

EXPORTING / International Market SELECTION & ENTRY

***North Texas District Export Council
& the City of Carrollton, Texas***

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*The **VALUE** of a Discussion is
Measured by the **CONTRIBUTIONS** of
the **PARTICIPANTS!!***

HOWORTH RULE of KNOWLEDGE – ASSUME THAT EVERYONE
KNOWS MORE THAN ME – SO LISTEN TO THE AUDIENCE!!

What I will Cover Today

1. Preparing to go “International”
2. International Market Selection
3. International Market Entry
4. Resources

Presenter's Note: Any ONE of these can be an entire College Course – but we have 45 Minutes!!!

Preparing to go "International"

Self Assessment

BEFORE you consider **EXPORTING** or **GOING INTERNATIONAL**, do a **critical SELF ASSESSMENT** of you and your organization:

- “**Size**” alone does not *guarantee* or *limit* “**Success**” in exporting.
- Success in “One-off” exports **DOES NOT GUARANTEE SUCCESSFUL EXPORTING** in the future.
- Beware the **MYTH** – “The Costs of Exporting will be paid by the Profits from future Exporting”
- Why do you want to **EXPORT**? Additive or Replacement?
- Cultural sensitivity – are you willing to accept different business and social cultures?

Self Assessment (con't)

- Are you willing to accept different Business & Ethical norms?
- FCPA - <https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act>
- What is your Financial position? Exporting requires investment.
- What is your Risk tolerance – elevated risk (outside factors)?
- Are you ORGANIZED with the appropriate EXPERIENCE to Export?
- Do you have a support group – Bank, Attorney's, CPA's, Consultants – experienced in International Business/Exporting?
- Are you COMMITTED to consider Exporting – longer term business?
- Is this a Strategic/Competitive Necessity for your Company?

Assessing Your Products

Is Your Product(s) “Export-Ready”?

- Product selection and SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis of your product(s). Not all may be “EXPORTABLE”
- Efforts/Costs of internationalization (packaging, measurement, i.e. metric, language, maintenance/support, regulatory requirements).
- Efforts/Costs of Export (transportation, customs - ITAR - International Traffic in Arms Regulations), duties/taxes.
- Your Industry – what is the involvement of your industry and competitors in Exporting. Is there a reason they are/are not exporting?

Assessing Your Products

- Is your product(s) potentially exportable or is it focused on a USA-only market. i.e. a fad?
- Where does your product(s) rank in the USA market – leader, also ran, price competitive, quality, IP protection?
- Country of Origin of the product/components, e.g. 100% USA vs 80% Chinese + 20% USA.
- Is (or can) your product(s) (or a similar likeness) be made in another country i.e. China, and sold DIRECTLY to a target foreign market?
(CRITICAL!!!!)

