

Time to Test Foreign Waters

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WHILE EFASHION SOLUTION'S lone, remote warehouse facility in Secaucus, N.J., is far from cosmopolitan, the e-commerce provider — which builds web sites and ships merchandise for fashion apparel brands — is quite the worldly small business. Shipping to more than 4,000 cities in 200 different countries, the company has built an international infrastructure to reach "basically any city that's got a paved road," says CEO Edward P. Foy, Jr. And it's in good company.

More small businesses are looking to enter foreign markets, as a declining dollar makes U.S. exports cheaper for the world's customers. Thanks to an ailing housing market, credit squeeze and inflation, "it's almost as if a perfect storm has come together...putting all of our goods and service on sale," says Larry Harding, chief executive of High Street Partners, an Annapolis, Md., consulting firm that provides advice on global expansion. "Now is an unbelievable time for U.S. companies...to take advantage of the global market."

Small businesses already represent nearly 97% of exporters, trading \$1 billion a day in goods and services, according to the U.S. Chamber of Commerce. Come 2018, nearly half of U.S. small businesses will be involved in global trade, predicts the 2008 Intuit Future of Small Business Report. Other than economic conditions, factors such as improved technology, more affordable transport and lower trade barriers are all driving the trend, according to the study, authored by the nonprofit Institute for the Future.

Given that momentum, now's the time for small businesses — from manufacturers to service providers — to figure out how to compete in the global village. Here's a guide to exporting.

Learn the Basics

There's a learning curve when entering any foreign market, no matter what its state of economic development. Fortunately, the government offers several educational tools designed to encourage small-business exports. Just this past April, the Department of Commerce published the "Trade Finance Guide: A Quick Reference for U.S. Exporters," for businesses new to exporting.

For those who seek a little more hand-holding, the U.S. Commercial Service offers one-on-one support through its Export Assistance Centers, located in more than 100 U.S. cities and over 80 countries world-wide. The Chamber of Commerce is running a nationwide series of export-related events throughout May for World Trade Month.

In addition to Uncle Sam's resources, Bruce Bachenheimer, a professor of management and director of the entrepreneurial program at Pace University's Lubin School of Business, recommends contacting like-minded programs from the foreign markets you aim to enter. "Just as the U.S. has all these services to help exporters, virtually every foreign country in the world [has] some kind of trade development office," he says.

Find a Partner

A Surge In Exports

International trade has become an increasingly important segment of the U.S. economy.

- In March 2008, U.S. exports of goods and services grew by 17.6% year-to-date to \$448 billion, while imports rose 12% to \$626.9 billion.
- The largest export markets for U.S. goods year-to-date through March 2008 were Canada (\$64.4 billion), Mexico (\$35.8 billion), China (\$18 billion) and Japan (\$16.4 billion).
- Exports comprised 12.7% of U.S. gross domestic product in the first quarter of 2008. To put this in historical terms, exports were only 9.5% of U.S. GDP five years ago.

Source: U.S. Export Fact Sheet, issued May 9, 2008, by the International Trade Administration.

An international partner can make or break your global endeavor. And finding the right one is not always obvious. "It doesn't mean finding the biggest and the best in the country," Bachenheimer explains. "It's [about] finding someone whose interests are most closely aligned with yours."

If you want a matchmaker, the U.S. Commercial Service offers to connect small businesses with up to five prescreened international partners, agents or distributors (charging \$350 for first-time users and \$550 for returning ones). While the service doesn't require you to travel abroad, "making those trips, looking [a] partner in the eyes, and sizing them up becomes a critical issue in any business, but especially in international business," says Tom Travis, managing partner at Sandler, Travis & Rosenberg, an international trade and customs law firm in Miami.

Anshuman Vohra, founder of New York spirits company Bulldog Gin, is also a big believer in face time. Last summer, he connected with foreign distributors for his then six-month-old product by attending a trade show in London. "That opened the floodgates," says Vohra. "By the fourth quarter, we were in England and France being distributed." This month, the company's expanding to Canada, Spain, and New Zealand. With Bulldog's international sales volume now at 35%, "participating in that trade show last year is still paying me dividends," he says.

A database of trade events searchable by country, state, industry and date is available at export.gov. No matter how you find a partner, though, conduct due diligence, Bachenheimer says. "Ask who their customers are, how long they've been in business and seek out their references."

Minimize Your Risks

It's an exporter's worst nightmare: A shipment goes out and the payment never comes in. Whether the buyer defaulted or the economy went bust, such are the risks with exporting. To protect against them, insurance is essential. Trouble is, when it comes to riskier markets, many banks are reluctant to offer insurance. Instead, exporters turn to the Export-Import Bank, the government's export credit agency.

By offering insurance on virtually any volume of sales, "we help support exports that might not otherwise go forward," says Marianna Ohe, a spokeswoman for Ex-Im Bank. Through its export credit insurance policy, Ex-Im covers commercial and political losses at 95% with no first-loss deductible.

When it comes to minimizing country risk, eFashion Solutions' Foy recommends keeping your operations on U.S. soil while you assess your foreign demand. "When I hear of businesses looking to open up international distribution centers without even testing the market first, I cringe," he says.

The web, he says, allows U.S. exporters to test foreign markets at minimal risk. "Research your customers through your web site data: What traffic do you have on your web site; what opportunities do that data point to?" With the user-friendly and free Google Analytics, for example, Foy began tracking where his web site visitors were located. That data alone helped him grow overseas business to 25%. To test the waters further, create an international marketing budget for buying keywords in different countries, he says.

If and when you do need an overseas structure, keep it very flexible and nimble, says High Street Partners' Harding. "Instead of setting up eight costly and cumbersome subsidiaries in eight countries in Europe, just set up one," he says. That way, "if the E.U. economy follows the U.S. into a nose dive, you can retrench easier."