

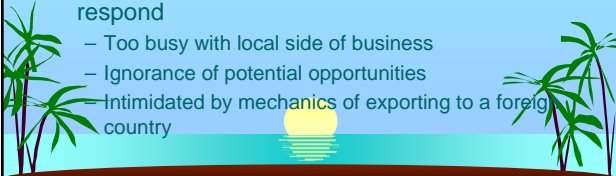
Exporting

To ship to another country for sale or exchange.



Promise and pitfalls of exporting

- Firms that do not export lose out on huge opportunities for growth and cost reduction
- Large firms pro-active in seeking foreign opportunities
- Medium and small-sized firms slow to respond
 - Too busy with local side of business
 - Ignorance of potential opportunities
 - Intimidated by mechanics of exporting to a foreign country



EXPORTING

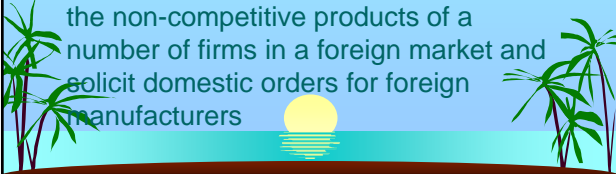
Reasons

- ◆ expand markets
- ◆ increase sales
- ◆ alleviate excess capacity
- ◆ achieve economies of scale in production
- ◆ less risky than FDI



DIRECT EXPORTING

- Sales representative
- Agents
- Foreign distributors/retailers
- Export department
- Manufacturer's representative - handles the non-competitive products of a number of firms in a foreign market and solicit domestic orders for foreign manufacturers

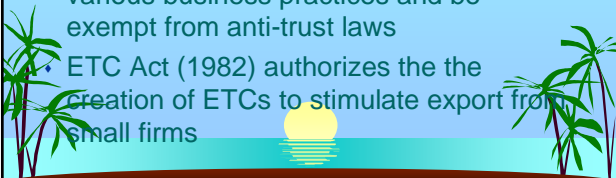


INDIRECT EXPORTING

Export Management Company - firms that buy merchandise from manufacturers for international distribution

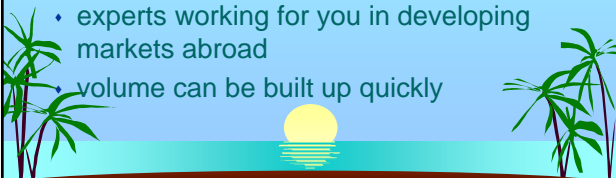
Export Trading Company - is a firm formed by competitors that may engage in various business practices and be exempt from anti-trust laws

- ETC Act (1982) authorizes the the creation of ETCs to stimulate export from small firms



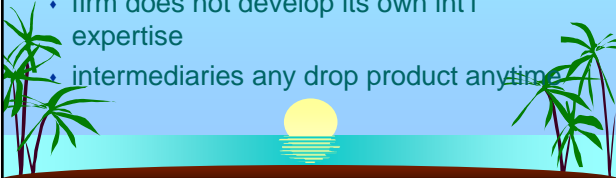
Advantages of Indirect Selling

- full scale program can be quickly established
- minimum financial commitment
- minimum risk for manufacturer
- experts working for you in developing markets abroad
- volume can be built up quickly



Disadvantages of Indirect Selling

- manufacturer has no direct control over the export of their products and marketing
- intermediaries may be distracted with other products
- firm does not develop its own int'l expertise
- intermediaries may drop product anytime



Improving export performance

Assistance available to firms for export process

- International comparison
- Information sources
- Export management companies
- Exporting Strategy



International comparison

- Biggest impediment to exporting is lack of knowledge of the opportunities available
- More than 200 countries with widely differing cultures compose the world of export opportunities
- Overcome impediments by collecting information

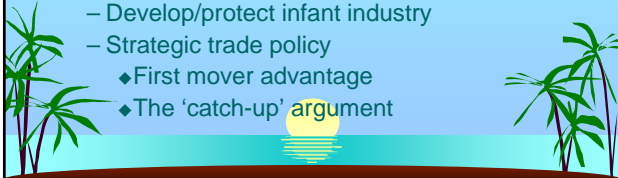
◆ Japan: Ministry of International Trade and Industry (MITI) and trading houses (Sogo shosha)

Evolve an institutional structure for promoting exports



The role of government in the export/import environment

- Political
 - Protecting jobs and industries
 - National security
 - Retaliation
- Economic
 - Develop/protect infant industry
 - Strategic trade policy
 - ◆ First mover advantage
 - ◆ The 'catch-up' argument



US Export Support



www.doc.gov



www.ita.doc.gov



Information sources

- U.S. Department of Commerce
 - International Trade Administration
 - United States and Foreign Commercial service agency
 - Provide "best prospects" list, "comparison shopping service" & customized market research survey for a small fee
 - Organizes exhibitions at international trade fairs to help potential exporters make foreign contacts and explore export opportunities
 - Matchmaker program



SOURCES OF EXPORT ASSISTANCE

U.S. Dept. of Commerce

- World Traders Data Report - checks background of foreign customer's reputation, trade & credit references, suitability as partner
- Agent Distributor Service (ADS) - provides a custom search for overseas agents or distributors thru 200 U.S. embassy and consulates

National Trade Data Bank (NTDB) -foreign commercial information on CD-ROM and includes Foreign Traders Index, Market Research Guide, Export Statistics, Basic Guide, etc.