US Exports From Texas

Rank	Description	2012 Value	2013 Value	2014 Value	2015 Value
1	PETROL OIL BITUM MINERAL (NT CRUD) ETC NT BIO	34,321	36,443	33,283	24,683
2	LT OILS, PREPS GT=70% PETROLEUM/BITUM NT BIOD	19,739	21,612	22,450	17,787
3	PARTS & ACCESSORIES FOR ADP MACHINES & UNITS	6,731	9,717	10,008	9,914
4	CIVILIAN AIRCRAFT, ENGINES, AND PARTS	4,954	4,980	5,914	5,748
5	CRUDE OIL FROM PETROLEUM AND BITUMINOUS MINER	659	1,832	7,430	5,614
6	MACH FOR RECP/CONVR/TRANS/REGN OF VOICE/IMAGE	5,085	4,875	4,942	5,151
7	PROCESSORS AND CONTROLLERS, ELECTRONIC INTEG	4,644	4,973	4,738	5,108
8	PROPANE, LIQUEFIED	2,456	4,589	7,108	4,775
9	PARTS FOR BORING OR SINKING MACHINERY, NESOI	4,880	4,248	4,679	3,156
10	PARTS AND ACCESSORIES OF MOTOR VEHICLES, NESO	3,807	2,848	1,708	3,078
11	ELECTRONIC INTEGRATED CIRCUITS, NESOI	2,137	2,591	2,522	2,524
12	MACHINES FOR MAN. SEMICONDUCTOR DEVICES/ELEC I	1,710	1,989	2,424	2,268
13	POLYETHYLENE HAVING A SPEC GRAVITY OF 0.94 OR	1,964	2,064	2,006	2,193
14	AUTOMATIC DATA PROCESSING STORAGE UNITS, N.E.	1,745	2,450	2,244	2,088
15	TAPS COCKS ETC F PIPE VAT INC THERMO CONTROL	1,487	1,788	1,973	2,075
16	NATURAL GAS, GASEOUS	1,531	1,999	2,783	1,988
17	ACYCLIC ETHERS (EXCL DIETHYL ETHER) NESOI	2,905	2,929	2,571	1,968
18	PASS VEH SPK-IG INT COM RCPR P ENG > 3000 CC	2,819	2,672	1,961	1,871
19	POLYETHYLENE HAVING A SPECIFIC GRAVITY UNDER	1,552	1,765	1,828	1,785
20	STYRENE	1,870	2,359	2,613	1,744

International Market Selection

Where do Texas Exports Go?



Selecting a Foreign Market

- **Markets with Free Trade Agreements:**
 - The USA has free trade agreements in force with 20 countries 62% of Texas Exports in 2015. Almost 100% growth since 2005 in these markets: NAFTA (Canada and Mexico), Colombia, Korea, CAFTA-DR (Dominican Republic-Central America), and Panama showing the largest dollar growth during this period.
- **Political, Social & Economic Risk:**
 - Extremely important, especially in some areas of the world
 - Political and Economic Risk consultants
 - CIA World Factbook (<https://www.cia.gov/library>)
 - Local Contacts, Foreign Trade Officers (US Department of Commerce).

Selecting a Foreign Market

- **Market Research (CRITICAL and OFTEN NEGLECTED):**
 - Similar Products, growth
 - How they are purchased (direct, agents, distributors)
 - Regulatory requirements
 - Competition - Local production , pricing
 - Landed cost (customs duties, transportation, localization)
- **Method of Distribution**
 - Availability of distributors, agents, direct sales
 - Access to end customer

International Market Entry

Develop Mgt./Financial Strategy

- **Affect on Current Business/Management:**
 - Anticipate distraction from current day-to-day business
 - Anticipate the drain on human resources
 - Plan for the human resources/outside assistance needs
 - Understand the knowledge base/experience required
- **Financial:**
 - Consider the \$\$ dedicated to product(s) being exported
 - Bank covenants (foreign A/R management)
 - Currency risk and repatriation of earnings
 - Financial risk tolerance, unplanned (strikes, etc.)

Develop Product Strategy

- Same Product(s) USA and International Market
 - ✓ Lower cost
 - ✓ Normally with a strong brand
 - ✓ No need for regulatory compliance (medical, electrical, measurement, etc.)
- Different Products for each International Market
 - ✓ Regulatory compliance (medical, electrical, measurement, etc.)
 - ✓ Higher cost – engineering, localized maintenance & support
 - ✓ Requires localized sales efforts
 - ✓ More difficult to make changes – correct mistakes

Develop Distribution Strategy

Determine the Sales & Distribution Channel:

- Direct
 - ✓ Sale to end user
- Indirect
 - ✓ Foreign Sales Agent – Acts as a Commissioned agent
 - ✓ Distributor – Customer is the distributor
 - ✓ USA-based multinationals buying for their use in foreign markets – transaction usually in the USA and transfer of goods may be direct from manufacturer to staged with the purchaser in the USA.
- **CONSIDER the PROS/CONS of INTERMEDIARIES (Distributors, Agents., etc.)**

Develop Distribution Strategy

Local Assembly and Manufacture

- Consider the longer term for the product(s) – can it be manufactured or assembled in the local market and what are the advantages/disadvantages
- Doing this assessment at the time of market entry highlights a number of factors:
 - ✓ Cost flexibility
 - ✓ Market acceptance
 - ✓ Competitive advantage in the market

KNOW and UNDERSTAND the foreign MARKET and HOW products are currently sold and distributed!!

