

Export Opportunities Grow for Small- and Medium-Sized Companies

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THE OPPORTUNITIES

We tend to focus on all the negative things in our economy, from the mortgage debacle to the stock market meltdown. What we don't often look for are the opportunities that exist in these times to expand business and grow in new directions. Such an opportunity exists for small- and medium-sized companies by exporting their products to foreign markets.

This is one of the best times in our history to export products. Currently, the exchange rate is favorable to the Euro. This is bad news for people in the currency market, but great news if you're an exporter. This year alone, exports are up over twenty percent. This trend is likely to continue until our currency drops. That's plenty of time to find some new customers in foreign markets. Many companies are hesitant to look at foreign markets. However, we need to remind ourselves that most of the world's consumers are outside the USA. Furthermore, I have many clients who consider their foreign customers to be some of their most loyal customers and who are willing to pay a fair price.

This is especially true with small- and medium-sized companies that sell to large retail accounts in the U.S. The large retailers are notorious for harassing small vendors about price then cutting their orders with little or no notice. In fact, I have a number of clients who have sworn off large U.S. retailers in favor of small- and medium-sized foreign buyers who allow them to make a fair margin. What they give up in volume they make up in margin and with less headache!

GETTING STARTING IN EXPORT

There are a number of ways companies can find foreign buyers overseas. The U.S. Department of Commerce (DOC) has commercial officers throughout the country as well as foreign commercial officers located in all major trading countries. Their job is to help you identify customers. Services provided can include trade research, detailed market and distributor reports, U.S. commerce sponsored trade missions, and trade show attendance. For example, the DOC has what is called a Gold Key Service. This service provides you with up-to-date market research of a given country, a detailed briefing of the market as well as potential buyers. Then a foreign commercial officer will actually attend a joint meeting between you at these prospects in the foreign country. The cost of the service ranges from \$300-\$1,500 per day and includes translation services as well as a debriefing afterwards with suggested follow-up strategies.

BENEFITS OF EXPORTING

There are important trade incentives that involve tax relief—*no matter who is president!* Companies exporting out of the United States do not have to pay any sales tax on the goods they export. There are also duty relief programs such as NAFTA (North American Free Trade Agreement) or ITA (International Trade Agreement) on certain U.S. origin products for your foreign customers. Less duty can mean more business with foreign customers for you.

EXPORTING FOR IMPORTERS

Importers can also reap benefits by exporting their imported products. For example, there is a little known law in the U.S. called Duty Drawback. Duty Drawback allows a company to recover the duty they paid on products that were imported and subsequently exported. In some cases, for products with very high duty, it is beneficial for the company to export its excess inventory thus collecting a refund than it is to sell the product to a domestic liquidator.

Importers can also benefit from using a technique called “triangle trade.” Simply put, triangle trade means that instead of importing your finished goods to the U.S. and then exporting them, you ship them direct to your foreign customer from your foreign supplier. For example, I had a client who had goods made in China and shipped directly to their customer in Mexico. This saved thousands in shipping costs as well as duty that would have been paid twice (China to the U.S. and then the U.S. to Mexico).

Finally, U.S. companies can set up distribution in foreign countries through what is called “non-resident importer” programs. I have assisted companies set up a third party to not only receive their inventory in a foreign country, but warehouse the product and then perform local distribution. The benefits of non-resident importer programs are that you gain the ability to distribute in a foreign country without having the liability of maintaining a foreign facility or adhering to foreign tax and employment laws.

I hope that some of these suggestions will entice you to look into or expand your current international import/export business. For questions or comments on this article or suggestions for future topics, please e-mail me at Export2go@msn.com.



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