U. S. Dept. of Commerce

- *Basic Guide to Exporting* - tips on methods of payment, shipping, communications, etc...
- Advertising Service Through "Commercial News" USA
- *Trade Opportunities Program* - Commercial officers in 65 countries offer investment opportunities, leads on potential sales, etc...

Commercial Information Management System
500 market research reports on market demand, trade barriers, contacts, trade fairs, customer profiles

Government Support for Exports

Willkommen bei der
Bundesregierung

www.bundesregierung.de

MITI

通商産業省

Ministry of International
Trade and Industry

JAPANESE

www.miti.go.jp

EXPORT-IMPORT BANK (EXIM)

- Lending Program - provides competitive, low, fixed-interest rate financing to U.S. exporters & foreign buyers of exports
- Guarantee program - repayment protection
- Working Capital Guarantee Program - small- and medium sized exporters obtain financing for production & marketing goods for sale abroad
- Insurance - against political & commercial risk of non-payment by foreign buyers

Export/Import Financing

18-11

Issue of TRUST

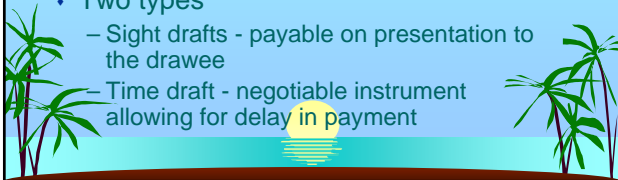
- Letters of Credit (LOC)
 - Bank guarantee on behalf of importer to exporter assuring payment when exporter presents specified documents
- Drafts (Bill of Exchange)
 - Written order exporter, telling an importer to pay a specified amount of money at a specified time.
- Bill of Lading
 - Issued to exporter, by carrier. Serves as receipt, contract and document of title.

Letter of credit

- Issued by a bank at the request of the importer
- Bank pays a specified sum to a beneficiary, normally the exporter, on presentation of particular, specified documents
- Fee paid by importer for letter of credit
- May reduce borrowing ability of importer since the letter is a financial liability

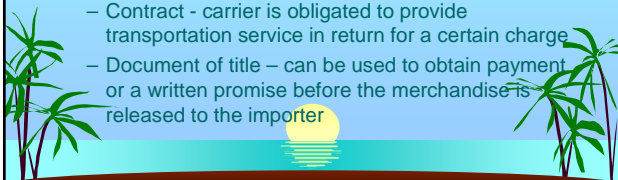
Draft (Bill of exchange)

- Written by an exporter instructing an importer to pay specified amount of money at specified time
- Required before the buyer can obtain the merchandise
- Two types
 - Sight drafts - payable on presentation to the drawee
 - Time draft - negotiable instrument allowing for delay in payment

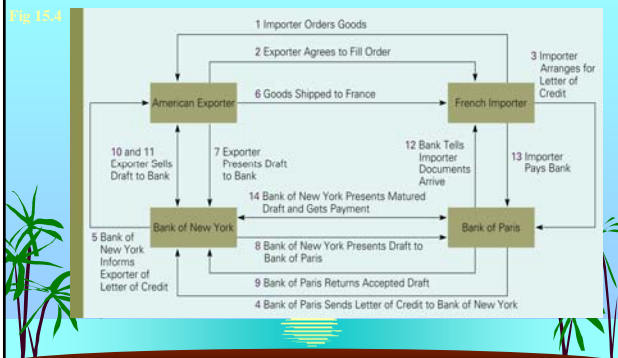


Bill of lading

- Issued to the exporter by the common carrier transporting the merchandise
- Serves three purposes:
 - Receipt - merchandise described on document has been received by carrier
 - Contract - carrier is obligated to provide transportation service in return for a certain charge
 - Document of title – can be used to obtain payment or a written promise before the merchandise is released to the importer



A typical international transaction



Pitfalls of Exporting

- ♦ chasing orders from all over the world instead of concentrating on few markets
- ♦ neglect during booming domestic markets
- ♦ choice of overseas agents & distributors
- ♦ no commitment from top management
- ♦ not considering licensing or IJV instead
- ♦ unwilling to modify products for foreign markets

