<b>Product Potential</b>	
Customer needs and desires	
Opportunity for market segment within the greater population	
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 demand	
Competitive offerings	
Imports in product category	
<b>Local Distribution and Production</b>	
Availability of intermediaries	
Regional and local transportation facilities	
Availability of manpower	
Conditions for local manufacture	

**Prioritize Markets:**

1.

2.

3.

## How do other U.S. firms market their products in the countries/regions you have chosen?

Country/Region 1

Country/Region 2

Country/Region 3

## What has made them successful?

Country/Region 1

Country/Region 2

Country/Region 3

**How do global competitors market their products in the countries/regions you have chosen?**

Country/Region 1

Country/Region 2

Country/Region 3

**What has made them successful?**

Country/Region 1

Country/Region 2

Country/Region 3

**What sales volume will you project for your products in these international markets for the coming year?**

Country/Region 1

Country/Region 2

Country/Region 3

**What is the projected growth in these international markets over the next five years?**

	Year 1	Year 2	Year 3	Year 4	Year 5
Country/Region 1	%	%	%	%	%
Country/Region 2	%	%	%	%	%
Country/Region 3	%	%	%	%	%

## Building a Distributor or Agent Relationship

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 other product lines should the agent/distributor carry, to complement yours?

What level of technical expertise is required? What additional technical services, if any, are required?

What territory should the agent or distributor cover?

What financial strength should the agent or distributor have?

What other competitive or noncompetitive 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 (EMC)\* to do your marketing and distribution for you?

Yes                      No

If yes, have you developed an acceptable sales and marketing plan with realistic goals you both agree to?

Yes                      No

\*It's important to note that EMCs do not have to represent your company exclusively on a worldwide basis. Rather, they sometimes can represent you in **specific regional markets**. For example, you might contract with an EMC to sell your products in Latin American markets, while you continue to handle direct export sales to Europe or Asia.

**Comments/Observations:**

What are your next steps for moving forward with/finalizing your agreement?

## Your Product

What are your product's advantages?

What are your product's disadvantages?

How complex is your product?

What skills or special training are required to:

– Install your product?

– Use your product?

– Maintain your product?

– Service your product?

What options and accessories are available?



## The Competition

### Market 1

---

What competitive products are sold abroad, and to whom?	
What are your competitors' products' advantages?	
What are your competitors' products' disadvantages?	

### Market 2

---

What competitive products are sold abroad, and to whom?	
What are your competitors' products' advantages?	
What are your competitors' products' disadvantages?	

### Market 3

---

What competitive products are sold abroad, and to whom?	
What are your competitors' products' advantages?	
What are your competitors' products' disadvantages?	

## The Marketplace(s)

### Market 1

What needs does your product fill in a foreign market?

Has an aftermarket been developed for your product? If so, briefly describe.

What other equipment, if any, does a buyer need to use your product?

What complementary goods does your product require?

If your product is an industrial good:

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

If your product is a consumer good:

- Who will consume it?
- How frequently will the product be bought?
- Is consumption affected by climate?
- Is consumption affected by geography; for example, transportation problems?

Does your product conflict with traditions, habits or beliefs or customers abroad?      Yes      No

Will there be product-related requirements; e.g., product certification, testing, special government approval, quotas? If so, list.

## Market 2

What needs does your product fill in a foreign market?

Has an aftermarket been developed for your product? If so, briefly describe.

What other equipment, if any, does a buyer need to use your product?

What complementary goods does your product require?

If your product is an industrial good:

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

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- Who will consume it?
- How frequently will the product be bought?
- Is consumption affected by climate?
- Is consumption affected by geography; for example, transportation problems?

Does your product conflict with traditions, habits or beliefs or customers abroad?      Yes      No

Will there be product-related requirements; e.g., product certification, testing, special government approval, quotas? If so, list.

**Market 3**

What needs does your product fill in a foreign market?

Has an aftermarket been developed for your product? If so, briefly describe.

What other equipment, if any, does a buyer need to use your product?

What complementary goods does your product require?

If your product is an industrial good:

– What firms are likely to use it?

– What is the useful life of your product?

– Is use or life of product affected by climate? If so, how?

– Will geography affect product purchase; for example, transportation problems? If so, how?

– Will the product be restricted abroad; for example, tariffs, quotas or non-tariff barriers? If so, how?

If your product is a consumer good:

– Who will consume it?

– How frequently will the product be bought?

– Is consumption affected by climate?

– Is consumption affected by geography; for example, transportation problems?

Does your product conflict with traditions, habits or beliefs or customers abroad?      Yes      No

Will there be product-related requirements; e.g., product certification, testing, special government approval, quotas? If so, list.

## Marketing Your Product: Identifying Practical Needs

### Outline your potential product concerns.

What potential issues might there be with:

– Product knowledge in your target market

– Target market

– Product adaptability

– Uniqueness of product

What is the most effective distribution channel?

– Sell direct vs. market intermediaries

What product training or support is needed?

– What are the warranties?

### Consider cash flow concerns.

What is the amount of investment needed?

What is the timing of the investments?

What is the payback period?

### Examine your capability to produce international products.

Can your sales increase by 20%, 40%, 100% in the next 12 months? Explain.

How does an increase in production volume affect your production timeline?

Can you make modifications to products without significant cost impact?      Yes      No

Can potential buyers/distributors see a functioning model or sample of your product that is substantially the same as would be the one to be offered in the buyer's market?      Yes      No

Comments:

What product and/or labeling requirements must be met? (Metric measurements, AC or DC electrical, voltage, etc.)

*Keep in mind that the European Union countries now require three languages on all new packaging and Mexico requires labels in Spanish, while Canada requires labels in French and English, under the North American Free Trade Agreement.*

What certifications or approvals are required? (CE mark, etc.)

What foreign licensing and regulatory requirements apply to your product?

When and how can product conversion requirements be obtained?

Can product be delivered on time as ordered? (This is especially important if Letters of Credit are used as a payment method.)

Yes      No

Comments:

**Identify literature concerns.**

If required, can you produce product literature in a language other than English?

Yes      No

Do you need a product literature translator to handle the technical language?

Yes      No

Note: It's important to use a translator who is familiar with the terminology used in your industry.

What special concerns should be addressed in sales literature to ensure quality and informative representation of your product? (*Keep in mind that translations should reflect the linguistic nuances of the country where the literature will be used.*)

**Identify website concerns.**

Is your website ready for international commerce? Yes No

If not, describe steps needed:

Does your website “welcome” global visitors? Yes No

If not, identify steps to be taken, such as use of global English, international dialing information, accessible hours for “live” customer service, etc.:

Can website visitors contact you via email? Yes No What is your planned response time?

**Identify customer relations concerns.**

What are delivery times and method of shipment?

What are payment terms?

Will financing be necessary to support either the pre-shipment (production) or post-shipment (accounts receivable) working capital needed for these orders? Yes No

What exporting financing programs offered by SBA and the Ex-Im Bank might work for you? Explain.

What are the warranty terms?

Will inspection/acceptance be required? Explain.

Who will service the product when needed?

How will you communicate with your customer? (Check all that apply.)

Through a local agent

Other (explain):

Via email

Via fax

# Defining Your Marketing Strategy

## Step 1: Consider your overall business approach.

What is the size of your firm?

What is the nature of your product/service?

What is your tolerance for risk?

What resources are available to develop the market?

Describe any previous export experience and expertise.

Outline the business conditions in the selected markets.

## Step 2: Define your international pricing approach.

How do you calculate the landed (in country) 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 sale are best for your export product?



**Step 3: Define your promotional approach.**

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 4: Define customer services. Include aspects such as in country technical training and after sales service.**

What special customer services do you offer?

What types of payment options do you offer?

How do you handle merchandise that customers return?

What are your in-country technical training needs?

How will after-sales service be handled?

## Identifying Customers Within Your Chosen Markets

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

	<b>Companies</b>	<b>Agents</b>	<b>Distributors</b>
Product 1			
Product 2			
Product 3			

**What companies, agents or distributors have made recent requests for information on similar products?**

	<b>Companies</b>	<b>Agents</b>	<b>Distributors</b>
Product 1			
Product 2			
Product 3			

**What companies, agents or distributors would most likely be prospective customers for your export products?**

	<b>Companies</b>	<b>Agents</b>	<b>Distributors</b>
<b>Product 1</b>			
<b>Product 2</b>			
<b>Product 3</b>			

It may also help to create a profile of your ideal customer, agent, and/or distributor (e.g., size, range, product lines, experience). This can help you focus on those characteristics that are most suitable and desirable to identify in your prospects.

**Ideal Customer:**

**Ideal Agent/Distributor:**

Notes:



# Financing Your Export Venture



## Information

Locating an SBA Lender

SBA Export Express

Export Working Capital Program (EWCP)

International Trade Loan Program

Export-Import Bank of the United States



## Worksheet

> Financing Grid: Financing Your Small Business Export

The **U.S. Small Business Administration (SBA)** provides export loan guarantee programs to help small businesses sell products or services overseas. These SBA loan programs are important because most banks in the United States do not provide domestic loans for export working capital advances on export orders, export receivables or Letters of Credit.

It is important to note that export working capital is different from domestic commercial lending. Because of this, you need to know which lenders are proficient in export terminology and financing to support your export sales.

## Locating an SBA Lender

Typically, small businesses turn to their local banks for financing. However, not all banks are experienced at providing export financing. SBA now has an [online list of all export lenders](#), which should make finding a lender easier.

If your bank does not have global expertise, please review the list of SBA participating lenders who can meet your exporting needs. SBA guaranteed loans are available to assist with marketing overseas and provide export working capital and long-term loans for capital asset acquisition.

### About SBA Lenders

While private sector banks will typically assume limited risk regarding foreign transactions, the U.S. government can provide export financing assistance in the form of guarantees made to U.S. commercial banks. These banks, in turn, make loans available to you, as a small business exporter.

- SBA provides lenders with up to a 90% guaranty on its three export loan programs as a credit enhancement so that the lenders will make the necessary export working capital available.
- A loan can support a single transaction or multiple sales on a revolving basis.
- To qualify, you must have been in business for a full year (not necessarily in exporting) at the time of application. However, SBA may waive this requirement if your company has sufficient export trade experience.

Once you commit to taking your business global and are seeking your first sales contract, you must ensure that your buyer is located in a country where there are no U.S. sanctions and the buyer is not listed on a prohibition document issued by the U.S. Department of Treasury's Office of Foreign Asset Control.

### Identifying Your Loan Goal

As you make your export plans, it is important to identify what you want an export loan to accomplish. Ensure that:

- The purpose of the loan makes sense for your business;
- Your loan request meets your needs for the specific use of the loan's proceeds; and
- You can demonstrate clearly how and when the loan will be repaid.

Several federal agencies, as well as certain state governments, have their own specific programs.

## SBA Export Express

Export Express loans include the following features:

- Streamlined financing up to \$500,000
- Flexibility and ease of use to both you and your lender
- The simplest export loan product offered by the SBA
- Ability for participating lenders to use their own forms, procedures and analyses
- An answer on your loan in 36 hours or less

### Common FAQs:

#### Who is eligible to receive Export Express financing?

Any business that has been in operation, although not necessarily in exporting, for at least 12 full months and can demonstrate that the loan proceeds will support its export development activity is eligible for Export Express.

#### What can the loan funds be used for?

Loan proceeds may be used for business purposes that will enhance a company's export development. Export Express can take the form of a term loan or a revolving line of credit. As an example, proceeds can be used to fund participation in a foreign trade show, finance Standby

Letters of Credit, translate your company's website and product literature for use in foreign markets, finance specific export orders, as well as to finance expansions, equipment purchases, and inventory or real estate acquisitions, etc.

### **How do I apply?**

Interested businesses should contact their existing lender to determine if they are an SBA Express lender. Lenders that participate in SBA's Express program are also able to make Export Express Loans. Application is made directly to the lender. The lenders use their own application material in addition to SBA's Borrower Information Form. Lenders approve the request and then submit a limited amount of eligibility information to SBA's National Loan Processing Center. Check out [SBA's list of lenders](#).

## Export Working Capital Program (EWCP)

As an exporter, you can apply for EWCP loans in advance of finalizing an export sale or contract. With an approved EWCP loan in place, you have greater flexibility in negotiating export payment terms and can be assured that adequate financing will be in place when the export order is received.

### **Benefits of the EWCP**

- Financing for suppliers, inventory or production of export goods
- Export working capital during long payment cycles
- Financing for Standby Letters of Credit used as bid or performance bonds or down payment guarantees
- Reserves domestic working capital for the company's sales within the United States
- Permits increased global competitiveness by allowing the exporter to extend more liberal sales terms
- Increases sales prospects in underdeveloped markets that have high capital costs for importers
- Contributes to the growth of export sales
- Low fees and quick processing times

### **Program Features**

#### ***Guaranty Coverage***

- Maximum loan amount is \$5,000,000
- 90% of principal and accrued interest up to 120 days
- Borrower's low guaranty fee of ¼% of the guaranteed portion for loans with maturities of 12 months or less
- Loan maturities are generally for 12 months or less

#### ***Use of Proceeds***

- To pay for the manufacturing costs of goods for export
- To purchase goods or services for export
- To support Standby Letters of Credit to act as bid or performance bonds
- To finance foreign accounts receivable

### **Advance Rates**

- Up to 90% on Purchase Orders
- Up to 90% on Documentary Letters of Credit
- Up to 90% on Foreign Accounts Receivable
- Up to 75% on eligible foreign inventory located within the United States
- In all cases, not to exceed the exporter's costs

### **Interest Rate**

- The SBA does not establish or subsidize interest rates on loans.
- The interest rate can be fixed or variable and is negotiated between the borrower and the participant lender.

### **Collateral**

- The export-related inventory and the receivable generated by the export sales financed with EWCP funds will be considered adequate collateral.
- The SBA requires the personal guarantee of owners (20% or more ownership).

### **How to Apply**

Application is made directly to lenders. You are encouraged to contact the SBA staff at a [U.S. Export Assistance Center](#) (USEAC) to discuss whether you are eligible for the EWCP program, and whether it is the appropriate tool to meet your export financing needs.

### **Asset Based Lending**

Asset Based Loans (ABLs) are revolving lines of credit supported by a monthly Borrowing Base Certificate. This certificate reports levels of assets, accounts receivable and inventory supporting the loan amount.

- ABLs are generally committed for 12 months and reissued annually. However, ABLs can have up to a 36-month maturity with annual renewals. When annual reviews are required (loans in excess of 12 months), your lender will be required to supply updated financial statements on your company to SBA with a request to grant the renewal.

The following advance rate ranges apply:

- Inventory: Up to 75%
- Contracts/Purchase Orders supported by a Letter of Credit: Up to 90%
- Insured Receivables (or supported by Letters of Credit): Up to 90%
- Open Account Receivables: Up to 80%

You are required to submit an export-related Borrowing Base Certificate to your lender. This will be submitted as frequently as your lender customarily requires, but at least prior to each disbursement and no less than once per month.

- The Borrowing Base Certificate must be in a form satisfactory to your lender, so that the lender may reconcile the borrowing base and the loan balance to insure your loan has adequate eligible collateral and is not over-disbursed.



- You must supply a schedule of inventory and a listing of disbursements and payments on the loan to SBA. Additional financial statements or reports that your lender may require may also be required.
- If at any time the applicable export-related borrowing base is less than the sum of the aggregate outstanding amount of disbursements and 25% of the aggregate amount set aside for Standby Letters of Credit, you shall immediately either pay the lender an amount equal to the difference between this sum and the export-related borrowing base or provide the lender with additional collateral sufficient to cover the difference.
- Over-advances—defined as the lender intentionally exceeding the advance rates above the percentages of the export base formula—are only permitted with prior written approval by SBA.
- Advance rates in excess of those listed on page 5 may be approved by SBA if your lender provides suitable justification.

The accounts receivable and inventory balances represented on such export-related Borrowing Base Certificate must be reconciled with your company's general ledger, accounts receivable aging, and inventory schedule for that month end. In instances where the loan has no outstanding principal balance or any outstanding Letters of Credit, you will not be required to submit an export-related Borrowing Base Certificate until such time as it requires either a disbursement or the issuance of a Letter of Credit.

***Application Factors:***

SBA will consider several factors in reviewing your EWCP application. These questions include the following:

- Is there a transaction ... and is it viable?
- How reliable is the repayment source?
- Can your company perform under the terms of the deal?

## International Trade Loan Program

The International Trade Loan (ITL) is designed to help you enter and expand into international markets and, when adversely affected by import competition, make the investments that are necessary to better compete. The ITL offers a combination of fixed asset and working capital financing with SBA's maximum guaranty— 90%— on the total loan amount.

**Program Features:**

***Guaranty Coverage***

- Maximum Loan Amount: \$5,000,000 in total financing.
- SBA can guaranty up to 90% of an ITL up to a maximum of \$4.5 million, less the amount of the guaranteed portion of other SBA loans outstanding to the borrower. (When combined with any other SBA loans, the maximum guaranty for working capital cannot exceed \$4 million.)
- Maturities on the working capital portion of the ITL are typically limited to seven years.
- Maturities of up to 25 years are available for facilities and equipment.
- Loans with a mixed use of fixed asset and working capital financing will have a blended-average maturity.

### **Guaranty Fee & Interest Rates**

- Lenders may charge up to 2.25% or 2.75% above the prime rate (as published in *The Wall Street Journal*), depending upon the maturity of the loan. Interest rates on loans of \$50,000 and less can be slightly higher.

### **Exporter Eligibility**

- Applicants must meet the same eligibility requirements as for SBA's standard 7(a) Loan Program.
- Applicants must establish that the loan will significantly expand or develop an export market, or demonstrate that the business has been adversely affected by import competition and will upgrade its equipment and/or facilities to improve its competitive position.

### **Use of Proceeds**

- For the facilities and equipment portion of the loan, proceeds may be used to acquire, construct, renovate, modernize, improve or expand facilities and equipment in the United States to produce goods or services involved in international trade.
- Permanent working capital is an allowable use of proceeds under the ITL.
- Proceeds may be used for the refinancing of debt structured with unreasonable terms and conditions, including any debt that qualifies for refinancing under the standard SBA 7(a) Loan Program.
- Ineligible Proceeds: SBA 7(a) Loan Program regulations apply.

### **Collateral Requirements**

- Only collateral located in the United States (including its territories and possessions) is acceptable.
- The Small Business Jobs Act of 2010 provides for an exception to the first lien requirement. An ITL can be secured by a second lien position if SBA determines there is adequate assurance of loan payment.
- Additional collateral, including personal guaranties and those assets not financed with ITL proceeds, may be required as appropriate.

