

## **The Feds Get Serious About Helping Smaller U.S. Exporters**

*By Neil Shister*

**Export Assistance Centers provide one-stop resource shopping for world-wide destinations.**

It's the classic American success story: some kid drops out of school to build computers in his garage with his buddy; a European immigrant starts selling her handmade clothing out of the trunk of her car; both go on to lead two of the most successful global companies in the world.



Every big business had a humble beginning somewhere, says Michael Lally, director of the U.S. Export Assistance Center in Philadelphia. He's right, and it applies to small companies that are thinking about entering the export market but have some hesitations.

Lally talked recently about some of the steps a new-to-export company should take and the resources that are available.

"Basically, there are three steps for a first-timer. One, assess internal, then assess external, and finally, go to your Export Assistance Center (EAC) to get the assistance that you need," he says. "When I say assess internal, you need to ask, 'What do we do well? What has been our sales record in the U.S.? Where do we think we have strengths within the company? Who's going to be our international sales person and are we going to give that person a budget? Are we willing to travel, or are we going to try and do some of this remotely through third-parties that can identify markets, such as the U.S. Commercial Service.'"

When it comes to an external assessment, Lally says the questions a new-to-export company needs to ask are: "Where do I need to be? Where do I see my hits coming in from on the web site? Where do I see unsolicited buy offers coming from? Do I see a concentration coming from Asia, the Middle East, or Europe, and should I focus there to start with? Do I have any existing relationships around the world? Do I have a supplier relationship in the Middle East, for example, which can provide advice? Is my bank right? Does it have the requisite international experience, the international correspondent banking relationships to get me paid on time?"

A trip to your local Export Assistance Center is a logical final step, he says. "They can help you understand if your assessment's accurate. The bottom line is that it saves time and money. It's a very good one-stop-shop to start with."

The EAC truly is a great resource for first-timers, Lally explains. "We have lots of relationships with state and municipal partners who know the specific business environment—who's doing what in a given area, whether it's rural or whether it's a

city. For example, we work closely with small business development centers throughout the country and they are working to incubate new companies that have potential for a very good export business. Our relationship with the small business development centers allows us to work on behalf of the company to say, 'Here's a company that's gone through the business plan cycle, the advertising cycle, the internal structuring cycle and they're really ready to go international. That's where we can really help new-to-export companies.'

The Small Business Administration can play an important role in the process, says Lally. "A lot of times the biggest issue for new-to-export companies is cash flow. They're worried about having enough money to buy enough raw materials to make what they need to make. The good news is that there are so many lender banks out there who are SBA-certified. And for example, if a small exporter has an order coming in from overseas and needs to borrow \$50,000 to make \$100,000, the SBA can come in and guarantee that so the exporter can grow the business."

In many cases, the SBA is co-located with the Export Assistance Centers, which really helps to streamline the process. "Sometimes they're right down the hall and we know the staff on a first-name basis," remarks Lally.

For companies who want to start the process online, there's one Web site that should be first on the list: [www.export.gov](http://www.export.gov). Lally's quite proud of all that can be found there. "We've done a lot of work on it to make it relevant to what exporters are asking. "There's an extensive FAQ section that includes everything from financing to finding partners. The site takes a 360-degree approach to exporting and covers legal due diligence, banking, shipping and logistics, and is a great place to start."

At the same time, Lally gives this reminder: "As we know, all business is local. And the second stop on the Web should be at [www.buyusa.gov](http://www.buyusa.gov). It's another portal that provides local linkages, whether it's in the United States or whether it's in one of the 83 countries in which we operate. You can find out what's going on in your backyard or around the world."

In his years of experience, Lally's seen some familiar mistakes. His advice is to start out with a healthy dose of realism and patience. "Each company needs to ask themselves, 'What are the markets I feel that I can grow?'" He says that people hear a lot about a certain market, China, for instance, and they rush in. "If they're new to export, why aren't they looking at Canada or Mexico, which offers 200 million buyers right at our border, with good NAFTA links that have been established and a relatively easy export program? You've got to walk before you can run," he cautions. "That's the realism part; we don't need to chase the exotic markets first. Hit your bread and butter, and that's Canada, Mexico, and the U.K.- our largest trading partners and three countries that are easy to work with."

The patience part is the second piece of advice Lally offers. "The normal deal cycle is usually between 6 and 12 months. By the time you get the buyer, assess them, feel comfortable, work out the letters of credit, get the banks on board, get the shipping and logistics people on board, ship the product, and get paid, that's a reasonable expectation."

When it comes to the pitfalls, Lally cautions, "There are three common mistakes. Not knowing your buyer one, for starters. Failing to get your shipping, logistics, and banking straight is the next mistake. For instance, not knowing whether your

bank has correspondent banking relationships in the country you're selling to, or whether your bank can do a letter of credit. When it comes to shipping and logistics, we have a corporate partnership with FedEx. They can help you structure yourself internally so that the whole shipping and logistics operation is value-driven and cost-conscious." The third mistake is a little unbelievable, but true, and that's "simply ignoring the sales solicitations," says Lally. He says that because of the nature of the Internet, some leads just happen to find their way in, yet he's seen companies put them right into a folder where they're forgotten. Again, Lally urges companies to contact the EAC. "We can find out if an overseas company that's contacted you is legitimate, if they're reputable."

When it comes to the current hot markets and products, Lally says: "I would divide it up into three regions geographically and three sectors industrially. Obviously, the EU with its recent expansion is very attractive. We're finding that certain European countries have greater buying power. Secondly, the U.S.' free trade agreements have also opened up markets in several countries around the world. Chile, Morocco, and Jordan have seen really big increases in U.S. exports, because market barriers have come down and duties have been eliminated, while non-tariff barriers like certification requirements and so forth have also been removed. Finally, China is always discussed. However, you need to determine, especially if you're a new export company, if you really want to cut your teeth on China. It may be best to get your export machine running with 200 million plus customers in right in your backyard, and that's Canada and Mexico."

"The three sectors that I would hit upon include Information and Communication Technology (ICT); Healthcare, which covers everything from advanced medical equipment to smaller surgical devices and medical products; and lastly, Safety and Security, which is a substantial and growing sector. We're finding a big demand for American manufacturers who make very good equipment and who have very good high-technology items in this sector," he says.

According to Lally, there's a real push to get small companies into the export game. "Our director general, Rhonda Keenum, has made it clear that her mandate is to reach out to companies who are considering exports because the margins are so great and there is so much work that companies can get overseas."

### **A Few of the Services Available at [www.export.gov](http://www.export.gov)...**

**I. International Partner Search.** Find qualified international buyers, partners, or agents without traveling overseas. U.S. Commercial Service specialists will deliver detailed company information on up to five prescreened international companies that have expressed an interest in your company's products and services.

**II. Gold Key Matching Service.** Save time and money by letting the U.S. Commercial Service help you find a buyer, partner, agent or distributor. The Gold Key Service provides you with one-on-one appointments with pre-screened potential agents, distributors, sales representatives, association and government contacts, licensing or joint venture partners, and other strategic business partners in your targeted export market.

**III. International Company Profile.** Prevent costly mistakes with quick, low-cost credit checks or due-diligence reports on international companies. Before you do business with a prospective agent, distributor, or partner, the International Company Profile will give you the background information you need to evaluate the

company.

**IV. Commercial News USA.** Promote your products and services to more than 400,000 international buyers in 145 countries. Commercial News USA is a product catalog distributed by U.S. embassies and consulates worldwide, and has a proven track record of high response rates and solid sales results.