International Business Plan

An International Business Plan is CRITICAL BEFORE you begin your exporting business.

- Essential Elements of this plan:
 - ✓ One Plan per Market (Country) with Products unique to that market
 - ✓ All inclusive – just as you would do a business plan for your existing business
 - ✓ Consider all costs and build in a manageable “cost of the unexpected”
 - ✓ Consider types of distribution – distributor, sales agent, direct
 - ✓ Regulatory approval costs, legal requirements
 - ✓ Local customs duties, in-country transfer taxation

International Business Plan (con't)

- ✓ Do your homework, research and build the plan on information – bad guesses can be deadly!!
- ✓ Include additional costs incurred by the domestic operations (management, travel, legal, tax, consulting, maintenance/support, engineering, etc.) that will be incurred by the current organization as a result of exporting.
- ✓ Flex the sales plan for currency fluctuations.
- ✓ Do long and short term projections.
- ✓ Include USA-based costs – maintenance/support, engineering, etc.
- ✓ Consider Cash Flow – collections, timing.

Resources

USA GOVERNMENT:

- **Export.gov** - <http://www.export.gov> - brings together resources from across the U.S. government to assist American businesses in planning their international sales strategies and succeed in today's global marketplace.
- **The International Trade Administration** - <http://www.trade.gov> - The International Trade Administration (ITA) strengthens the competitiveness of U.S. industry, promotes trade and investment, and ensures fair trade through the rigorous enforcement of our trade laws and agreements. ITA works to improve the global business environment and helps U.S. organizations compete at home and abroad. ITA supports President Obama's recovery agenda and the National Export Initiative to sustain economic growth and support American jobs.
- **U.S. Customs and Border Security (US CPB)** - <http://www.cbp.gov> - US CPB is one of the Department of Homeland Security's largest and most complex components with a priority mission of keeping terrorists and their weapons out of the U.S. It also has a responsibility for securing and facilitating trade and travel while enforcing hundreds of U.S. regulations, including immigration and drug laws.
- **U.S. Export Assistance Centers in Texas** - http://www.export.gov/eac/dom_staff_list.asp?PostName=North%20Texas - The U.S. Commercial Service has a network of export and industry specialists located in more than 100 U.S. cities and over 80 countries worldwide. (USEAC's). These trade professionals provide counseling and a variety of products and services to assist small and mid-sized U.S. businesses export their products and services. (Presentation Following)

Resources (con't)

- **U.S. Small Business Administration Office of International Trade (US SBA)** - <https://www.sba.gov> - As US SBA's office for the support of small business international trade development, the Office of International Trade (ITA) works in cooperation with other federal agencies and public and private-sector groups to encourage small business exports and to assist small businesses seeking to export. Through 19 U.S. Export Assistance Centers, SBA district offices, and a variety of service-provider partners, ITA directs and coordinates SBA's ongoing export initiatives in an effort to encourage small businesses going global.
- **Foreign Agricultural Service – U.S. Department of Agriculture (USDA FAS)** - <http://www.fas.usda.gov> - Foreign Agricultural Service (FAS) links U.S. agriculture to the world to enhance export opportunities and global food security. In addition to its Washington, D.C. staff, FAS has a global network of 98 offices in 75 countries covering 156 countries. These offices are staffed by agricultural attachés and locally hired staff that are the eyes, ears, and voice for U.S. agriculture around the world. FAS staff identify problems, provide practical solutions, and work to advance opportunities for U.S. agriculture and support U.S. foreign policy around the globe.
- **Export/Import Bank of the United States (Ex-Im Bank)** - <http://www.exim.gov> - The Export/Import Bank of the United States 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 enables U.S. companies – large and small – to turn export opportunities into real sales that help maintain and create U.S. jobs and contribute to a stronger national economy. Ex-Im Bank does not compete with private sector lenders but provides export financing products that fill gaps in trade financing. Ex-Im Bank provides working capital guarantees (pre-export financing), export credit insurance, and loan guarantees and direct loans (buyer financing). (Presentation following)