### **How to Apply**

- A small business exporter seeking an SBA-guaranteed loan must apply to an SBA-participating lender. The lender will submit a completed Application for Business Loan (SBA Form 4), including all exhibits, to SBA.
- An applicant wanting to qualify as adversely impacted from import competition must submit supporting documentation that explains that impact, and a plan with projections that explains how the loan will improve the business' competitive position. The U.S. Department of Commerce's Economic Development Agency must approve adversity of imports justifications.

### Focus on: SBA Trade and Finance Managers

SBA delivers its export loan program through a network of SBA Trade and Finance Managers located in **U.S. Export Assistance Centers** throughout the country.

- These specialists understand trade finance and are available to explain SBA's export lending programs, the application process and forms and to guide exporters in selecting appropriate payment methods.
- They can also link companies to specialists for increasing export sales and managing foreign payment risk.

Locate your [local SBA Trade and Finance Manager](#).

## Export-Import Bank of the United States

The [Export-Import Bank](#) (Ex-Im Bank) of the United States enables U.S. companies—large and small—to turn export opportunities into real sales. In fact, the agency has supported more than \$400 billion of U.S. exports, primarily to developing markets worldwide. In this way, it turns export opportunities into real transactions that, in turn, maintain and create U.S. jobs.

The Ex-Im Bank assumes the credit and country risks that private banks are unable or unwilling to accept. It does not compete with private sector lenders; rather, it provides export-financing products that fill in the gaps in trade financing.

The Ex-Im Bank assists U.S. exporters by:

- Matching the financing that other governments provide to their exporters.
- Providing working capital guarantees (pre-export financing); export credit insurance (post-export financing); and loan guarantees and direct loans (buyer financing).

This assistance is available through a selection of funding options.

### Loan Guarantee

- Competitive Financing for International Buyers
- Ex-Im Bank assists exporters by guaranteeing term financing to creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services. With Ex-Im Bank's loan guarantee, international buyers are able to obtain competitive term financing from lenders when financing is otherwise not available or there are no economically viable interest rates on terms over one-to-two years.

**Benefits:**

- Enables international buyers to obtain loans from lenders
- Covers 100% of commercial and political risks
- Flexible financing options and repayment terms
- No limits on transaction size
- Medium-term and long-term financing available

**Direct Loan**

- Fixed Rate Term Financing for International Buyers
- Ex-Im Bank assists exporters by providing fixed-rate loans to creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services.

**Benefits:**

- Enables international buyers to obtain loans from Ex-Im Bank
- Medium-term and long-term financing available

**Export Insurance**

- Reduces exporter's risk of receiving payment from buyers
- Reduces borrower's risk to lender to enhance borrowing capacity
- Mitigates risk for exporters with Letters of Credit in case of political or economic crisis in foreign market

**Locations:**

[Ex-Im Bank](#) works with small businesses at the local level through its five regional offices and a nationwide network of nearly 40 city/state partners.

- Distribution channels also include 120 delegated authority lenders in 28 states that can directly commit Ex-Im Bank's guarantee on working capital loans.
- Insurance brokers in every state can assist with Ex-Im Bank's export credit insurance applications.
- In addition, Ex-Im Bank participates in approximately 20 trade shows and sponsors more than 20 exporter seminars every year, including events involving small exporters as well as exporters of environmentally beneficial goods and services. Check out the [Event Schedule](#).

**Worksheet****Financing Grid: Financing Your Small Business Export**

# Financing Grid: Financing Your Small Business Export

Lender	Type of Loans	Interest Rate and Terms	Guaranty Info	Benefits	Application Process/Status	Additional Notes

## Next Steps

Notes:

# 7



## Accounting Worksheets: Costing, Financial Forecasting and Product Pricing



### Information

Forecasting Your Sales:  
First Five Years

Projecting the Cost of  
Goods Sold

Export Costing

International  
Marketing Expenses

Calculating Projected  
Income

Your Break-Even  
Analysis

International  
Payment Methods

Methods of  
International Pricing

International Expenses

Pricing Your Product

Other Pricing Factors  
to Consider

Setting Terms of Sale



### Worksheets

- > Sales Forecasts—First Five Years
- > Projected Income—First Five Years in All Markets
- > Cost of Goods Sold—First Five Years
- > Export Costing
- > Marketing Expense Costs
- > Setting Your Price

## Forecasting Your Sales: First Five Years

Forecasting sales of your product is the starting point for your financial projections. It's key to use realistic estimates to produce a useful sales forecast. Also, remember that sales forecasts show volume only; actual cash flow will be determined by the cash cycle, which includes supplier terms, delivery dates, and payment terms and methods.

**Step 1:** Fill in the units-sold line for markets 1, 2 and 3 for each year.

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

*The following will calculate automatically:*

**Step 3:** Total sales for each of the different markets (units sold x sales price per unit).

**Step 4:** Sales (all markets) for each year.

**Step 5:** Five-year total sales for each market.



### Worksheet

Sales Forecasts—First Five Years

# Projecting the Cost of Goods Sold

If significant product alterations are required, your cost of goods sold *internationally* will differ from cost of goods sold *domestically*. These changes will affect your costs in terms of materials *and* direct and indirect labor costs. To ascertain the costs associated with the different terms of sale, SBA recommends that you consult with your export resource team. This would include:

- Your international freight forwarder
- Banker
- Customs broker
- Attorney
- Other key partners/advisors

In addition, it's important to refer to [current INCOTERMS](#) to ensure that you are considering all aspects/potential costs in your projections.

A typical Cost of Goods Sold worksheet will include some or all of the following factors. These costs are in addition to the material and labor used in the manufacture of your product, and are negotiable between you and your buyer.

- Bank collection
- Bank documentation
- Banker surcharge
- Cargo insurance
- Consular legalization
- Container loading
- Courier mail
- Demurrage
- Dispatch
- Export documentation
- Export packing
- Forwarding
- Handling
- Import duties
- Inland freight
- Ocean freight
- Other miscellaneous costs
- Tariffs
- Telecommunications costs
- Terminal charges
- Truck/rail unloading
- Wharfage

## About “Pass-through” Costs

A typical term of export sale is cost, insurance and freight (CIF) to port of destination. Your price can include all the costs to move the product to the port of destination and other costs necessary to complete the export transaction.

However, many of your costs will be incurred to provide service to the importer of your product. As a result, you have two options when pricing your product:

- You can price your product at your factory and let your customer take care of costs associated with getting the product from your factory or warehouse to their destination.
- Or, if you are like most exporters (including, presumably, your competition), you'll likely choose to arrange many of the details (transportation, insurance, etc.) for your customers.



To complete the next worksheet, you will use the data from the **sales forecast**. Certain costs related to your terms of sale may also have to be considered—for example, include cost of capital if you are extending payment terms.

**Step 1:** Fill in the units-sold line for markets 1, 2 and 3 for each year.

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

*The following will calculate automatically:*

**Step 3:** Total costs for each of the different markets (units sold x cost price per unit).

**Step 4:** Cost of goods sold—all products for each year.

**Step 5:** Five-year cost of goods for each market.



**Worksheet**  
**Cost of Goods Sold—First Five Years**

## Export Costing

Pricing is a reflection of all costs incurred and is influenced by the competitiveness of the marketplace. Your export costing quotation must first determine the domestic “at your factory” costs and then identify the additional costs incurred to sell overseas.



**Worksheet**  
**Export Costing**

## International Marketing Expenses

To determine marketing costs for your export products, you should include costs that apply only to international marketing efforts. For example, cost for domestic advertising of services 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 worksheet. Some of the expenses will be first-year, start-up expenses; others will occur every year.

**Step 1:** Review the expenses listed in the Marketing Expense Costs worksheet, below. 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 included domestic marketing expenses that are not applicable to international sales. Subtract these from the international expenses.

*The total for your international marketing expenses will calculate automatically.*

It's important to include relevant contractual components in your marketing expense costs. For example, if your **distributor** will send a salesperson to your facility for training, the payment parameters should be included in your distributor's contract (See **Agent and Distributor Agreements** later in this chapter), and the costs should be included in your international Marketing Expense Costs.



**Worksheet**  
**Marketing Expense Costs**

# Calculating Projected Income

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each year.

**Step 1:** Fill in the sales for each year from the **Sales Forecast worksheet**.

**Step 2:** Fill in the cost of goods sold from the **Cost of Goods Sold worksheet**.

*Gross Margin for each year (sales minus cost of goods sold) will calculate automatically.*

**Step 3:** Fill in the operating expenses specifically associated with the international marketing program for each year.

**Step 4:** Allocate your international division's portion of the firm's overall domestic operating expenses (international's portion of lighting, office floor space, administration, etc.).

*Net Profit before taxes will calculate automatically.*



**Worksheet**

**Projected Income—First Five Years in All Markets**

## Your Break-Even Analysis

The break-even is the level of sales at which your total sales exactly cover your total costs, which include nonrecurrent fixed costs and variable costs. This level of sales is called the Break-Even Point (BEP) sales level.

- Above the BEP sales level, you will make a net profit.
- If you sell less than the BEP sales level, you will have a net loss.

To calculate the BEP, costs must be identified as being either fixed or variable.

- **Fixed expenses** are those that your business will incur regardless of its sales volume—they are incurred even when a business has no sales, and include such expenses as rent, office salaries, depreciation, logistics costs, translation, and payment collection.
- **Variable expenses** change directly and proportionately with your company's sales. These include such expenses as **Cost of Goods Sold**, sales commissions, etc.

Some expenses are semi-variable in that they vary somewhat with sales activity but are not directly proportionate to sales. **Semi-variable expenses** include utilities, advertising and administrative salaries. Ideally, semi-variable expenses should be broken down into their fixed and variable components for an accurate break-even analysis.

Once your expenses have been identified as either fixed or variable, the following formula is used to determine the BEP.

$$\text{Break Even Point} \rightarrow \text{sales} = \text{fixed costs} + \text{variable costs}$$

*Note: In addition to a break-even analysis, it is highly recommended that a profit-and-loss analysis be generated for the first few actual international transactions. Since there are a great number of variables relating to costs of goods, real transactions are required to establish actual profitability and minimize the risk of losses.*

# International Payment Methods

To succeed in the international marketplace, you need to offer your customers competitive payment terms and methods. As a small business exporter, your principal concern will be to ensure that your company gets paid in full and on time for each export sale.

- It does little good to make an export sale if your buyer delays payment so long that the financing cost eats up the profit.
- Foreign buyers have concerns as well, such as ensuring that their orders arrive on time and as requested.

The payment method used can significantly affect the financial risk for both you and your buyer. Therefore, it is important that the terms of payment be negotiated carefully to meet both of your needs. In general, the more generous the sales terms are, the greater the risk to you as the exporter.

The primary methods of payment for international transactions, ranked in order of most secure to least secure for the exporter, include:



## Payment in Advance

Requiring payment in advance as a term of sale is not uncommon, but in many cases is too expensive and too risky for foreign buyers. Requiring full payment in advance is an unattractive option for the buyer and can result in lost sales, especially since a competitor (foreign or domestic) may be willing to offer more attractive terms.

- In some cases, such as when your buyer's creditworthiness is unknown or if your manufacturing process is specialized, lengthy or capital-intensive, it may be reasonable to insist upon progress payments or full or partial payment in advance.

## Letters of Credit

Letters of Credit (LC) are one of the safest and most common payment methods available. They are also referred to as "documentary Letters of Credit." An export Letter of Credit is an internationally recognized instrument issued by a bank on behalf of its client, the buyer.

- In this situation, the buyer pays its bank a fee to render this service. As such, a Letter of Credit may make you less competitive. However, remember that contract terms should be appropriate for you and determined in the context of your tolerance for potential risk.

For many small businesses, using Letters of Credit from buyers is a way to avoid costly mistakes; another is to utilize pro forma documents, as described in **Setting Terms of Sale**, later in this chapter. Sometimes, Letters of Credit have exceptions in them that may either slow down the payment or cause problems for the banks involved. That is why pro forma documents are so important.

- Check with an international lender to see the normal and customary fees charged for international transactions, including Letters of Credit.

Keep in mind that financing and the associated costs and benefits should be included as part of your negotiations. You can use them as marketing tools, and therefore they should be outlined carefully by you and the buyer. An LC can be useful if you are unsure of a prospective buyer's creditworthiness, but are satisfied with the creditworthiness of your buyer's bank.

While it may be difficult for you to obtain reliable credit information about a foreign buyer, it is likely less difficult for the buyer's bank. Moreover, this vehicle can be structured to protect your buyer, since no payment obligation arises until the goods have been satisfactorily shipped or delivered as promised.

- The Letter of Credit is issued by the buyer's bank and is "advised" through the seller's bank. When acting as an advising bank, the seller's bank is confirming to the seller that the LC is a real liability of the issuing bank.
- The advising bank is NOT liable for anything else. If the seller is not comfortable with relying on the credibility of the buyer's bank, the seller can request a confirmation.
- Also, it should be noted that under Letters of Credit, banks are liable only if the documents submitted and the LC are 100 percent correct.

### **Non-Conforming Documents: Be Aware of Potential Dangers**

1. Non-acceptance and non-payment by the buyer
2. Bank's refusal to honor the presentation or seek approval from the buyer, and sending of the documents back to the beneficiary
3. Acceptance by the buyer, but delayed payment (could be up to six months or more)
4. Acceptance by the buyer, but negotiation of a lower payment price
5. Penalty for late shipment
6. Incurring of discrepancy fees
7. Settlement in court in a foreign country

### **LC Terms and Conditions**

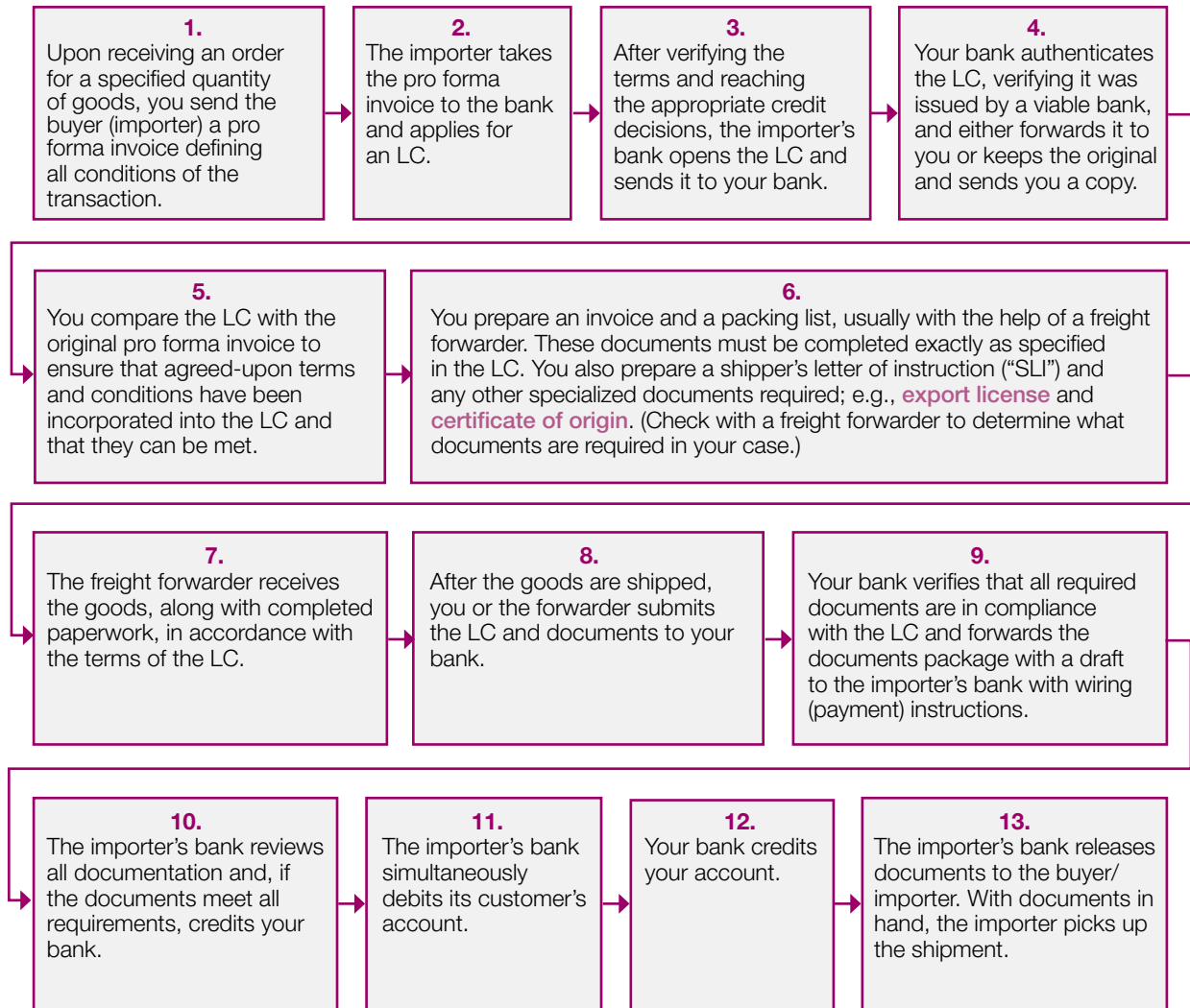
The terms and conditions required for payment are spelled out in the LC.

- When the terms and conditions have been met, as verified through the presentation of all required documents (that is why export Letters of Credit also are referred to as documentary Letters of Credit), the buyer's bank makes the required payment directly to your bank in accordance with the terms of payment.

LCs may be utilized for one-time transactions, or they can cover multiple shipments, depending on what is agreed to between you and your buyer. It's important to make sure you can deliver your order according to the terms and conditions of the LC before accepting the LC. Make sure you review the details of the Letter of Credit and the required documentation with a bank that has LC experience. If all parties agree, the LC can be amended after it is opened at an additional cost.

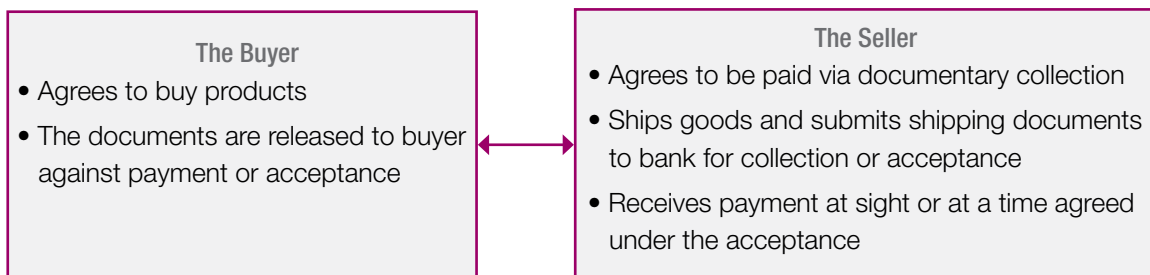
In addition, it is advisable to speak with an international banker before your buyer opens a Letter of Credit to ensure that proper language and conditions are incorporated into it. Letters of Credit can take many forms, but a typical transaction may involve the following steps.

## Sample Transaction with Letter of Credit



*Note: Your banker and freight forwarder will become important resources during a Letter of Credit transaction. They will help to guide you through these steps.*

## Example: Buyer and Seller Relationship



## Documentary Collections

Documentary collections involve the use of a draft that you will draw on the buyer, requiring the buyer to pay the face amount either on sight (sight draft) or on a specified date in the future (time draft).

- The draft is an unconditional order to make such payment in accordance with its terms.
- Instructions that accompany the draft specify the documents needed before title to the goods will be passed from seller to buyer.

Because title to the goods does not pass until the draft is paid or accepted, to some degree both you and your buyer are protected. However, if your buyer defaults on payment of the draft, you may have to pursue enforcement through the courts (or possibly through arbitration, if that is part of the contract). Also, the buyer can refuse acceptance of shipment without financial liability.

The use of drafts involves a certain level of risk; but drafts are typically less expensive for your buyer than Letters of Credit. You would choose Documentary Collection vs. Letters of Credit if you are relatively confident in the buyer's credibility and want to be more competitive by reducing the cost to the buyer.

- A major share of the cost of a Letter of Credit exists specifically because the issuing bank is taking on the risk that its client will repay the bank when the transaction takes place.
- A Documentary Collection should always be less expensive because the bank is not liable to pay you (the exporter) unless and until it collects from the buyer.

## Open Account

An open account transaction means that the goods are manufactured and delivered before payment is required. For example, payment could be due 30, 60 or 90 days following shipment or delivery.

In the United States, sales are likely to be made on an open-account basis if your company has been dealing with the buyer over a long period of time and has established a trusting relationship. However, in international business transactions, this method of payment should not be used unless you trust your buyer, your buyer is creditworthy and the country of destination is politically and economically stable. Export credit insurance can help to mitigate these risks.

Visit the Ex-Im Bank to learn more about [export credit insurance](#).

## Comparing Payment Methods

Method	Usual Time of Payment	Goods Available to Buyer	Exporter Risk	Importer Risk
Cash in Advance	Before shipment	After payment	None, if products are in inventory or production begins after payment is received	Relies upon the exporter to ship goods
Letter of Credit	After shipment when documents complying with the LC are presented	After payment	Very little or none, depending on the terms of the LC	Relies upon the exporter to ship goods described in documents
Documentary collection—Sight Draft	After shipment, but before documents are released	After payment	If draft unpaid, must dispose of goods	Relies upon the exporter to ship goods described in documents
Documentary collection—Time Draft	On maturity of draft	Before payment	Relies on the buyer to pay draft; no control of goods	Almost none

## Methods of International Pricing

There are different options for consideration related to your international pricing.

### Cost-Plus Method

The “cost-plus” method of international pricing is based on your domestic costs, “plus” additional exporting costs associated with international sales and promotion, product modification, etc. Remember: costs associated with insuring or delivery are usually “pass-through costs” that do not have a markup component in arriving at a selling price.

- The cost-plus method allows you to maintain your domestic profit margin percentage, and thus to set a suitable price.
- Any costs not applicable, such as domestic marketing costs, are subtracted from the overall cost prior to markup to arrive at your selling price.
- This method does not take local market conditions into account.

With cost-plus pricing, different marketing costs and/or modifications to the product could change the cost basis dramatically, making the product either more or less costly for export.

### Marginal-Cost Method

The “marginal-cost” method will likely provide a more realistic means of determining true cost of producing your product for export.

To use the marginal-cost method:

- Determine the **fixed costs**, if any, of producing an additional unit for export. Fixed costs are costs that occur whether or not you are selling anything. For example: mortgage payments on land or buildings.
  - If your company is operating at a profit, and additional assets are not being used for exporting, then fixed costs have been covered.
- Any additional costs of producing products for export are termed **variable costs**.

There may be instances where **additional assets are not needed** to meet international sales requirements. In this case, you would generally be concerned only with variable costs, operating expenses, taxes and net profit in determining the product sales price.

Or, you may have to **purchase new machinery** to meet international sales demands. In this example, there would be a fixed-cost component to international production costs. These fixed costs would consist of amortized payment of the equipment. In this case, a fixed-cost component must be included in the above example to reach the product sales price.

## International Expenses

As you determine variable costs, consider the following:

### ***Packaging***

Local regulations and customs may require special labeling, translated instructions or different packaging to appeal to local tastes. The selected mode of distribution may also require a particular kind of packaging.

### ***Foreign Market Research***

There may be fees associated with specialized research and other educational services used to obtain market information.

### ***Advertising and Marketing***

Firms selling directly into new markets will most likely be responsible for the entire promotional effort, and may incur high initial outlays to establish product recognition in the new market. If you employ an agent, distributor or trading company, they can typically handle advertising and marketing as part of their contract.

### ***Translation, Consulting and Legal Fees***

Product instructions, sales agreements and other documentation generally will need to be translated into the local language. Be aware that idioms and words can differ greatly in regions using the same language. Expert translation of product labeling and instructions is essential. Also, although many sales agreements use standard wording, it is advisable to have legal counsel review all binding documents.



### **Foreign Agent/Distributor Product Information and Training**

Agents and distributors may require special training to effectively market and service your products. This is true even if the agent sells similar products. Training will not only enable the agent to better represent your company's interests, but also to gain a better understanding of your product.

### **After-Sales Service Costs**

Product warranties and service contracts will enhance your product's image. In many markets, U.S. goods and services have a competitive advantage, due to the perception that U.S. companies offer superior after-sales service. An appropriate after-sales service guarantee can support your sales effort in the new market. It's important to note that you should not promise service or warranties, based on U.S. standards, that you cannot deliver.

After taking these expenses into account, insurance, freight, duties and a profit margin can be added to arrive at a customer price. Depending on the country, currency fluctuations can significantly affect profit margin and the final price. As a new-to-export company, you should price products in U.S. dollars and request payment in dollars.

## **International Pricing Strategies**

### **High-Price Option**

This approach may be appropriate if your company is selling a new product, or if you are attempting to position your product or service at the upper end of the market. Selecting this option may attract competition and limit the market for your product while producing large profit margins.

### **Moderate-Price Option**

This is a lower-risk approach as compared with the high- or low-price option. With the moderate-price option, you should be able to match competitors' prices, build a market position and produce reasonable profit margins.

### **Low-Price Option**

This approach may be appropriate if you are trying to reduce inventory, want to quickly establish a market presence, or do not have a long-term commitment to the market. You will, no doubt, impede competition ... but you'll also have lower profit margins.

Overall, no single strategy is ideal for every company. As a result, it's common to draw upon a mix of options for each market or product.

## **Pricing Your Product**

Setting proper export prices is crucial to your success in exporting. Prices must be high enough to generate a reasonable profit, yet low enough to be competitive in overseas markets.

Basic pricing criteria—costs, market demand, and competition—are the same for domestic and foreign sales. However, a thorough analysis of all cost factors going into producing goods for export, plus operating expenses, will likely result in foreign prices that are different from domestic ones. Also, remember to factor in freight, insurance and other pass-through costs that are included with little or no markup.

## About Marginal Cost Pricing

*Marginal cost pricing* is an aggressive marketing strategy often used in international endeavors. The theory behind marginal cost is that if the domestic operation is making a profit, the nonrecurrent annual fixed costs are being met. Therefore, only variable costs and profit margin should be used to establish the selling price for goods that will be sold in the international market. This results in a lower price for international goods, yet maintains the profit margin.

- The risk of this strategy becomes apparent should the domestic operation become unprofitable and be unable to cover the fixed costs, as each incremental sale could result in a larger loss for the company.
- However, this is a complex issue that can yield substantial benefits to your company with manageable risks.

## Factors for Calculating Price

In calculating an export price, be sure to take into account all the cost factors for which you, the exporter, are liable.

1. Calculate **direct materials and labor costs** involved in producing the goods for export.
2. Calculate your **factory overhead costs**, prorating the amount of overhead chargeable to your proposed export order.
3. Deduct any **charges not attributable** to the export operation, especially if export sales represent only a small part of total sales.
4. Be sure **operating expenses** are covered by your gross margin. Some of the expenses directly tied to your export shipments may include:
  - Catalogs, slide shows, video presentations
  - Commissions
  - Communications\*
  - Consultant fees
  - Credit checks
  - Export advertising
  - Freight forwarder fees (usually pass-through costs)
  - Insurance\*
  - Interest\*
  - Legal expenses\*
  - Market research
  - Office supplies\*
  - Packing materials
  - Patent and trademark fees\*
  - Product modification
  - Promotional material
  - Provision for bad debts
  - Rent\*
  - Taxes\*
  - Translation costs
  - Transportation expenses (usually pass-through costs)
  - Travel expenses
5. Allow yourself a realistic price margin for unforeseen production costs, operating expenses, unavoidable risks and simple mistakes that are common in any new undertaking.
6. Allow yourself a realistic profit or markup.

\*These items will typically represent the expenses of the total operation, so be sure to prorate them to reflect only the operating expenses associated with your export operation.

# Other Pricing Factors to Consider

Just as in the domestic market, there are additional factors to consider as you set your export pricing strategy.

## Market Demand

Product demand is the key to setting price. Consider these questions as they relate to your foreign markets:

- What will the market bear for a specific product or service?
- What will the estimated consumer price for your product be in each foreign market?

If your prices seem out of line, try some simple product modifications to reduce the selling price. This could include simplification of technology or alteration of product size to conform to local market norms.

Also, keep in mind that currency valuations alter the affordability of goods. A good pricing strategy should accommodate fluctuations in currency, although your company should quote prices in dollars to avoid the risks of currency devaluations.

## Competition

You need to carefully evaluate your competitors' pricing policies in each foreign market in which you plan to compete. In a foreign market that is serviced by many competitors, you may have little choice but to match the going price or even go below it to establish a market share.

If, however, your product or service is new to a particular foreign market, it may be possible to set a higher price than you would normally charge domestically.



**Worksheet**  
Setting Your Price

# Setting Terms of Sale

## Price Quotations

The pro forma invoice is the most commonly used document to give price quotations to potential customers. If you and your buyer are in agreement, it is usually considered a binding sales contract, although prices may change prior to final sale.

- To prepare the invoice, you should give a detailed description of the product and an itemized list of fees and terms of sale.
- Prices should be quoted in U.S. dollars to reduce foreign exchange risks.
- The invoice also should indicate the period during which the price quotation is valid, the terms and method of payment, and delivery terms.

You should be familiar with the common terms of sale used in international trade before preparing your pro forma invoice. International Commercial Terms (INCOTERMS) are universally recognized in export and import contracts. These terms refer to the rights and obligations of each party, such as who pays what costs, when title to goods is transferred, and where the goods should be delivered. A [complete list of current INCOTERMS](#) is published by the International Chamber of Commerce and should be a permanent part of your business library.

## **Sales Contracts**

Knowing how to include INCOTERMS in a contract is important, but it represents only one aspect of the sales agreement. Your and your buyer's legal rights and obligations should be spelled out in a single document, which can be incorporated into the final invoice. Frequently, the terms and conditions are contained on the back of the invoice.

Some of the common terms and conditions in a written sales agreement include the following:

### ***Delivery Terms—Risk of Loss***

A “force majeure” clause is standard in most agreements. This clause exempts you from responsibility where a default in performance is caused by events beyond your control, such as war, acts of God or labor problems.

### ***Payment and Finance Terms***

In addition to defining the terms of payment, provisions should be included for:

- Late payments
- Partial payments
- Remedies for non-payment

When discussing how to get paid, include the cost to your buyer of your preferred method of payment as one of your considerations.

For example:

- If you insist on wire transfer and the cost of this service is high in the export country, you are adding to the cost of your product.

Consider optimizing the negotiation process by offering to share fees, if the speed of receiving payment is important for your cash flow. Also, consider risk insurance protection for the foreign receivable, if your competition is offering open-account terms.

### ***Warranties***

Sales contracts generally describe your goods/services and their features, workmanship and durability. In some cases, you will be obligated by the law in the country of import to provide quality and warranty information. Thus, the importer will require you to warrant that the goods meet certain standards of construction, service and performance.

### ***Acceptance of Goods***

Frequently, your buyer will insist upon the right to inspect the goods upon delivery. If found defective, your buyer/importer can reject them and refuse to pay.

However, the buyer is still liable for country-of-importation duties and other taxes. For this reason, you may want to require that any right-to-inspection is conducted before export. Your export documents should reflect any such requirements. In the contract, you should stipulate that the terms for buyer acceptance and preferences for any inspections will be completed by a qualified third party, preferably before shipment.

### ***Intellectual Property Rights***

Protection of your patents, trademarks or copyrights should be stated in the agreement. However, protection under the laws of the foreign country is not automatic.

You should not assume that your product is protected. Rather, consult with an attorney on the advisability and procedures required to properly register your intellectual property in specific countries.

## **Taxes**

The obligations of both you and your buyer for payment of taxes other than customs duties should be defined in writing.

## **Dispute Settlement**

Specify how and where any disputes will be resolved, as well as which nation's law would be applied. Bear in mind that different countries have varying arbitration laws and systems that may apply in the case of a dispute.

## **Agent and Distributor Agreements**

If you choose to use an agent or distributor, you will need to sign a formal contractual agreement. Agent and distributor agreements spell out the issues noted above in greater detail.

They also define other aspects of the relationship between you and your agent/distributor.

For example, the contract should:

1. Specify the goods and/or services covered.
2. Describe the agent or distributor's sales territory, and whether the agent or distributor will have exclusive or nonexclusive sales rights to your product.
3. Set the length of the term for which the agreement is applicable and agree upon specified minimum sales volumes and objectives.
4. Outline protection of intellectual property.
5. Describe other types of obligations imposed on the parties, violations of which would justify termination of the contract.
6. List specific intellectual property rights granted to the agent or distributor.

## **Define Financing Terms**

Terms for financing export sales should be discussed during contract negotiations. While you will want to be paid as soon as possible, your buyer will want to delay payment as long as possible, preferably until after the goods are resold. These two conflicting objectives will factor into any negotiations on export financing.

It's important to remember to offer your buyer favorable financing terms—otherwise, the sale could be lost to a foreign competitor with an equivalent product but better payment terms.

## **Consult an Attorney**

When negotiating and drafting contractual agreements, consult an attorney with experience in international trade and laws of the specified country .

- If you need assistance locating one, contact your local bar association or the U.S. Chamber of Commerce branch in the destination country for a referral.

You should also be aware of another option for locating an attorney. The Federal Bar Association and the U.S. Department of Commerce sponsor the [Export Legal Assistance Network \(ELAN\)](#). ELAN is a group of attorneys throughout the United States who specialize in international trade.

# Sales Forecasts—First Five Years

	Year 1	Year 2	Year 3	Year 4	Year 5	All 5 Years
<b>Market 1:</b> _____						
Units Sold						
Sales Price/Unit	\$	\$	\$	\$	\$	\$
<b>Total Sales</b>	\$	\$	\$	\$	\$	\$
<b>Market 2:</b> _____						
Units Sold						
Sales Price/Unit	\$	\$	\$	\$	\$	\$
<b>Total Sales</b>	\$	\$	\$	\$	\$	\$
<b>Market 3:</b> _____						
Units Sold						
Sales Price/Unit	\$	\$	\$	\$	\$	\$
<b>Total Sales</b>	\$	\$	\$	\$	\$	\$
<b>Total Sales All Markets</b>	\$	\$	\$	\$	\$	\$

# Cost of Goods Sold—First Five Years

	Year 1	Year 2	Year 3	Year 4	Year 5	All 5 Years
<b>Market 1:</b> _____						
Units Sold						
Cost Per Unit	\$	\$	\$	\$	\$	\$
<b>Total Cost</b>	\$	\$	\$	\$	\$	\$
<b>Market 2:</b> _____						
Units Sold						
Cost Per Unit	\$	\$	\$	\$	\$	\$
<b>Total Cost</b>	\$	\$	\$	\$	\$	\$
<b>Market 3:</b> _____						
Units Sold						
Cost Per Unit	\$	\$	\$	\$	\$	\$
<b>Total Cost</b>	\$	\$	\$	\$	\$	\$
<b>Total Cost of Goods Sold All Markets</b>	\$	\$	\$	\$	\$	\$

## Export Costing

### Customer Information

Name	<input type="text"/>		
Address	<input type="text"/>		
	<input type="text"/>		
	<input type="text"/>		
Office No.	<input type="text"/>		
Fax No.	<input type="text"/>	Email	<input type="text"/>
Mobile No.	<input type="text"/>	Website URL	<input type="text"/>

### Reference Information

Our Reference	<input type="text"/>
Customer Reference	<input type="text"/>

### Product Information

NAICS Code	
Product	
Dimensions	
No. of Units	
Cubic Measure (sq.in.)	
Net Weight (unit)	
Total Measure	
Gross Weight	
H.S. No.	