Resources (con't)

ORGANIZATIONS/FOREIGN GOVERNMENT:

- **Texas District Export Councils (DECs)** - <http://www.exporthtexas.com/northtexas> - There are four Texas District Export Councils in Texas, all under a nationwide network of DEC's which make a significant contribution to America's international competitiveness. The Texas DEC's are a diverse group of volunteer international trade professionals who meet for periodic sessions addressing international issues and awareness. Members are exporters of manufactured products and services, providers of export support services (accounting, finance, legal, transportation, etc.), academia, and leaders of non-profit organizations of state and local government.
- **Country Chambers of Commerce in the USA** – US-India, US-China, French-American, Hispanic, Brazil, etc.
- **USA Chambers in Foreign Countries** – Brazil-American in Brazil, AmCham in Egypt, etc.
- **Universities, Colleges**
- **Trade and Industry Associations (Manufacturers, Industries (Bio-Tech), etc.**

Resources (con't)

PRIVATE SERVICE PROVIDERS (Q & A Following)

- Agents & Distributors,
- International Departments of Banks
- International Trade Attorneys
- International Tax and Consulting CPA's
- International Consultants
 - Compliance
 - Strategy
 - Business Development
- IMPORT/EXPORT Brokers

(Caution: Experience Matters!!)

OTHER EXPORTERS

Connect with other Exporting Companies (especially those in a similar industry or those that have done business in the same country that you are targeting) to learn from their experience.

Questions & Thank You



Lawrence P. Howorth is the President and Founder of HOWORTH International, LLC, a multinational Interim, Fractional/Part and Project Management and Advisory Services firm based in Dallas Texas, USA.

Lawrence has over 39 years of multinational business experience in multiple industries. A private investor and business mentor, Lawrence has held senior executive-level positions including CEO, President, COO, CFO in several multinational organizations as well as interim, project and fractional executive management positions through his Company, HOWORTH International, LLC. He has co-founded two multinational start-up companies and has developed and managed businesses in over 25 countries. A Canadian and USA Citizen, Lawrence is a Graduate of the University of Saskatchewan (Canada), College of Commerce and a CA/CPA (a member of the Chartered Professional Accountants of Canada), and alumni of KPMG. He has also been a panel speaker and lectured on multinational business development, growth, business structuring, entrepreneurship and various subjects at the University of Southern California, California State University, Long Beach and various conferences and seminars and has participated as a speaker/mentor with the Brazilian IBMEC Executive MBA program through the University of Irvine, CA, USA as well as the Congresso SixSigma in Brazil. Lawrence is currently active in several international-focused organizations: International Business & Trade Advisory Committee, Richland College, Richardson, TX, Chairman Emeritus International Business Council and Executive Committee, Board of Directors, Frisco Chamber of Commerce, Frisco, TX, Vice Chairman of The District Export Council of North Texas and a mentor in the Independent Study and Mentorship Program for the Frisco, TX Independent School District. Past involvement has included OCTANE - supporting the development of biomedical and information technology in Orange County, CA; Tech Coast Angeles – investor and mentor for early/mid stage medical device, bio-technology, information technology, consumer products and other organizations – member of the TCA Board of Governors and Executive committee; Forum for Corporate Directors, Education Committee, including Chairing the development of the first Survey of Corporate Directors of Orange County, CA; Director, National Academy Foundation Board of Directors; and Co-Chairman, Advisory Board of Directors, Center for Social Enterprise, Volunteer Center, Orange County, CA .



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