### At Your Factory Costs

Direct Materials	\$
Direct Labor	\$
Factory Burden	\$
Cost of Goods	\$
Selling Expenses (should be less than domestic sales)	\$
General Expenses (includes cost of money borrowed)	\$
Administrative Expenses	\$
Export Marketing Costs (product changes, labeling)	\$
Profit Margin	\$
<b>At Your Factory Price</b> (use this for calculations on next page)	\$



Additional Exporting Costs	
Foreign sales commission (if applicable)	\$
Special export packing costs (typically 1%-5% percent above At Your Factory price)	\$
Special labeling and marking (to protect from moisture, theft, rough handling)	\$
Inland freight to pier (normal domestic common carrier; should carry insurance)	\$
Unloading charges (include demurrage, if any)	\$
Terminal charges (include wharfage, if any)	\$
Merchant Marine Tax (typically 25% of ocean freight)	\$
Consular documents (includes Shippers Export Declaration [SED], export license and/or certificate of origin)	\$
Freight—port-to-port (determined by freight forwarder)	\$
Freight forwarder fees (must be included)	\$
Export Insurance (insurance for transit risk; also for credit risk, if creditworthiness of buyer is unknown)	\$
Cost of credit (include credit reports, Letter of Credit costs, amendments, if any)	\$
Bank Costs: 1% to 3% of At Your Factory	\$
Foreign Duties and Taxes (covered by exporter for "Delivery Duty Paid/DDP")	\$
<b>Total Additional Export Costs</b> (used for final tally, below)	\$

**Your Quote =**

At Your Factory Price +  
Total Additional Export Costs

\$

# Marketing Expense Costs

	Market 1	Market 2	Market 3	Total Year 1
<b>Expense</b>				
Legal Fees	\$	\$	\$	\$
Accounting Fees	\$	\$	\$	\$
Promotional Material	\$	\$	\$	\$
Travel	\$	\$	\$	\$
Communication	\$	\$	\$	\$
Equipment/Fax/Internet	\$	\$	\$	\$
Advertising Allowances	\$	\$	\$	\$
Promotional Expenses	\$	\$	\$	\$
Other Expenses: _____	\$	\$	\$	\$
Other Expenses: _____	\$	\$	\$	\$
Other Expenses: _____	\$	\$	\$	\$
Other Expenses: _____	\$	\$	\$	\$
Other Expenses: _____	\$	\$	\$	\$
Other Expenses: _____	\$	\$	\$	\$
<b>Total Expenses per Market</b>	\$	\$	\$	\$
Less any Domestic Expenses that are included above	\$	\$	\$	\$
<b>Total International Marketing Expenses</b>	\$	\$	\$	\$

# Projected Income—First Five Years in All Markets

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<b>Market 1:</b> _____						
<b>Gross Profit</b>						
International Sales Forecast	\$	\$	\$	\$	\$	\$
Cost of Goods Sold	\$	\$	\$	\$	\$	\$
Gross Margin (sales minus cost of goods sold)	\$	\$	\$	\$	\$	\$
<b>International Operating Expenses</b>						
Accounting	\$	\$	\$	\$	\$	\$
Advertising	\$	\$	\$	\$	\$	\$
Communication Equipment	\$	\$	\$	\$	\$	\$
Insurance	\$	\$	\$	\$	\$	\$
Interest	\$	\$	\$	\$	\$	\$
Legal	\$	\$	\$	\$	\$	\$
Promotional Material	\$	\$	\$	\$	\$	\$
Supplies	\$	\$	\$	\$	\$	\$
Trade Shows	\$	\$	\$	\$	\$	\$
Travel	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
<b>Total International Operating Expense</b>	\$	\$	\$	\$	\$	\$
<b>Net projected profit/loss for years 1 through 5 in each market</b>	\$	\$	\$	\$	\$	\$
<b>International Division's Domestic Expense Allocation</b>	\$	\$	\$	\$	\$	\$
<b>Net Profit Before Income Taxes</b>	\$	\$	\$	\$	\$	\$

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<b>Market 2:</b> _____						
<b>Gross Profit</b>						
International Sales Forecast	\$	\$	\$	\$	\$	\$
Cost of Goods Sold	\$	\$	\$	\$	\$	\$
Gross Margin (sales minus cost of goods sold)	\$	\$	\$	\$	\$	\$
<b>International Operating Expenses</b>						
Accounting	\$	\$	\$	\$	\$	\$
Advertising	\$	\$	\$	\$	\$	\$
Communication Equipment	\$	\$	\$	\$	\$	\$
Insurance	\$	\$	\$	\$	\$	\$
Interest	\$	\$	\$	\$	\$	\$
Legal	\$	\$	\$	\$	\$	\$
Promotional Material	\$	\$	\$	\$	\$	\$
Supplies	\$	\$	\$	\$	\$	\$
Trade Shows	\$	\$	\$	\$	\$	\$
Travel	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
<b>Total International Operating Expense</b>	\$	\$	\$	\$	\$	\$
<b>Net projected profit/loss for years 1 through 5 in each market</b>	\$	\$	\$	\$	\$	\$
<b>International Division's Domestic Expense Allocation</b>	\$	\$	\$	\$	\$	\$
<b>Net Profit Before Income Taxes</b>	\$	\$	\$	\$	\$	\$

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<b>Market 3:</b> _____						
<b>Gross Profit</b>						
International Sales Forecast	\$	\$	\$	\$	\$	\$
Cost of Goods Sold	\$	\$	\$	\$	\$	\$
Gross Margin (sales minus cost of goods sold)	\$	\$	\$	\$	\$	\$
<b>International Operating Expenses</b>						
Accounting	\$	\$	\$	\$	\$	\$
Advertising	\$	\$	\$	\$	\$	\$
Communication Equipment	\$	\$	\$	\$	\$	\$
Insurance	\$	\$	\$	\$	\$	\$
Interest	\$	\$	\$	\$	\$	\$
Legal	\$	\$	\$	\$	\$	\$
Promotional Material	\$	\$	\$	\$	\$	\$
Supplies	\$	\$	\$	\$	\$	\$
Trade Shows	\$	\$	\$	\$	\$	\$
Travel	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
<b>Total International Operating Expense</b>	\$	\$	\$	\$	\$	\$
<b>Net projected profit/loss for years 1 through 5 in each market</b>	\$	\$	\$	\$	\$	\$
<b>International Division's Domestic Expense Allocation</b>	\$	\$	\$	\$	\$	\$
<b>Net Profit Before Income Taxes</b>	\$	\$	\$	\$	\$	\$

## Setting Your Price

	Pricing Your Product
<b>Direct materials and labor costs</b>	\$
<b>Factory overhead costs</b> (prorate the amount of overhead chargeable to your proposed export order)	\$
<b>Charges not attributable to the export operation</b> (especially if export sales represent only a small part of total sales)	\$
<b>Operating expenses:</b>	\$
catalogs, slide shows, video presentations	\$
commissions	\$
communications*	\$
consultant fees	\$
credit checks	\$
export advertising	\$
freight forwarder fees (usually pass-through costs)	\$
insurance*	\$
interest*	\$
legal expenses*	\$
market research	\$
office supplies*	\$
packing materials	\$
patent and trademark fees*	\$
product modification	\$
promotional material	\$
provision for bad debts	\$
rent*	\$
taxes*	\$
translation costs	\$
transportation expenses (usually pass through costs)	\$
travel expenses	\$
other:	\$
<b>Total Operating Expenses</b>	\$
<b>Allowance:</b> (for unforeseen production costs, operating expenses, unavoidable risks and simple mistakes that are common in any new undertaking)	\$
<b>Profit/Markup</b>	\$
<b>TOTAL PRICE</b>	\$

\*These items will typically represent the expenses of the total operation, so be sure to prorate these to reflect only the operating expenses associated with your export operation.

Notes:

# 8



## Utilizing Technology for Successful Exporting



Information

E-Commerce Tools

Equipping Your Business with Technology



Worksheet > Technology Tracker

Exporting today is easier than ever before. This is largely due to advances in technology. In many ways, e-commerce—the buying and selling via electronic systems—enables you to do business with customers across the globe nearly as easily as with those across town.

E-commerce offers major advantages to you as a small business exporter. These include quick and easy access to tremendous amounts of information, and the ability to sell goods and services virtually anywhere in the world.

You are likely already utilizing e-commerce for your domestic business. But if not, this brief overview will introduce a new way of doing business and explain how you can use e-commerce to your advantage.

### Key Elements of E-Commerce:

Online presence for your company (a website)

- Providing information in your target market's native language(s)
- Key words embedded in your website, so that your company is found by online search engines
- Credit card processing

There is one caution for start-up exporters who plan online sales and the use of credit cards for e-commerce. According to the [National Association of Credit Managers \(NACM\)](#), the unauthorized use of credit cards for international payments is the fastest-growing fraud in international commerce. The potential for loss is a factor to consider. Knowing your buyer is still the best practice, but services are available to handle the due diligence and payment in order to avoid a loss.

### For more information:

U.S. Department of Commerce: [Using Your Website for Overseas Sales](#)



# E-Commerce Tools

## **Export-Focused Online Services**

Trade leads from international companies seeking to buy or represent U.S. products are gathered by the United States and Foreign Commercial Service officers worldwide and are available at [www.export.gov/tradeleads](http://www.export.gov/tradeleads). SBA also offers information on managing and expanding your business, software for small businesses, and gateways to other online services.

The [International Trade Data Network®](#) (ITDN) provides access to export, import and other trade-related information. ITDN is a non-profit data multiplier that provides the business community with the timely, detailed market intelligence needed to become competitive in the global arena.

## ***Electronic Banking***

Your computer can expedite the financial tasks of your export business. Banks provide electronic access to your account balances and statements and can email Letters of Credit, collection on consignment agreements and wire transfer acknowledgments directly to you. In addition, many accounting packages sync with online banking services.

## ***Electronic Data Interchange***

Electronic Data Interchange (EDI) is the electronic transfer of transaction information from computer to computer in a standard format. EDI is most useful when information exchanged is fully integrated into your order-entry, delivery and inventory systems. Because EDI allows you to forego entering information manually, a number of common mistakes can be avoided and valuable time can be saved. If your communications resources are limited, service bureaus can handle EDI for you.

## ***Shipment Tracking***

Most air express companies offer the ability to track your shipments online or even on your smartphone. You can see where your shipment is located, when it was delivered, whether it was delayed in customs, and who received the shipment. Your freight forwarders can also benefit from electronic tracking as they move goods and services across international borders.

## **About Global E-Commerce**

While e-commerce has vastly expanded the opportunities for small business exporters, it is important to keep in mind that there are varying levels of technical ability throughout the world. For example, a web-based marketing plan that works well in the UK may not be viable in certain developing countries, due to lack of technical infrastructure. With this in mind, you will need to identify the best export markets to pursue. See [Chapter 5. Developing Your Marketing Plan/ Determining Export Markets](#).

# Equipping Your Business with Technology

At a minimum, your business should have an adequate telephone system and the ability to send and receive email. You should also have a website for global presence, and may wish to have faxing capabilities for transmitting international documents to those areas where an infrastructure of web-based technology is not as prevalent.

Keep in mind that SBA's loan program [Export Express](#) can help you with financing of equipment needed for building your export business, including the development/updating of an exporting website.

## **Key Functionality to Consider:**

### **Conference Calls**

Your phone system should support worldwide communications and the ability to conference with several parties at once. Communications can be more effective when you, your overseas customer and your overseas agent can be linked by a conference call. This can be through your actual phone equipment or through a call-in number and password. There are vendors to be found on the web through which you can set up an international conference call account.

### **Contact Management**

Another handy feature is the ability to store and automatically dial the numbers you call most frequently. Because overseas calls typically involve dialing at least 14 digits—a special prefix (usually 011) followed by a country code, a city code and then the local number—automatic dialing can save you time, plus the need to look up each number.

### **Web and Video Calling**

Consider equipping your computer with downloadable software and a web camera in order to place calls through the Internet. This not only offers a cost-effective call option but enables “face-to-face” video calls/conferencing.

### **Mobile Phones**

It's much easier for you, your overseas contacts and your customers to not have to think about “where” you/they are calling when needing to make contact—which is why you and your staff need mobile phones. Being reachable 24/7—especially when dealing with international time zones—has become the norm. Even if you let calls go to voicemail, at least you'll be carrying your most urgent notifications with you for as soon as you are able to access voicemail and address issues and requests. Taking this access a step further, smartphones enable you/your staff to check email, conduct banking functions, access the web, track shipments, and maintain your contact list, in addition to being reachable no matter where you are. Many U.S. cell phones/plans do not include access outside the United States. So, be sure to choose phones with international dialing and data functionality.

### **Voicemail**

Closing the time-zone gap between your U.S. office and your customer's foreign location can give you a competitive advantage. Plus, foreign prospects and customers should have the option of contacting you outside of normal business hours. Voicemail or a personal answering service may accomplish this. Consider a voicemail system that is customizable in several languages and guides callers to price

quotes or service information even when your business is closed for the day or weekend. Also, make sure that your system allows you to retrieve messages from any place in the world.

### **Email**

In most parts of the world, email is the primary mode of business communication, both internally and externally. It gives you an inexpensive and expeditious way to stay in touch with employees, contractors, customers, agents, and international resources. If you decide to sell your product or service exclusively on the web, email is the essential means of communication for everyone with whom you do business.

### **Facsimile (Fax) Machines/Desktop Faxing**

Despite the prevalence of scanners and emailed documents, sometimes it's still necessary to send a fax. Faxing enables you to deliver important documents quickly to overseas customers and financial institutions. (Since software enables computers to send and receive faxes, the need for an actual fax "machine" is limited ... although it can be a great fallback on the rare occasion that timing is of the essence and your computer system goes down.) Because inbound computer faxes are usually captured as photos, optical character recognition (OCR) software is needed to convert the text into a computer-readable format and allow you to manipulate the text. If a signature is required, software can be used to paste your signature onto a document to be faxed.

### **Website**

Your website can be an inexpensive and highly effective way to market your product or service globally. Before developing a site, however, you need to be aware of regulations and technical details that may affect the ability of potential customers to view your site. In addition, certain technical methods used to build websites may help or hinder others in their attempt to locate your site using search engines.

When designing a website for international use, it is generally true that "less is more." Numerous images, for example, can make a site attractive but time-consuming to download. When designing your site, make sure that people with a variety of computer capabilities can easily access your site. A site that takes a long time to download will turn people away.

#### **Your Exporting Website: Important Considerations**

- The text should be concise, well-organized and designed to make it easy for visitors to find what they are looking for.
- Contact information and links should allow the visitor to find more information quickly. Specify your hours of "live" customer service accessibility if appropriate.
- Language accessibility is also important. Use global English, and offer information in the language of each country to which you plan to export.
- Include international telephone dialing information for callers from overseas where appropriate.
- Provide answers to your most frequently asked questions, such as information about shipping terms, duties, etc.

For more information on options for your e-commerce exporting website, explore [Types of E-Commerce Websites](#) at [export.gov](http://export.gov).

### ***Personal Computers, Web Access and Software Power***

In a small firm, personal computers (PC or Mac) with high-speed Internet access will meet most of your business needs. By having the following system basics, you'll have the essential tools needed to operate effectively:

- Word processor
- Spreadsheet software
- Database management
- Email software
- Contact management software (often bundled with your email client) that maintains contacts and keeps a history of communications (a very effective system will allow you to view customer information on-screen while speaking on the phone)
- Antivirus software subscription that scans email and files to prevent computer corruption
- Firewalls to prevent unauthorized communication to and from your PC
- Accounting/billing software (prepackaged or customized to your company's/industry's needs) or an online accounting service



**Worksheet  
Technology Tracker**

# Technology Tracker

Fill in the names and model/serial numbers of your office equipment, and keep this Tracker as a permanent record.

Phone System	
Cellular Service/ SmartPhones	
Email	
Website	
Fax	
Computer Equipment/ Software	
Photocopiers/ Printers/Scanners	
Online Marketing	
Online Export Tools	
Electronic Banking	
Electronic Data Interchange (EDI)	
Electronic Tracking	

Notes:

A large, empty rectangular box with a thin black border, intended for taking notes.



# Your New Marketing Plan: Summary, Timeline and Updates

 <b>Information</b>		Timetable Steps		Marketing Plan Summary		Utilizing SBA Export Express Resources		Export Programs & Services
------------------------------------------------------------------------------------------------------	--	-----------------	--	------------------------	--	----------------------------------------	--	----------------------------

-  **Worksheets**
- > Export Planning Timetable
  - > Summary Marketing Plan
  - > Export Programs and Services

As you continue to revise and update your exporting plans, it is recommended that you keep your Marketing Plan updated too. In this way, you'll always have a current version available to share with staff, bankers, investors, and others. Set your calendar to return to this workbook approximately every six months (or more frequently in the case of major changes to your plans).

In addition, you can use the following Timetable Worksheet as an ongoing barometer of where you stand with your exporting plans, what steps are completed/yet to accomplish, and where changes to your plans may be needed.

## Timetable Steps

The following worksheet can aid you in tracking the accomplishment of your stated **Short- and Long-Term Goals**. Completing it entails the following four steps:

**1. Identify key activities.**

Compile a list of tasks that are vital to the successful operation of your business. Be sure to include travel to your chosen market, as applicable.

**2. Assign responsibility for each activity.**

For each identified activity, assign one person primary responsibility for the completion of that activity.

**3. Determine scheduled start date.**

For each activity, determine the date when work will begin. You should consider how the activity fits into your overall plan as well as the availability of the person responsible.

**4. Determine scheduled finish date.**

Determine the date by which each activity must be completed.

 **Worksheet**  
Export Planning Timetable

# Marketing Plan Summary

Once you have completed the worksheets in **Chapter 4. Getting Started: Creating An Export Business Plan** and **Chapter 5. Developing Your Marketing Plan**, you can draft a summary plan. This will result in a document that you can share with a variety of audiences, including:

- Bankers/lenders
- Your company management
- Potential investors
- For select portions, potential overseas partners

Once you have your core marketing plan summary, you can also tailor it according to each specific/potential audience, as needed.

To begin, review your **saved/completed worksheets**. Then write a one-page summary of your overall Marketing Plan.

## ***Tips for Writing Your Summary:***

- Determine which sections are going to be most interesting to your reader. (For example: For a potential lender, positive financial projections will be of greatest interest.) Use these “hot-button” facts to kick off your Summary.
- Write one to three sentences that summarize each of the worksheets, as noted.
- Keep in mind that this Summary will likely be your audience’s first exposure to your business and its export potential, so it’s important to include the highlights of your plan in an at-a-glance fashion. Once you engage your reader/audience with your overview, you can then share your full Marketing Plan.
- Once you have created your Summary Plan, tailor it to meet the needs/interests of additional audiences.



**Worksheet**  
**Summary Marketing Plan**



### **Keeping This Planner Up to Date**

By now, you have likely completed and saved the key worksheets found throughout this Planner. But it’s important to remember that, as your plans evolve, so should your completed worksheets.



# Utilizing SBA Export Express Resources

Small business exporters are selling billions of dollars of goods and services overseas every year—and you can be one of them. As you've discovered while working through this *Planner*, exporting can be an optimum way for you to grow your small business.

In **Chapter 6. Financing Your Export Venture** and **Chapter 7. Accounting Worksheets: Costing, Financial Forecasting and Product Pricing**, you took an in-depth look at the financial side of getting ready to export. Now that you have your marketing plan in development, consider utilizing SBA's Export Express to help pursue funding for getting your export operations up and running.

SBA Export Express offers flexibility and ease of use to both you and your lender. It is the simplest export loan product offered by the SBA, offering up to \$500,000 in financing. It also allows participating lenders to use their own forms, procedures and analyses. If you have been in operation for at least 12 full months and can demonstrate that the loan proceeds will support your export activity, you are eligible. SBA provides an answer in 36 hours or less, and can take the form of a term loan or a revolving line of credit.

Export Express funds can help support your new export marketing endeavors in many ways. For example, loan proceeds may be used for funding/financing of business expenditures that will advance your export plans, including:

- Participation in a foreign trade show
- Standby Letters of Credit
- Translating your website and product literature for use in foreign markets
- Specific export orders
- Expansions
- Equipment purchases
- Inventory
- Real estate acquisitions

## FACT

70% of all exporters have fewer than 20 employees.

### Applying for Export Express

Contact your lender to see if it is an SBA Express lender. Lenders that participate in SBA's Express program are also able to make Export Express loans.

Here's how it works:

- Application is made directly to the lender.
- The lenders use their own application material in addition to SBA's Borrower Information Form.
- Lenders approve the request, and then submit a limited amount of eligibility information to SBA's National Loan Processing Center.

# Export Programs & Services

With so many options available to you as a small business pursuing your exporting goals, it can help to keep a quick list of resources. This worksheet helps you identify organizational resources that can provide programs and services to assist you in developing and executing your marketing plan.



**Worksheet**

**Export Programs and Services**

## Export Planning Timetable

Task Name	Person Responsible	Start Date	End Date

## Market Factor Assessment: Summary

## Your Industry in Target Global Markets: Summary

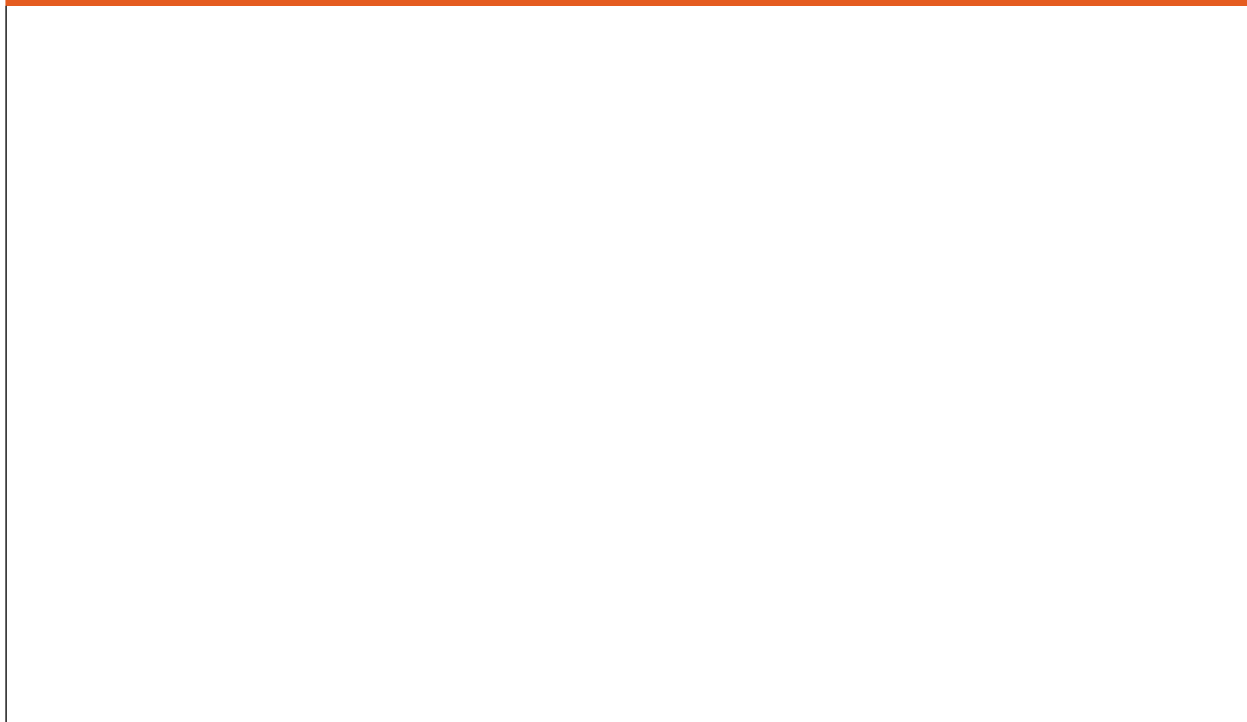
## Building A Distributor or Agent Relationship: Summary

## Marketing Your Product/Service: Summary

## Marketing Your Product/Identifying Practical Needs: Summary

## Defining Your Marketing Strategy: Summary

## Identifying Customers Within Your Chosen Markets: Summary



## Export Programs and Services

Services	Organizations		
	Federal Government	State and Local Government	USEAC
Readiness to Export Assessment			
Market Research Studies			
Counseling			
Training Seminars			
Education Programs			
Publications			
Export Guides			
Databases			
Trade Shows			
Financing			
Partner Search			

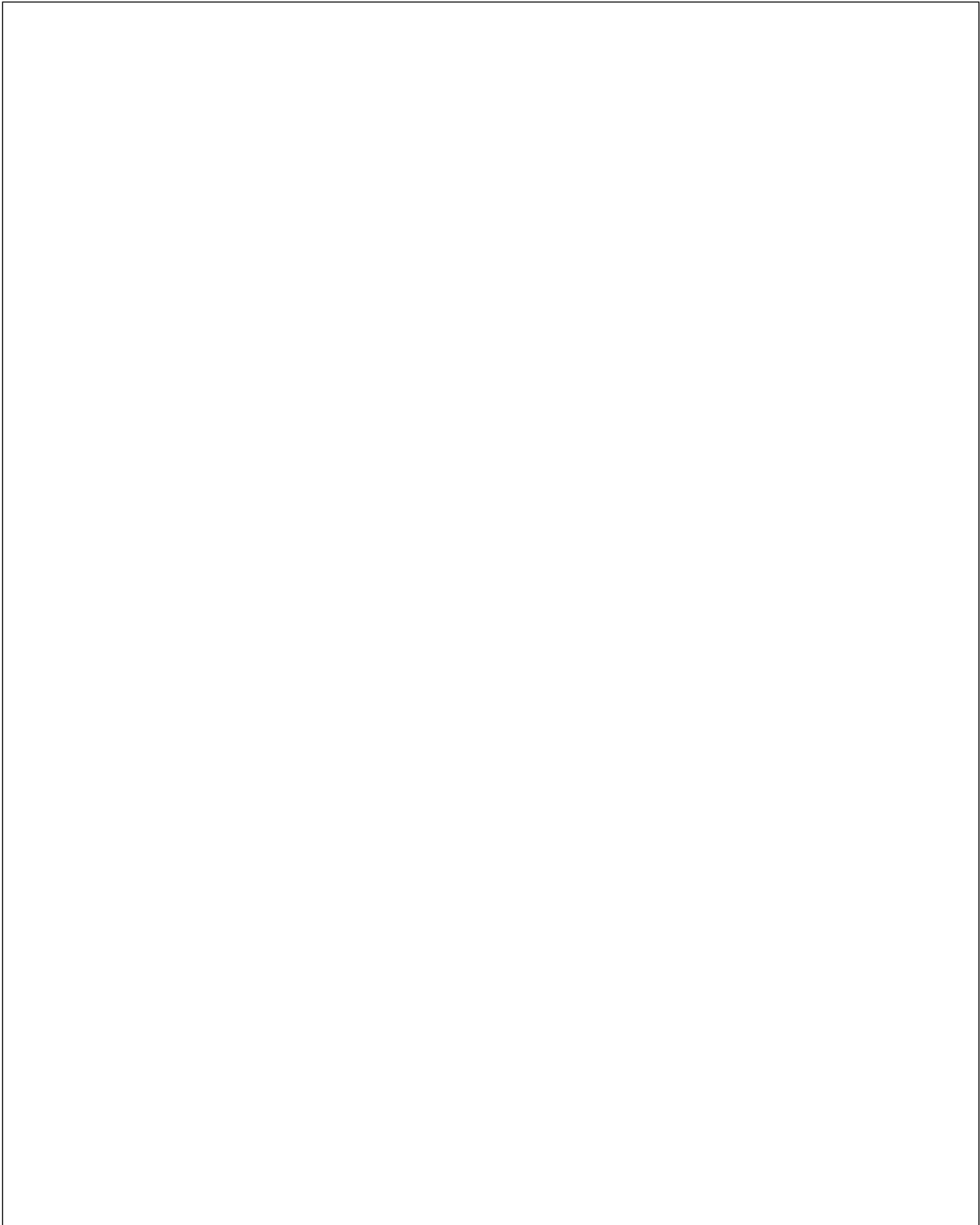
**More Organizations**





Services	Organizations		
	Trade Associations	Colleges	World Trade Centers
Readiness to Export Assessment			
Market Research Studies			
Counseling			
Training Seminars			
Education Programs			
Publications			
Export Guides			
Databases			
Trade Shows			
Financing			
Partner Search			

Notes:





# Transportation and Documentation

<b>I</b> Information	Role of the Freight Forwarder	Mode of Transportation	Documentation
	Packaging	Temporary Export Licenses and ATA Carnets	

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Once you've pinpointed your target markets, you need to assess *how* you will get your product or service to your potential customers. There are many options for market entry strategies.

These include:

- Exporting (direct and indirect)
- Joint ventures
- Strategic alliances
- Acquisitions of foreign companies through direct investment
- Licensing technology abroad

The benefits and risks associated with each method are contingent on many factors, including the type of product or service you produce, the need for product or service support, and the foreign economic, political, business and cultural environment you are seeking to penetrate. The best strategy will depend on your firm's available resources and level of commitment, as well as the degree of risk you are willing to incur.

Small businesses most commonly select exporting as their strategy for market entry. Start-up costs and risks are limited, and exporting is less complex than some of the other market entry methods. Exporting can be done directly or indirectly.

- **Direct Exporting:** Your business expands its business plan to add exporting as a new activity and assembles knowledge and staff to implement the plan; e.g., locating foreign buyers, getting the product and labeling ready, making shipping arrangements, and invoicing.
- **Indirect Exporting:** Your products or services are exported through an export intermediary. Or, as part of a supply chain, your products are sold domestically as a component(s) of a larger finished product bound for delivery to a foreign buyer.

To review your options for methods of exporting, refer to [Chapter 5. Developing Your Marketing Plan](#).

# Role of the Freight Forwarder

A freight forwarder is a person who is hired to move shipments between foreign and domestic locations, or a portion of the way. Freight forwarders also handle many of the formalities involved in exporting such shipments. Interviewing potential freight forwarders can aid you in selecting the right one for your business and overseas market. (Also see [Agent and Distributor Agreements](#) in Chapter 7.)

The international freight forwarder acts as your agent in moving cargo to its overseas destination. These agents are familiar with:

- U.S. government regulations
- Import export rules and regulations of foreign countries
- Methods of shipping
- The documents required/utilized in foreign trade

## Freight Forwarders' Capabilities

Freight forwarders can assist with an order from the start by advising you of the freight costs, port charges, consular fees, costs of special documentation and insurance costs, as well as their handling fees—all of which help in preparing the pro forma invoice and price quotations. The cost for their services is a legitimate export cost that should be figured into the price charged to the customer.

### Freight Forwarder Services

#### ***Typically, these agents can:***

- **Recommend the best type of packing** for protecting your merchandise in transit, and arrange to have the merchandise packed at the port or containerized.
- **Review the Letter of Credit, commercial invoices and packing list** when the order is ready to ship, to ensure that everything is in order.
- **Reserve the necessary space** onboard an ocean vessel
- **Make arrangements with the customs broker** to ensure that the goods comply with customs export documentation regulations.
- **Have the goods delivered to the carrier** in time for loading.
- **Prepare a bill of lading** and any special required documentation.
- **Forward all documents** directly to the customer or to the paying bank after shipment

Other agents can provide both services and information as you look toward international shipping, especially if you are shipping smaller quantities. There are also several commercial shippers in the marketplace that can manage your international shipments.

# Mode of Transportation

In preparing your goods for international transport, you must first determine what mode of transport you will use.

- If shipping to Mexico and Canada, land transportation may be the preferred method. (Or, depending on what you are shipping, you might find that air service to these countries makes the most sense for your business.)
- Other methods of shipping internationally include sea and air transportation.

Maritime shipping is usually slower and less expensive than air freight. However, you must factor in the additional costs of sea freight, such as surface transportation to the dock. Another factor is the time value of money: payment may not be made until the ship reaches its destination—and ocean freight can take significantly longer than air freight.

Your international freight forwarder can assist in weighing the pros and cons of different modes of transportation. Once you have decided on the best option for transporting your goods, you must begin to compile the necessary documents.

Learn more about common international shipping terms at export.gov's [Brief Description of Incoterms](#).

## Documentation

When transporting goods internationally, proper documentation and correct packaging are critical to the process. One of the main differences between selling domestically and exporting is the documentation that is required.

- Providing proper documentation with your shipments is essential.
- Although the paperwork involved in exporting may be more burdensome and costly than that required for domestic sales, it should not deter you. The benefits of exporting can far outweigh the increase in paperwork that the task demands.
- Your service providers, including your freight forwarders and commercial shippers/the U.S. Postal Service can help you to ensure that you are creating proper documentation.

Most documentation is routine for freight forwarders and customs brokers, but as the exporter, *you* are ultimately responsible for the accuracy of all documents. The number and kind of documents you must deal with varies depending on the destination of the shipment. Because each country has different import regulations, you must be careful to provide all proper documentation.

## Documents Prepared Before the Shipment

### **Commercial Invoice/Consular Invoice**

After the pro forma invoice is accepted, you must prepare a commercial invoice. This is necessary for both you and your customer.

- The description of the goods on the commercial invoice must correspond exactly to the description in the Letter of Credit or other method of payment. There can be no exceptions.
- Your customer needs the commercial invoice, since it is often used by customs authorities to assess duties.

### **Documents Prepared Before the Shipment— At-A-Glance**

- Commercial Invoice/Consular Invoice
- Export License
- Shipper's Export Declaration (SED)
- Export Packing List
- Certificate of Origin
- Insurance Certificate
- Inspection Certificate

It is common practice to prepare a commercial invoice in both English and in the language of the country of destination. Your freight forwarder can advise you when a translated copy is necessary. In some countries, the commercial invoice must be prepared on a special form known as a "customs invoice." Your customer may request this of you.

Similar to a commercial invoice, a consular invoice is required by certain countries. It is used for customs clearance and other purposes, and must be prepared in the language of the destination country. It can be obtained from the consulate of the country to which you are exporting, and it often must be "consularized," or authenticated/certified. Consularization is most common in South America and the Middle East; requirements vary by country. The United Arab Emirates (UAE), for example, require that shipping documents be authenticated by the U.S. Department of State.

Find out more about [Common Export Documents](#) at export.gov.

Visit the U.S. Department of State for a list of [Consuls and Embassies in the U.S.](#)

### **Export License**

Export controls are based on the type of goods being shipped and their ultimate destination. While most exports do not require a license, it is your legal obligation to seek an official determination from the [Bureau of Industry and Security \(BIS\)](#).

- Technically, most exports are shipped under a "No License Required" (NLR) classification, which is a self-certification that a license is not required.
- Should your particular export be subject to export controls, a "validated" license must be obtained. In general, your export would require a "validated" license if export of the goods would threaten U.S. national security, affect certain foreign policies of the United States or create short supply in domestic markets.

To determine whether your product needs an export license, you must have the Export Commodities Classification Number (ECCN) for your product. An ECCN is assigned to products that require a license at their ultimate destination or if required due to the nature of the product itself—for example, if the product has dual use as a civic and military item.

- If your freight forwarder cannot provide you with the ECCN, you may be able to obtain it from the manufacturer, producer or developer of your product if it has been exported before, and you are not the producer.
- The Bureau of Industry and Security at the U.S. Department of Commerce can also help you obtain an ECCN.

- Or, you can look up the number in the [Code of Federal Regulations](#), 15 CFR Parts 730–774, online; it is also available in most major libraries.

Further information is available on [Export Administration Regulations \(EAR\)](#) from the [Government Printing Office \(GPO\)](#). Once you have your ECCN number, check with the Bureau of Industry and Security to determine if your product might be subject to export controls.

### Focus on: EAR and ECCN

The Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items. The EAR sets out the types of commodities and technical data that are under export control, as well as the export licenses that are required based upon a product's Export Commodities Classification Number (ECCN).

- The ECCN is an alphanumeric code (e.g., “3A001”) that describes a particular item or type of item, and shows the controls placed on that item.
- All ECCNs are listed in the EAR under the Commerce Control List (CCL) (*Supplement No. 1 to Part 774*).
- Products that do not require an ECCN are labeled EAR 99, indicating that they do not require a license.

### **Shipper's Export Declaration (SED)**

A [Shipper's Export Declaration \(SED\)](#) is required for all shipments of a single commodity in amount over \$2,500 (except to Canada) and for any shipment that requires an export license. The SED enables the Bureau of the Census to monitor the kinds of products being exported from the United States, for statistical purposes.

The form must be filed electronically at [AES Direct](#).

### **Export Packing List**

An [export packing list](#) is much more detailed and informative than a standard domestic packing list. It includes:

- Itemization of the contents of each individual package
- The type of package, such as a box, crate, drum or carton
- The individual net, legal, tare and gross weights and measurements for each package (in both U.S. and metric systems)
- The shipper's and buyer's references

The list is used by the shipper or forwarding agent to determine the total shipment weight and volume, and whether the correct cargo is being shipped. In addition, U.S. and foreign customs officials may use the list to check the cargo.

### **Certificate of Origin**

A certificate of origin is a document that declares the country where a good in a particular international shipment originated—i.e., where a manufacturing process last substantially transformed the good. Even though the commercial invoice usually includes a statement of origin, some countries require that a separate certificate of origin be completed. Customs offices will use this document to determine which duty rate to assess on the products being imported.

#### **FACT**

Certificates of origin (“C of O”s) are particularly important when exporters/importers wish to take advantage of preferential duty rates offered through U.S. free trade agreements.

Often, “C of O”s are required by importers to avoid paying import tariffs—and in fact, they have become especially common due to a number of [free trade agreements](#) (FTAs) that the United States has negotiated with other countries.

- For example: a NAFTA (North American Free Trade Agreement) certificate of origin should be used for products exported to Canada or Mexico only if they meet the NAFTA rules of origin for production. Being in compliance with the agreement ensures that the products you are exporting are exempted from all, or most, import duties. Learn more about [NAFTA](#).
- For a list of regional and bilateral FTAs, go online to the [Office of the U.S. Trade Representative](#).

The United States currently has FTAs with 17 countries. Export.gov offers answers to [Frequently Asked Questions about free trade agreements](#).

Learn about [who issues Certificates of Origin](#).

### **Insurance Certificate**

An insurance certificate is used to assure the consignee that insurance will cover the loss of, or damage to, the cargo during transit. Typically, marine insurance coverage equal to 110% of the commercial invoice amount must be obtained for export shipments.

If you plan to export infrequently, you may be able to buy insurance through your freight forwarder.

### **Inspection Certificate**

Inspection certificates often are required by foreign customs or businesses for certain regulated products. These are typically related to agriculture, health or the environment. Inspection certificates also may be required to ensure that vessels or crates are free of contaminants before entering certain ports, or that the products met the specifications outlined in a contract or purchase order.

- Depending on the product, certificates may be issued by various government agencies—such as the U.S. Department of Agriculture, the Food and Drug Administration, or the Environmental Protection Agency—or by third-party inspection companies.

Documentation must be precise. Even slight discrepancies or omissions may prevent merchandise from being exported, resulting in nonpayment or even resulting in the seizure of your goods by U.S. or foreign government customs.

It is important to note that [collection documents](#) are subject to precise time limits and may not be honored by a bank if the time has expired.



- Collection documents are the documents that are stipulated by the buyer and are required to receive payment based on documentary collection. They may include the certificate of origin, proof of insurance, or certificate of inspection, but they must include an invoice and the bill of lading.
- A documentary collection differs from a typical “cash on delivery” transaction in two ways. The bank handles the transaction (instead of an individual, shipper, or postal service/COD); and cash is paid for delivery of a title document (e.g., bill of lading) instead of the actual goods. This title document is then used to claim the goods from the shipper.

## Documents Used during Inland Movement of Goods

### **Shipper’s Instructions**

As an exporter, you are responsible for providing your freight forwarder with the necessary information regarding your shipment. The more details you provide, the greater the chances your goods will move free of problems. Your freight forwarder can provide you with a commonly used form for noting shipper’s instructions.

### **Inland Bill of Lading**

Inland bills of lading document the transportation of goods between inland points and the port at which the export will arrive/depart.

- Rail shipments use “waybills on rail.”
- Truck shipments use “pro forma” bills of lading.

### **Delivery Instructions**

The Delivery Instructions document is prepared by the freight forwarder. It provides information for the trucking or railroad company as to where the goods are to be delivered.

### **Dock Receipts**

A Dock Receipt transfers shipping obligations from the domestic to the international carrier. It goes into effect when the shipment reaches the terminal.

### **Bill of Lading/Air Waybill**

Marine bills of lading are evidence of title (ownership) of the goods; an air waybill is not.

However, both set forth the international carrier’s responsibility to transport the goods to their named destination.

There are two types of marine (or “ocean”) bills of lading used to transfer ownership:

- Straight (nonnegotiable) Bill of Lading: provides for delivery of goods only to the person named in the bill of lading and must be marked “non-negotiable”;
- Shipper’s Order (negotiable): provides for delivery of goods to the person named in the bill of lading, or anyone else who is designated. The Shipper’s Order is used with draft or Letter of Credit shipments and enables the bank involved in the export transaction to take title to the goods if the buyer defaults. The bank will not release title of the goods to the buyer until payment is received, and will not release funds to you until conditions of sale have been satisfied.

## Documents Used during Inland Movement of Goods— At-A-Glance

- **Shipper’s Instructions**
- **Inland Bill of Lading**
- **Delivery Instructions**
- **Dock Receipts**
- **Bill of Lading/Air Waybill**

When using air freight, “air waybills” take the place of bills of lading.

- Air waybills are issued only in nonnegotiable form. As such, you and the bank lose title to the goods once the shipment commences.
- Most air waybills also contain a [customs declaration form](#).

## Packaging

Goods shipped for export require substantially greater handling than domestic shipments. You must pack the goods to ensure that:

- Weight and measurements are kept to a minimum;
- Breakage is avoided;
- The container is theft proof; and
- Goods do not suffer from the stresses of ocean shipment, such as excess moisture.

In addition to proper packing, you should be aware that certain markings are necessary on goods transported internationally.

### ***Typical Required Markings:***

- **Country of origin:** Some countries require that the country of origin be marked on the outside of the container, and may even have regulations as to how the mark of origin should appear.
- **Labeling:** Food and drugs often must carry special labeling as determined by the laws of the country of destination.
- **Weight and dimensions:** These should be visible and any special instructions should be shown; you may wish to include translations of these instructions in the language of the importer’s country.

If your business is not equipped to package your goods for export, there are export packaging companies that can perform this service for you.

- For more information, ask your international freight forwarder for a list of export packaging companies in your area.

There are several considerations for preparing to ship your product overseas. These include requirements for certain products, such as hazardous materials, and regulations depending on your method of shipping, whether by air, sea, rail or truck. Learn more at [SBA’s Transportation and Logistics](#) page.

Also visit [export.gov](http://export.gov) for information on [Shipping Your Product Overseas](#).

# Temporary Export Licenses and ATA Carnets

An [ATA Carnet](#) is a special customs document that provides temporary, duty-free admission into countries for commercial samples, scientific equipment, education materials, and goods for exhibit. The [Bureau of Industry and Security \(BIS\)](#) can advise you on the need for a temporary export license.

ATA Carnets are made available through the International Chamber of Commerce and associated organizations. In the United States, the program is administered by the [U.S. Council for International Business](#) in New York City.

Temporary importation provisions are an important tool for companies that want to demonstrate their products in foreign markets or for professionals bringing “tools of the trade” into a foreign country for a limited period of time.

Companies have several options when considering temporary importation. These include:

- ATA Carnets
- Temporary Importation Bonds (TIBs)
- Entry with duty drawback

There is also provision for bringing tools of trade allowed for in the North American Free Trade Agreement (NAFTA). The ATA Carnet system is the most user-friendly system of temporary importation; however, there are a number of countries that do not accept carnets. In these countries, companies can post TIBs or apply for a duty drawback as an alternative means to duty-free importation.

Notes:

# Resources

You can experience a wide variety of training webinars and podcasts, all of which are designed to prepare you for export success and foster your business growth. Many online reference materials are also available to you.

## SBA Online

The Small Business Administration [Training Network](#) is an “online campus” that includes workshops, publications and technical assistance on:

- Finance and Accounting
- Business Planning
- Starting a Business
- Business Management
- Government Contracting
- Surviving a Slow Economy
- Marketing and Advertising

Also, be sure to check out the popular online course “[Taking Your Business Global](#)”.

The [SBA YouTube Channel](#) includes a variety of tutorials and case studies on small business. Be sure to check out the exciting overview of exporting, [Where Will Your Next Customer Come From?](#)

SBA’s extensive selection of [podcasts](#) cover a wide range of small business challenges and solutions. You can download/listen to the podcasts, or read their accompanying transcripts.

### Online Training, Videos & Podcasts

The following online library of resources can to assist your business in entering and competing in the global marketplace.

- [Inc. Magazine Video Series](#)
- [Training: Global Enterprise—A Primer on Exporting](#)
- [Training: Take Your Business Global](#)
- [Video: Where Will Your Next Customer Come From?](#)
- [Video: Strategies for Growth: Export Opportunities](#)
- [Podcast: Where Will Your Next Customer Come From? Look Around the World](#)
- [Podcast: Competing in the Global Market: SBA’s International Trade Program](#)
- [Podcast: Exporting to Russia](#)
- [Podcast: Exporting to Bahrain](#)
- [Podcast: Exporting to Cameroon](#)
- [Podcast: Exporting to Uganda](#)
- [Export University 101 Webinar](#)

Check out the wealth of online exporting information and resources at the [Small Business Administration](#).

For more information:

- [Export Working Capital Program—A Fact Sheet for Small Businesses](#)
- [Export Loan Programs](#)
- [Financing Your Small Business Exports, Foreign Investments or Projects](#)
- [SBA Export Express—A Fact Sheet for Small Businesses](#)
- [U.S. Export Assistance Centers](#)
- [6 Steps to Begin Exporting](#)

Related FAQs:

- [What kind of technical assistance does SBA offer to exporters?](#)
- [I have a small business and need a relatively small loan to expand my export sales. Are there any SBA programs that can help me?](#)

## Export.Gov

Export.gov has a variety of live and recorded webinars covering a variety of topics, both beginner and advanced.

- View the export.gov [training calendar](#).
- If you have any questions regarding a specific live webinar, please contact the trade specialist or partner listed for that specific webinar.
- You may also access a variety of recorded webinars available to assist you, in your location, at a time that is convenient for you. These webinars include both beginner and advanced topics. [Explore archived webinars](#) at export.gov.

### Basic Export Training

The following resources will prepare you to start exporting your products and services overseas.

- [Getting Started](#): This landing page includes links to readiness assessment, business planning, training materials, and more.
- [Guide to Exporting](#): This guide, available for purchase from the Department of Commerce, explains exporting basics such as identifying markets, financing export transactions, and handling orders.
- [Export Basics](#): A primer to help you assess your business's export readiness, understand what you need to know and consider before pursuing an international sales strategy, and, when you are ready, develop and implement your export strategy.
- [Exporter's Guide to Trade Agreements](#): A list of all trade agreements affecting U.S. businesses in the international marketplace.

### Finding Business Opportunities

- [Advocacy Assistance for U.S. Exporters: What You Need to Know](#)  
The U.S. Department of Commerce's Advocacy Center has helped hundreds of U.S. companies—small, medium and large enterprises—in various industry sectors win government contracts across the globe.

- [U.S. Trade and Development Agency: Info for U.S. Exporters](#)  
Find out about current contracting opportunities with USTDA grant recipients in host countries.
- [Trade Mission Online](#)  
A searchable database of U.S. small businesses that wish to export their products. As a small business, you can [register or update your profile](#). It is also a search engine for foreign firms and U.S. businesses seeking a U.S. business partner or supplier.

### Sample Webinars:

For Beginners: [Exporting 101](#)

National Small Business Week Export Forum: [Customers, Profit\\$, Jobs and Growth—Take Your Business Global!](#)

### YouTube Training:

The U.S. Census Bureau and the U.S. Commercial Service have partnered to offer a selection of recorded videos on YouTube:

- |                                                               |                                                                                                    |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 1. <a href="#">Export Compliance Introduction</a>             | 11. <a href="#">Preference Criterion (NAFTA)</a>                                                   |
| 2. <a href="#">A Quick Guide to Foreign Trade Regulations</a> | 12. <a href="#">NAFTA Rules of Origin</a>                                                          |
| 3. <a href="#">Classifying Your Commodity</a>                 | 13. <a href="#">Taxes and Tariffs</a>                                                              |
| 4. <a href="#">Registering for AESDirect</a>                  | 14. <a href="#">What is a Freight Forwarder?</a>                                                   |
| 5. <a href="#">Filing a Shipment in AESDirect</a>             | 15. <a href="#">Exporting Commercial Items: ECCNs and EAR99</a>                                    |
| 6. <a href="#">Response Messages from AES</a>                 | 16. <a href="#">Exporting EAR99 Items: Screening Your Transaction, Lists to Check and Red Flag</a> |
| 7. <a href="#">Proof of Filing Citations (AESDirect)</a>      | 17. <a href="#">USA Trade Online</a>                                                               |
| 8. <a href="#">North America Free Trade Agreement (NAFTA)</a> | 18. <a href="#">Elimination of the SSN in the AES</a>                                              |
| 9. <a href="#">NAFTA Certificates of Origin (Part I)</a>      | 19. <a href="#">The Commerce Control List and Self Classification</a>                              |
| 10. <a href="#">NAFTA Certificates of Origin (Part II)</a>    |                                                                                                    |

## Export Controls and Licenses

Most export transactions do not require specific approval in the form of licenses from the U.S. government, although regulations regarding all exports must be followed. To determine whether a license is needed to export a particular commercial product or service, you must first classify the item by identifying what is called its [Export Control Classification Number \(ECCN\)](#).

For general information on export licensing and regulations, visit [Export.gov—Regulations and Licenses](#). In addition, several other [federal agencies](#) have specific export licensing requirements. The following resources provide further information on export controls and licensing:

- [Export Controls and Licensing Requirements: An Introduction](#)  
This page is designed to give people who are new to exporting, and, in particular, new to export controls, a general understanding of the Bureau of Industry and Security (BIS) regulations and how to use them.

- [Export Licensing Guidance](#)  
This section is designed to assist visitors through the export licensing process and provides important information that individuals and firms need to know before exporting, including essential publications, frequently-asked questions, and forms.
- [U.S. Export Controls and Licensing: Training and Seminars](#)  
The Bureau of Industry and Security offers a wide range of export control workshops, from complying with U.S. export controls to training sessions for freight forwarders and help in initiating an export management system.
- [U.S. Bureau of Industry and Security: Export Policies and Regulations](#)  
This site provides links to regulations governing exports of dual-use commodities, software, and technology. It also includes discussions of certain key regulatory policy areas, including policies governing exports of high-performance computers, exports of encryption products, deemed exports, U.S. anti-boycott regulations, special regional considerations, the multilateral export control regimes, and the technical advisory committees.
- [Governmental Rejections](#)  
This page provides guidelines for why goods may be rejected by the government of an importer's country, including bans on goods and labeling.

## Exporting Technology

The exporting of technology has its own set of rules and regulations. [Technology and Source Code Exports \(Deemed Export Rule\)](#) answers frequently-asked questions about exporting technology and source code.

The European Commission's Directive on Data Protection prohibits the transfer of personal data to non-European Union nations that do not meet the European "adequacy" standard for privacy protection. The [Safe Harbor Portal](#) provides assistance to U.S. companies trying to avoid interruptions in their business dealings with the European Union countries or facing prosecution by European authorities under European privacy laws.

Also see: [The Safe Harbor Program: Understand Data Privacy Laws When Doing Business in the European Union](#) — a general overview of the Safe Harbor Program, its benefits, and how your business can participate.

## Financing Your Small Business Exports

Many small businesses think they are too small to compete in the world market. In fact, 97% of all exporters are small businesses. The federal government has loans, insurance and grant programs to help you become an exporter or expand your exporting business.



## Program Providers: At-A-Glance

The following provides a list of loan and grant providers that aid small businesses in securing assistance for export operations.

### **U.S. Small Business Administration**

Offers loan guaranty programs that enable the small business exporter to obtain working capital to finance pre- and post-shipment needs, increase global competitiveness, enhance the company's ability to export a product or service, and obtain financing for the acquisition of long-term fixed assets. Check out [SBA's Online Training](#) hub.

### **Export-Import Bank of the United States**

Assists in financing the export of U.S. goods and services to international markets. Ex-Im Bank does not compete with private sector lenders but provides export financing products that fill gaps in trade financing. This is the official export credit agency of the United States.

### **The Foreign Agricultural Service of the U.S. Department of Agriculture**

Improves foreign market access for U.S. products, builds new markets and improves the competitive position of U.S. agriculture in the global marketplace.

Learn more in [Chapter 6. Financing Your Export Venture](#)

# U.S. Government Programs and Services that Support Exporting

In addition to financial assistance, the federal government has a vast array of programs and services to help you become an exporter or expand your exporting business. Some of these resources are listed below.

### **U.S. Export Assistance Centers (USEACs)**

Provides one-stop trade promotion, financing and export assistance programs. SBA, the U.S. Commercial Service and the Export-Import Bank of the United States work together to support small businesses interested in exporting. Typically, businesses working with USEACs are further along in the export planning process.

### **Global Access to Business Opportunities**

Provides firms with unparalleled global access to business opportunities through the U.S. Government's global network of trade professionals, who are located across the United States and in most countries. Expertise offered includes in-market promotion of products and services, business matchmaking, advocacy support and commercial diplomacy efforts.

### **Export Training and Education**

Offers online or in-class programs for beginner or advanced exporters. Courses are geared to help small business owners and their sales, marketing, finance or logistic employees learn about export operations. Learn more at [export.gov](http://export.gov).

### **Trade Expertise to Succeed in Markets Around the World**

Enables U.S. firms to tap the expertise of trade professionals across every major industry sector and every key global market. These resources help small business owners obtain objective, firsthand knowledge of market conditions and opportunities as well as authoritative, competent advice on how to proceed.

### **Customized Business Solutions**

Provides small business owners with one-to-one assistance from trade professionals through the Return on Trade Investment program. Resources help owners to assess trade potential, understand needs, and provide the right mix of U.S. government capabilities to achieve exporting goals.

Learn more in [Chapter 3. Training and Counseling](#)

## Social Media

SBA and export.gov offer a variety of social media links, groups and discussion forums that are open to small business owners/exporters.

### **SBA in Social Media:**

Facebook: [www.facebook.com/SBAgov](http://www.facebook.com/SBAgov)

Twitter: [twitter.com/SBAgov](http://twitter.com/SBAgov)

YouTube: [www.youtube.com/sba](http://www.youtube.com/sba)

### **Regional SBA Offices:**

Pacific Northwest: [www.facebook.com/SBAPacificNorthwest](http://www.facebook.com/SBAPacificNorthwest)

Great Plains: [www.facebook.com/SBAGreatPlains7](http://www.facebook.com/SBAGreatPlains7)

Rocky Mountain: [www.facebook.com/SBARockyMountain](http://www.facebook.com/SBARockyMountain)

Pacific: [www.facebook.com/SBAPacific](http://www.facebook.com/SBAPacific)

South Central: [www.facebook.com/SBASouthCentral](http://www.facebook.com/SBASouthCentral)

Great Lakes: [www.facebook.com/SBAGreatLakes](http://www.facebook.com/SBAGreatLakes)

Southeast: [www.facebook.com/SBASoutheast](http://www.facebook.com/SBASoutheast)

Mid-Atlantic: [www.facebook.com/SBAMidAtlantic](http://www.facebook.com/SBAMidAtlantic)

Atlantic: <http://www.facebook.com/SBAAtlantic>

New England: [www.facebook.com/SBANewEngland](http://www.facebook.com/SBANewEngland)

### **Export.Gov**

Facebook: [www.facebook.com/ExportGov](http://www.facebook.com/ExportGov)

Twitter: [twitter.com/ExportGov](http://twitter.com/ExportGov)

YouTube: [www.youtube.com/exportgov](http://www.youtube.com/exportgov)

# Glossary of Terms and Acronyms

## acceptance

An agreement to purchase goods at a stated price and under stated terms.

## accession

The process of becoming a member of the General Agreement on Tariffs and Trade (see GATT).

## actual total loss

A marine insurance term; a ship is usually considered an actual total loss for insurance purposes when it has been listed as missing.

## ADB

The Asian Development Bank (ADB) was created to foster economic growth and cooperation in the region of Asia and the Far East and to help accelerate economic development for the countries of the region.

## ad valorem rate

An import duty rate determined “according to the value” (ad valorem) of the commodity entering a country, as opposed to the weight or other basis for calculation. An ad valorem tariff is a tariff calculated as a percentage of the value of the goods when clearing customs.

## advance against documents

A loan secured by turning over shipment documents of title to the creditor; an alternative to acceptance financing.

## advice

A form or letter that acknowledges certain activities concerning shipments, credits, etc.

## advising bank

A bank, operating in the exporter’s country, which handles Letters of Credit for a foreign bank by notifying the export firm that the credit has been opened in its favor. The advising bank fully informs the exporter of the conditions of the Letter of Credit without necessarily bearing the responsibility of payment.

## AES

Automated Export System, the mandatory electronic system through which export information is required to be filed. More information can be found at [www.export.gov/logistics/aes](http://www.export.gov/logistics/aes)

## AFDB

The African Development Bank and Fund, established to foster economic and social development of the independent African nations and to promote their mutual economic cooperation. AFDB membership is limited to African countries. The African Development Fund (AFDF), a loan facility, directs its loan resources towards social development projects.

**affreightment, contract of**

An agreement between a shipping company and an importer or exporter for cargo space on a vessel at a specified time for a specified price. The importer/exporter is liable for payment whether or not the shipment is made at the time agreed upon.

**after date (A/D)**

A payment on a draft or other negotiable instrument due a specified number of days after the date the draft is presented to the payee.

**after sight (A/S)**

A payment on a draft or other negotiable instrument due upon presentation or demand to the payee.

**Agency for International Development (see AID)****agio**

Premium paid for exchanging currency.

**AID**

The Agency for International Development (AID), created in 1961 to administer foreign economic assistance programs of the U.S. government.

**air waybill**

A bill of lading covering both the domestic and international portions of flights to transport goods to a specific destination. The air waybill serves as a non-negotiable receipt for the shipper.

**all-risk clause**

An insurance clause providing that all loss or damage to goods is insured except that caused by shipper.

**alongside**

This refers to the side of a ship, i.e., goods are to be located on the dock or barge within reach of the transport ship's tackle in order to be loaded aboard the ship.

**AmChams**

American Chambers of Commerce in foreign countries. As affiliates of the U.S. Chamber of Commerce, 84 AmChams, located in 59 countries, collect and disseminate extensive information on foreign markets. While membership fees are usually required, the small investment can be worth it for the information received.

**anti-dumping duty**

A tariff imposed to discourage the underpriced (below foreign country's domestic market) sale of foreign goods in the U.S. market, which might hurt U.S. manufacturers.

## **APEC**

Asia-Pacific Economic Cooperation, a forum to advance economic cooperation and trade and investment liberalization in the Asia-Pacific region, chaired by Indonesia. APEC goals in addition to trade liberalization include human resource development, growth of small and medium-sized businesses and infrastructure development.

## **arbitrage**

The practice of buying foreign currency, stocks and bonds and other commodities in one country or a number of countries and selling them in another market at a higher price to gain an advantage from the differences in exchange rates.

## **arbitration clause**

A clause in a sales contract detailing how any contract disputes will be settled.

## **arrival notice**

This document advises consignees (named in the bill of lading) that cargoes have arrived, the condition of the cargo if other than expected, and any charges due.

## **ASEAN**

The Association of Southeast Asian Nations, an economic cooperation which includes Thailand, Indonesia, Malaysia, Singapore, Philippines and Brunei. The ASEAN Alliance for Mutual Growth (AMG) is a multilateral initiative to encourage mutually beneficial trade relations between the United States and the ASEAN countries.

**Asia-Pacific Economic Cooperation** (see APEC)

**Asian Development Bank** (see ADB)

## **at sight**

A phrase indicating that payment on a draft or other negotiable instrument is due upon presentation or demand.

**ATA carnet** (see Carnet)

## **authority to pay (A/P)**

A letter, used mostly in the Far Eastern trade, addressed by a bank to a seller or merchandise, notifying him that it is authorized to purchase, with or without recourse, drafts to a stipulated amount drawn on a certain foreign buyer in cover of specific shipments of merchandise.

## **back-to-back credits**

A term commonly used to denote letters of credit issued for account of different buyers to cover the same shipment, the terms of which credits are similar that documents under one are subsequently applicable against one another.

## **bank guarantee**

An assurance, obtained from a bank by a foreign purchaser, that the bank will pay an exporter up to a given amount for goods shipped if the foreign purchaser defaults.

**banker's acceptance**

Occurs when a draft is drawn on and accepted by the importer's bank. Depending on the bank's credit worthiness, the acceptance becomes a financial instrument which can be discounted.

**barter**

Trade in which merchandise is exchanged directly for other merchandise without use of money. Barter is an important means of trade with countries using currency that is not readily convertible.

**beneficiary**

The person in whose favor a draft is drawn or a Letter of Credit is opened.

**bill of exchange**

Also a draft. A written unconditional order for payment from a drawer to a drawee, directing the drawee to pay a specified amount of money in a given currency to the drawer or a named payee at a fixed or determinable future date.

**bill of lading**

A document establishing the terms of a contract between a shipper and a transportation company for freight to be moved between specified points for a specified charge. Usually prepared by the shipper on forms issued by the carrier, it serves as a document of title, a contract of carriage and a receipt for goods.

**binder**

Temporary insurance coverage pending the insurance of an insurance policy or certificate.

**bonded warehouse**

A warehouse authorized by customs authorities for storage of goods where payment of duties on the goods is deferred until they are removed from the warehouse.

**booking**

An arrangement with a steamship company for the acceptance and carriage of freight.

**bulk-freight container**

This container allows bulk commodities to be grasped by roll loading hatches and has a front wall discharge hatch.

**buyer credit**

Term to provide the exporter with prompt payment by the overseas importer, who borrows the necessary funds from the bank. The payment is usually made directly by the importer's bank to the exporter.

**Caribbean Development Bank** (see CDB)

### **carnet**

Standardized international customs document, known as an ATA (admission temporaire/ temporary admission) carnet, that is used to obtain duty-free temporary transport/admission of certain professional/commercial goods (such as advertising material, commercial samples, or equipment) into those countries that are signatories to the ATA Convention without paying customs duties and taxes or posting a bond at the border.

### **CARICOM**

The Caribbean Community and Common Market, founded in 1973. Member countries are Antigua, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent, Trinidad and Tobago and Anguilla. Headquarters are in Guyana. Related organizations are the Caribbean Investment Corporation and the Caribbean Monetary Fund.

### **cash against documents (C.A.D.)**

A payment method by which title to the goods is given to the buyer when the buyer pays cash to an intermediary acting for the seller, usually a commission house.

### **cash in advance (C.I.A.)**

A payment method for goods in which the buyer pays cash to the seller before shipment of the goods. Usually required by the seller when the goods are customized, such as specialized machinery.

### **cash with order (C.W.O.)**

A payment method for goods by which cash is paid at the time of order and the transaction then becomes binding for both the buyer and seller.

### **CDB**

Caribbean Development Bank. CDB, founded in 1970, provides financing to foster economic development and integration in the Caribbean. The CDB's members are the governments of Antigua, Bahamas, Barbados, Belize, British Virgin Islands, Canada, Cayman Islands, Colombia, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent, Trinidad and Tobago, Turks and Caicos Islands, the United Kingdom, and Venezuela. Headquarters are located in Barbados.

### **CE Mark**

Also known as CE Marking, this mark is a mandatory conformance mark on many products being sold in the European Economic Area. It is a key indicator of a product's compliance with European Union legislation.

### **certificate of inspection**

A document often required in connection with shipments of perishable goods, in which certification is made as to the good condition of their merchandise immediately prior to shipment.

**certificate of manufacture**

Statement by a producer, who is usually also the seller, of merchandise that manufacture has been completed and that the goods are at the disposal of the buyer.

**certificate of origin**

A certified document detailing the origin of goods used in foreign commerce. Usually required to qualify for reduced tariffs or duties, specified in the terms of a trade agreement, such as the North American Free Trade Agreement (NAFTA).

**charter party**

Renting of an entire vessel or part of its freight space for a specified voyage or stipulated period of time.

**C&F named port**

Cost and freight. The seller must pay all costs of goods and transportation to the named port; these costs are included in the price quoted. Buyer pays risk insurance once the goods are aboard the ship up to overseas inland destination.

**C.I.F. named port**

Cost, insurance, freight. Same as C&F except seller also provides insurance up to the named destination.

**C.I.F.&C.**

Price includes commission as well as C.I.F.

**C.I.F. duty paid**

The seller includes in the final price to the buyer, in addition to C.I.F., the estimated U.S. duty.

**C.I.F.&E.**

Price quoted includes currency exchange from U.S. dollars to foreign money as well as C.I.F.

**clean bill of lading**

A document specifying that the goods were received in "apparent good order" by the carrier.

**clean draft**

A draft to which no documents are attached.

**COCOM**

Coordinating Committee on Multilateral Export Controls, a committee of all NATO countries (except Iceland) plus Japan to coordinate and control exports of member countries, especially in high-technology equipment.

**collection**

The process that entails an exporter providing the bill for an overseas transaction to his/her bank to collect funds. The bank charges a fee to collect payment, but is not liable should the importer refuse to release the funds.



**collection documents; collection papers**

All documents, including bills of lading, invoices and other papers, submitted to a buyer to receive payments for a shipment.

**commercial attaché**

Commerce expert on the diplomatic staff of their country's embassy or large consulate. The attaché is a good point of contact for those seeking market advice or information.

**commercial invoice**

Itemized list of goods shipped, usually included among an exporter's collection papers.

**conditional free**

Goods free of duty under certain conditions, if the conditions can be satisfied.

**confirmed Letter of Credit**

A Letter of Credit issued by a foreign bank with payment confirmed by a U. S. bank. An exporter who requires a confirmed Letter of Credit from the buyer is assured payment from the U.S. bank in case the foreign buyer or bank defaults (see Letter of Credit).

**consignment**

The delivery of merchandise from an exporter to a distributor specifying that the distributor will sell the merchandise and then pay the exporter. The exporter retains title to the goods until the buyer sells them. The buyer (distributor) sells the goods, retains a specified commission and then pays the exporter.

**consignor**

The seller or shipper of merchandise.

**consul**

A government official residing in a foreign country charged with representing the interests of his country and its nationals.

**consular declaration**

A formal statement describing goods to be shipped, made out to the consul of the country of destination. Approval from the consul must be obtained prior to shipment.

**consular invoice**

A document required by some foreign countries showing exact information about the consignor, consignee, value and description of shipment.

**container**

A uniform, sealed, reusable metal "box" in which merchandise is shipped by vessel, truck or rail. Standard lengths include 10, 20, 30 and 40 feet (40 foot lengths are generally able to hold about 40,000 pounds). Containers of 45 and 48 feet are also used, as well as containers for shipment by air.

**container load**

Adequate merchandise to fill a container (either by bulk or weight).

**conventional tariff**

A tariff established in the agreements resulting from tariff negotiations under the GATT (see GATT).

**convertible currency**

Currency that can be bought or sold for other currencies at will.

**correspondent bank**

A bank that, in its own country, handles the business of a foreign bank.

**count certificate**

This particular document will certify the accuracy and quantity of a shipment with regard to the count of its parts or units.

**countertrade**

The sale of goods or services that are paid for in whole or in part by the transfer of goods or services from a foreign country (see barter).

**countervailing duty**

A duty imposed to counter unfairly subsidized products.

**credit risk insurance**

Insurance which protects the seller against loss due to default on the part of the buyer.

**customhouse brokers**

A person or firm, licensed by the U.S. Treasury Department, engaged in clearing goods through U.S. Customs. A broker's duties include preparing the entry form and filing it; advising the importer on duties to be paid; advancing duties and other costs; and arranging for delivery to the broker's client, the trucking firm or other carrier.

**customs declaration**

Document that traditionally accompanies exported goods, bearing such information as the nature of the goods, their value, the consignee, and their ultimate destination. Required for statistical purposes, it accompanies all controlled goods being exported under the appropriate permit.

**customs invoice**

Document used to clear goods through customs in the importing country by providing evidence of the value of goods. In some cases, the commercial invoice may be used for this purpose.

**customs tariff**

Charges imposed by the U.S. government and most other governments on imported and/or exported goods.

**date draft (D/D)**

A draft payable a specified number of days after the date it was issued, regardless of the date of acceptance.

**deferred payment credit**

Type of Letter of Credit providing for payment some time after presentation of shipping documents by exporter.

**delivered at frontier**

Term referring to the seller's obligation to supply goods which conform with the contract. At his or her own risk and expense, the seller must deliver the to the buyer at the specified time and the specified frontier. The buyer is responsible for complying with import formalities and payment of duties.

**delivery instructions**

A document prepared by the freight forwarder that provides information for the trucking or railroad company as to where the goods are to be delivered.

**delivery duty paid**

Term referring to the seller's obligation to supply goods according to the terms of the contract. At his or her own risk and expense, the seller must deliver the goods, duty paid, at the specified time and the specified frontier, after complying with all necessary formalities at that frontier.

**demurrage**

Excess time taken to load or unload a vessel. A sum agreed to be paid to the ship owner for the excess time taken for loading or unloading not caused by the vessel operator, but due to the acts of a charterer or shipper. Also refers to imported cargo not picked up within prescribed time.

**destination control statement**

One of a number of statements required by the U.S. Government to be displayed on export shipments specifying the authorized destinations for the shipments.

**direct exporting**

Sales by the exporter directly to a buyer or distributor located in a foreign country, rather than through an export management company or other third party.

**distribution license**

A license given to an export to replace numerous individual validated licenses when there is continuous shipping of authorized products.

**distributor**

A foreign agent who sells directly in the foreign market for a U.S. supplier and maintains an inventory of the supplier's products.

**dock receipt**

Receipt issued by an ocean carrier or its agent for merchandise delivered at its dock or warehouse awaiting shipment.

### documents

The shipping and other papers customarily attached to foreign drafts, consisting of ocean bills of lading marine insurance certificates, and commercial invoices. Where required, certificates of origin and consular invoices are included.

### documentary collection

A transaction in which the bank handles the transaction (instead of an individual, shipper, or postal service/COD); and cash is paid for delivery of a title document (e.g., bill of lading) instead of the actual goods. This title document is then used to claim the goods from the shipper.

### document of title

Evidence of entitlement or ownership, such as a carrier's negotiable bill of lading, which allows a party to claim title to the goods in question.

### documents against acceptance (D/A)

Instructions by a shipper to a bank indicating that documents transferring title to the goods should be given to the buyer only after the buyer's signing a time draft. Thus the exporter extends credit to the importer and agrees to accept payment at a named future date.

### documents against payment (D/P)

Payment for goods without a guaranteed form of payment in which the documents transferring title to the goods are not given to the buyer until he/she has signed a sight draft.

### duty

A tax levied by a government on an import, an export or the use and consumption of goods.

### duty drawback

A partial refund of duties paid on importation of goods which are further processed and then re-exported, or exported in same condition as imported.

### EAR

Export Administration Regulations. Information can be found at [www.access.gpo.gov/bis/ear/ear\\_data.html](http://www.access.gpo.gov/bis/ear/ear_data.html)

### ECCN

Export Control Classification Number. Information can be found at [www.export.gov/logistics/eg\\_main\\_018803.asp](http://www.export.gov/logistics/eg_main_018803.asp)

### E-commerce

The practice of buying and selling online.

### EEC

The European Economic Community. An economic grouping of countries also known as the European Common Market, organized by the Treaty of Rome in 1957. Member countries are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. The EEC was the largest trading bloc in the world until the North American Free Trade Agreement created a larger market beginning in January 1994.

### **embargo**

A restriction or prohibition upon exports or imports, for specific products or specific countries. Embargoes may be ordered by governments due to warfare, or are intended for political, economic or sanitary purposes.

### **EMC**

Export management company, a firm that acts as a complete export arm for a company's exporting needs. Usually an EMC will pay all expenses and receive compensation in the form of a discount off the U.S. price of the product. An organization which, for a commission, acts as a purchasing agent for either a buyer or seller.

### **entry papers**

Documents which must be filed with U.S. Customs officials describing goods imported, such as the commercial invoice, Ocean Bill of Lading or Carrier Release.

### **ETC**

Export trading company, a business that acts as a complete export service house and, in addition, takes title to a company's exported goods. Unlike an EMC, which represents specific companies, an ETC determines what U.S. products are desired in a given market and then searches for/works with U.S. producers to satisfy the demand.

### **euro**

Eleven member states of the EU, Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, adopted a single currency, the euro, on January 1, 1999.

### **European Economic Community (see EEC)**

### **ex-dock**

Term used by exporter to describe net costs of goods at placement of the dock at the import point.

### **Ex-Im Bank**

The Export-Import Bank of the United States, the U.S.'s official export credit agency.

### **ex-mill (ex-warehouse, ex-mine, ex-factory)**

Obligates the seller to place a specified quantity of goods at a specified price at his warehouse or plant, loaded on trucks, railroad cars or any other specified means of transport. Obligates the buyer to accept the goods in this manner and make all arrangements for transportation.

### **Export Administration Regulations (see EAR)**

### **export declaration**

A formal statement made to Customs at the exit port declaring full particulars about goods being exported.

### **Export Control Classification Number (see ECCN)**

### **Export Express**

The simplest export loan product offered by the Small Business Administration. Export Express allows participating lenders to use their own forms, procedures and analyses.

### **Export-Import Bank of the United States (see Ex-Im Bank)**

### **export license**

A US government-issued permit required to export certain commodities and quantities to certain destinations. Export licenses are needed to export technologies such as hardware, software, technical data and services. Information on export license regulations and other goods requiring export license can be found at [www.bis.doc.gov](http://www.bis.doc.gov) or, in the case of military equipment, under ITAR administered by the Department of State.

### **export management company (see EMC)**

### **export quotas**

Restrictions or set objectives on the export of specified goods imposed by the government of the exporting country. Such restraints may be intended to protect domestic producers and consumers from temporary shortages of certain materials or as a means to moderate world prices of specified commodities. Commodity agreements sometimes contain explicit provisions to indicate when export quotas should go into effect among producers.

### **export rate**

A freight rate specially established for application on export traffic and generally lower than the domestic rate.

### **export trading company (see ETC)**

### **Export Working Capital Program (EWCP)**

A product through which the Small Business Administration provides lenders with up to a 90% guaranty on export loans as a credit enhancement, so that the lenders will make the necessary export working capital available to small business exporters.

### **ex-ship**

An international trade term meaning that the seller shall make the goods available to the buyer on board the ship at the destination named in the sales contract. The seller must bear the full cost and risk involved in bringing the goods to the buyer.

### **ex-works**

An international trade term meaning that the seller's only responsibility is to make the goods available at seller's premises. The seller is not responsible for loading the goods on the vehicle provided by the buyer, unless otherwise agreed. The buyer bears the full cost and risk involved in bringing the goods from there to buyer's desired destination. This term thus represents the minimum obligation for the seller.

### **factoring houses**

Types of companies which purchase international accounts receivable at a discount price, usually about two to four percent less than their face value. The fee charged the exporter is offset by the immediate availability of payment, plus the reduction in risk for the exporter. (see Forfaiting.)

### **F.O.B.**

Freight on board.

### **F.O.B. Freight Allowed**

The same as F.O.B. named inland carrier, except the buyer pays the freight charges of the inland carrier and the seller reduces the invoice by that amount.

### **F.O.B. Freight Prepaid**

The same as F.O.B. named inland carrier, except the seller pays the freight charges of the inland carrier.

### **F.O.B. Named Inland**

Carrier seller must place the goods on the named carrier at the specified inland point and obtain a bill of lading. The buyer pays for the transportation.

### **F.O.B. Named Port of Exportation**

Seller is responsible for placing the goods at a named point of exportation at the seller's expense. Some European buyers use this form when they actually mean F.O.B. vessel.

### **F.O.B. Vessel**

Seller is responsible for goods and preparation of export documentation until actually placed aboard the vessel.

### **force majeure**

The title of a standard clause in marine contracts relieving the parties for responsibility upon nonfulfillment of their obligations resulting from conditions beyond their control (like earthquake, floods or war).

### **foreign-based agent/distributor**

An individual or firm serving as the foreign representative of U.S. suppliers, locating buyers for them in the foreign market.

### **foreign branch office**

A sales (or other) office maintained in a foreign country and staffed by direct employees of the exporter.

### **Foreign Corrupt Practices Act**

Act making it unlawful for persons or firms subject to US jurisdiction to offer, pay, or promise to pay money or anything of value to any foreign official for the purpose of obtaining or retaining business, or to make a payment to any person while knowing that all or a portion of that payment will be used in this manner.

**foreign sales agent**

An agent residing in a foreign country who acts as a sales representative for your company's products.

**foreign trade zone entry**

A form declaring goods which are brought duty-free into a Foreign Trade Zone for further processing or storage and subsequent exportation and/or consumption.

**forfeiting**

Forfeiting, similar to factoring, is an arrangement under which exporters actually forfeit their rights to future payment in return for immediate cash. The arrangement is commonly used for sales of capital equipment with terms of one to five years.

**Free Alongside (F.A.S., or free alongside steamer)**

The seller must deliver the goods to a pier and place them within reach of the ship's loading equipment. The buyer arranges ship space and informs the seller when and where the goods are to be placed.

**Free of Capture and Seizure (F.C. & S.)**

An insurance clause providing that loss is not insured if due to capture, seizure, confiscation and like actions, whether legal or not, or from such acts as piracy, civil war, rebellion and civil strife.

**free trade agreement**

A treaty between two or more countries that permits commerce in goods/services to be conducted across their borders without the imposing of tariffs. NAFTA is an example of a free trade agreement. Export.gov offers an online resource for free trade agreement and tariff information at [www.export.gov/FTA/FTATariffTool](http://www.export.gov/FTA/FTATariffTool).

**free trade zone**

An area designated by the government of a country to which goods may be imported for processing and subsequent export on duty-free basis.

**freight forwarder**

A corporation carrying on the business of forwarding who is not a shipper or consignee. The foreign freight forwarder receives compensation from the shipper for preparing documents and arranging various transactions related to the international distribution of goods. Also, a brokerage fee may be paid to the "forwarder" from steamship lines if the forwarder performs at least two of the following services: (1) coordination of the movement of the cargo to shipside; (2) preparation and processing of the Ocean Bill of Lading; (3) preparation and processing of dock receipts or delivery orders; (4) preparation and processing of consular documents or export declarations; and (5) payment of the ocean freight charges on shipments.

**freight to (named destination)**

The seller must pay to forward the goods to the agreed destination by road, rail or inland waterway and is responsible for all risks of the goods until they are delivered to the first carrier.

**GATT**

General Agreement on Tariffs and Trade, now renamed the World Trade Organization.



**general average**

A deliberate loss or damage to goods in the face of a peril, which sacrifice is made for the preservation of the vessel and other goods. The cost of the loss is shared by the owners of all goods on board up to time of peril.

**general license (export)**

Authorization to export goods/services without specific documentary approval.

**general license, limited value (GLV)**

Authorization to export a limited value amount of a good without specific documentary authorization.

**general order**

A Customs term by which if proper entry has not been made for merchandise within five working days after arrival in a port of entry, the goods are sent to a general order warehouse. All costs are charged to the importer.

**GPO**

Government Printing Office, which provides publishing and dissemination services for the official and authentic government publications to Congress, Federal agencies, Federal depository libraries, and the American public. More information can be found at [www.gpo.gov](http://www.gpo.gov).

**gross weight**

Entire weight of goods, packing and container, ready for shipment.

**Government Printing Office (see GPO)****hard currency**

A currency expected to remain at stable value or to increase in relation to other currencies; also, a freely convertible currency may be called "hard."

**harmonized system**

The harmonized system (HS) is a classification system for goods in international trade that provides a uniform system of product classification for all major trading countries.

**ICC**

International Chamber of Commerce, established in Paris in 1919, this is a non-governmental organization serving world business. The ICC has members in 110 countries that include companies, industrial associations, banking bodies and chambers of commerce. The ICC International Court of Arbitration was founded in 1923 to settle international business disputes; it is the leading international arbitration institution. ICC publishes Incoterms.

**IDB**

The Inter-American Development Bank, which provides resources to finance Latin American development. The IDB also serves as administrator for special funds provided by several member and nonmember countries. The largest of these funds is the U.S. Social Progress Trust Fund.

## IFC

International Finance Corporation. A separately organized member of the World Bank group, receiving its funds through stock subscriptions from member countries, revolving loans, and earnings. The IFC encourages the flow of capital into private investment in developing countries. It makes loans at commercial interest rates, usually as a lender of last resort when sufficient capital cannot be obtained from other sources on reasonable terms.

## import

To bring foreign goods or services into a country.

## import license

A license required and issued by some governments authorizing the entry of foreign goods into their countries.

## import quota

A restricted amount of certain types of goods entering a country, usually maintained through licensing importers, assigning to each a quota, after determining the amount of goods or commodities allowed for that period. The license may also state the country from which the importer is allowed to buy, thus restricting free trade, but many times adopted by governments because of internal pressures from certain industries worried about competition.

## in bond

A term applied to the status of merchandise admitted provisionally to a country without payment of duties—either for storage in a bonded warehouse or for transshipment to another point, where duties will eventually be imposed.

## Incoterms (International Commercial Terms)

Also known as “terms of sale,” incoterms define the obligations, risks, and costs of the buyer and seller related to the delivery of goods/services that comprise the export transaction.

## indent

A requisition for goods, stating conditions of the sale. Acceptance of an indent by a seller means his agreement to the conditions of the sale.

## indirect exporting

Sale by the exporter to the buyer through an intermediary in the domestic market.

## inland bill of lading

A bill of lading used in transporting goods overland to the exporter's international carrier, where the ocean bill of lading becomes applicable. Although a through bill of lading can sometimes be used, it is usually necessary to prepare both an inland bill of lading and an ocean bill of lading for export shipment.

## inland carrier

A transportation line which hauls export or import freight between ports of entry and inland destinations.

**integrated carriers**

Carriers that have both air and ground fleets. Since they usually handle thousands of small parcels an hour, they have more competitive prices and offer more diverse services than regular carriers.

**intellectual property**

The patents, trademarks, service marks, copyrights and trade secrets of a business are considered intellectual property.

**Inter-American Development Bank** (see IDB)

**International Chamber of Commerce** (see ICC)

**International Commercial Terms** (see Incoterms)

**International Finance Corporation** (see IFC)

**irrevocable Letter of Credit**

A Letter of Credit which obligates the issuing bank to pay the exporter provided all the terms and conditions of the letter of credit have been met. None of the terms and conditions may be changed without the consent of all parties to the Letter of Credit (see Letter of Credit).

**lay time**

The time allowed a ship to load or unload. If this number of days is exceeded, demurrage is incurred.

**legal weight**

The weight of the goods plus any immediate wrappings which are sold along with the goods; e.g., the weight of a tin can as well as its contents (see net weight).

**Letter of Credit (L/C)**

A method of payment for goods by which the buyer establishes his/her credit with a local bank, clearly describing the goods to be purchased, the price, the documentation required and a limit for completion of the transaction. Upon receipt of documentation, the bank is either paid by the buyer or takes title to the goods themselves and then transfers funds to the seller. The bank will insist upon exact compliance with the terms of the sale, and will not pay if there are any discrepancies.

**lighterage**

The cost of loading or unloading a vessel by means of barges alongside.

**liquidation**

The final determination of the duties due.

**maquiladora**

The maquiladora (or "in-bond" industry) program allows foreign manufactures to ship components into Mexico duty-free for assembly and subsequent re-export.

**marine bill of lading** (see ocean bill of lading)

**marine insurance**

Insurance that will compensate the owner of goods transported overseas in the event of loss which cannot be legally recovered from the carrier.

**multiple exchange rates**

A number of countries operate systems by which different exchange rates are used for different transactions.

**NACM**

National Association of Credit Managers.

**NAFTA**

The North American Free Trade Agreement, the largest free trade area in the world, 340 million people and \$6 trillion in GDP, encompassing Canada, the United States and Mexico. This free trade pact was passed by the U.S. Congress in November 1993 and began implementation in January 1994. NAFTA follows the model of the U.S.-Canada Free Trade Agreement and lowers trade barriers among the three countries.

**net weight (actual)**

The weight of the goods without any immediate wrappings; e.g., the weight of the contents of a tin can without the weight of the can (see legal weight).

**non-tariff barriers**

These are factors, other than tariffs, inhibiting international trade, meant to discourage imports. They may include requiring advance deposits in import payments, requiring excessive customs adherence and excessive administrative procedures.

**Non-Vessel Operating Common Carrier (NVOCC)**

A cargo consolidator of small shipments in ocean trade, generally soliciting business and arranging for or performing containerization functions at the port.

**ocean bill of lading**

A contract between an exporter and an international carrier for transportation of goods to a specified foreign port. Unlike an inland bill of lading, the ocean bill of lading is a collection document, an instrument of ownership which can be bought, sold or traded while the goods are being shipped.

There are two types of ocean bills of lading used to transfer ownership:

**straight (non-negotiable):** provides for delivery of goods to the person named in the bill of lading. The bill must be marked “non-negotiable.”

**shipper’s order (negotiable):** provides for delivery of goods to the person named in the bill of lading or anyone designated. The shipper’s order is used with draft or Letter-of-Credit shipments and enables the bank involved in the export transaction to take title to the goods if the buyer defaults. The bank does not release title to the goods to the buyer until payment is received. The bank does not release funds to the exporter until conditions of sale have been satisfied.

## OECD

The Organization for Economic Cooperation and Development, established in 1961 by the industrialized “free market” nations of the world to promote the economic and social welfare of member nations and to stimulate efforts on behalf of developing nations.

## open account (O/A)

A trade arrangement in which goods are shipped to a foreign buyer without guarantee of payment, with 30-45 days accounts payable, for example. The buyer’s integrity must be unquestionable, or the buyer must have a history of payment practices with the seller.

## OPIC

A wholly owned government corporation designed to promote private U.S. investment in developing countries by providing political risk insurance and some financing, including project financing.

**Organization for Economic Cooperation & Development** (see OECD)

**Overseas Private Investment Corporation** (see OPIC)

## packing list

This document includes information that is needed for transport, as well as the number and kinds of items that are being shipped.

## PEC

The President’s Export Council, which advises the President on government policies and programs that affect U.S. trade performance; promote export expansion; and provide a forum for discussing and resolving trade-related problems among the business, industrial, agricultural, labor and government sectors.

## PEFCO

Private Export Funding Corporation, a U.S. company owned by the Export-Import Bank and a number of U.S. commercial banks and industrial corporations. It works with Ex-Im Bank by purchasing foreign buyers’ medium. PEFCO funds itself by public issues of long-term secured notes, unsecured medium-term obligations, short-term notes sales, and by credit lines from the banks and from Ex-Im Bank.

## performance bond

A sum of money put up by one party in order to ensure adherence to a set of criteria; it is returned to that party only when criteria have been met. The bond is issued/guaranteed by the bank on behalf of the company, and therefore increases the bank’s potential exposure to the company.

## piggyback marketing

An arrangement whereby one company—sometimes a smaller one—uses the already established distribution channels of another company, which is effective when the two companies wish to sell complementary products.

**political risk**

Used in export financing, this term represents the risk of losses incurred by war, government prevention of merchandise entry, confiscation, currency inconvertibility, etc.

**port of entry**

A port where foreign goods are admitted into the receiving country.

**President's Export Council (see PEC)****Private Export Funding Corporation (see PEFECO)****pro forma invoice**

An invoice prepared by an exporter before the shipment of merchandise informing the buyer of the kinds of goods to be sent, their value and important specifications such as size, quantity and weight.

**quota**

The quantity of goods which may be imported without restriction or additional duties or taxes.

**quotation**

An offer to sell goods at a stated price and under stated terms.

**SBA**

U.S. Small Business Administration.

**Schedule B**

Refers to "Schedule B, Statistical Classification of Domestic and Foreign Commodities Exported from the United States."

**Shipper's Export Declaration (SED)**

A form required by the U.S. Treasury Department and completed by a shipper showing the value, weight, consignee, destination, etc., of export shipments, as well as Harmonized Schedule B identification number.

**sight draft**

A draft payable upon presentation to the drawee. A sight draft is used when the seller wishes to retain control of the shipment, either for credit reasons or for the purpose of title retention. Money will be payable at sight of the completed documents.

**Standard Industrial Classification (SIC)**

A standard numerical code system used by the U.S. government to classify goods and services.

**Standard International Trade Classification**

A standard numerical code system developed by the United Nations and used in international trade to classify commodities, primarily designed for statistical and economic purposes.

**Standby Letter of Credit**

A Letter of Credit issued to cover a particular contingency, such as foreign investors guaranteed payment for commercial paper (see Letter of Credit).

**Strikes, Riots & Civil Commotions (S.R.& C.C.)**

A term referring to an insurance clause excluding insurance of loss caused by labor disturbances, riots and civil commotions or any person engaged in such actions.

**sue and labor clause**

A provision in marine insurance obligating the insured to take necessary steps after a loss to prevent further loss and to act in the best interests of the insurer.

**tare weight**

The weight of packing and containers—without the goods to be shipped.

**tariff**

A tax on goods which a country imports. The rate at which imported goods are taxed. A tariff schedule usually refers to a list or schedule of articles of merchandise with the rate of duty to be paid to the government of importation.

**tariff quotas**

Setting a higher tariff rate on imported goods after a specified, controlled quantity of the item has entered the country at the usual tariff rate during a specified period.

**technology transfer**

This term is used to characterize the transfer of knowledge (such as research or manufacturing methods) that was generated and developed in one place to another place/a wider audience, thus enabling it to be used to achieve a practical end, such as new product development.

**through bill of lading**

A single bill of lading covering both domestic and international passage of an export shipment.

**trademark**

Word, symbol, name, slogan, or combination thereof that identifies and distinguishes the source of sponsorship of goods and may serve as an index of quality of a particular product.

**trade mission**

Generically, a trade mission is composed of individuals who are taken as a group to meet with prospective customers overseas.

**Trade Promotion Coordinating Committee (TPCC)**

The President established the TPCC in May 1990 to unify and streamline the government's decentralized approach to export promotion.

**trade show**

A trade show is a stage-setting event in which firms present their products or services to prospective customers in a pre-formatted setting.

**transit shipment**

A term used of a shipment destined for an interior point or for a place best reached by reshipment from another port.

**transportation and exportation entry**

A form declaring goods entering the United States for the purpose of exportation through a U.S. port. Carriers and any warehouse must be bonded.

**uniform customs and practice**

Standardized code of practice issued by the International Chamber of Commerce in Paris covering Documentary Credits (see ICC).

**uniform rules**

Standardized rules issued by the International Chamber of Commerce in Paris covering collections, Combined Transport Documents, and Contract Guarantees (see ICC).

**Uruguay Round**

The eighth round (1989-1994) of trade talks of the member countries of the General Agreement on Tariffs and Trade (see GATT).

**validated export license**

A document issued by the U.S. Government authorizing the export of commodities for which written export authorization is required by law.

**value added tax (VAT)**

An indirect tax assessed on the increase in value of a good from raw material stage to final product for consumption. The tax is paid by those who increase the value of the items before they resell them. A system used by the European Community.

**warehouse entry**

A form declaring goods imported and placed in a bonded warehouse. Duty payment may not be required until the goods are withdrawn by the importer.

**waybill on rail**

Inland bill of lading for rail shipments.

**wharfage**

Charges assessed by docks for the handling of incoming or outgoing ocean merchandise.

**without reserve**

A shipping term indicating that a shipper's agent or representative is empowered to make definitive decisions and adjustments abroad without approval of the group or individual represented.

**World Bank**

The World Bank assists the development of member nations by making loans when private capital is not available at reasonable terms to finance productive investments.



### World Trade Organization

A multilateral treaty adhered to by over 124 nations, providing a set of rules for trade policies and a means for settling disputes among member nations. After eight years of negotiations, the Uruguay Round Agreement of the GATT nations, creating a global trade accord, was voted on by the U.S. Congress in December, 1994 and approved for American participation. The pact is expected to lower world tariffs by 40 percent, cut subsidies globally, expand protection for intellectual property and set rules for investment and trade in services.

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