

ADVENTURES IN EXPORTING

Lessons Learned from the Field



Find Success Selling Products in Target Areas

Question: *What U.S. small business would deliberately limit its sales efforts to less than one-quarter of the potential customers in the market?*

The Answer: *Any company that doesn't export!*

While the U.S. economy is certainly a huge playing field with about \$17.4 trillion in purchasing power (International Monetary Fund, 2014 figures), the rest of the world accounts for some \$60 trillion in spending, more than three fourths of the total.

Many companies, particularly small and medium sized businesses, have not even considered exporting because it appears to be difficult and fraught with challenges. Among the typical concerns are distance, customs and duties, fluctuating currency exchange, cultural and language barriers, not to mention having little or no knowledge of how to do business in a different part of the world.

Despite these hurdles, businesses of all sizes are stepping up to the challenge and finding great success in selling their products in targeted areas like the Americas or across the globe in the European Union, Asia, the Middle East, and Australia. In fact, U.S. exports of goods added up to \$1.6 trillion in 2014 (U.S. Census Bureau), more than double the amount in the year 2000 (\$785 billion).



Tip:

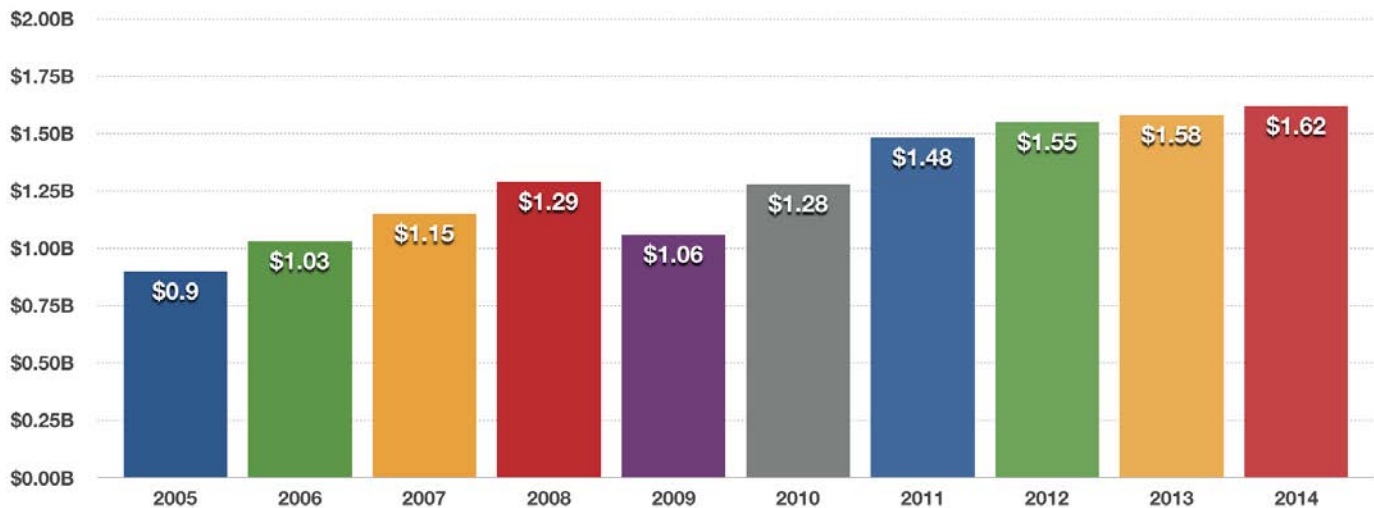
Do your research to learn more about the market in that area, and the way business is conducted there.



Did You Know?

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- U.S. Census Bureau

Value of U.S. Exports of Goods (in Billions)



Source: U.S. Census Bureau (www.census.gov/foreign-trade/statistics/historical/goods.pdf)



Spotlight: Thrush Aircraft

Small Business Helps Farmers and Firefighters with EXIM Bank Support



Thrush Aircraft's 215 employees manufacture agricultural and firefighting aircraft in Albany, Georgia. Thrush is a small business that makes a big-ticket item, and 85 percent of the company's sales are to international buyers. Cash is king in most small businesses, but financing airplanes takes it to a whole new level.

The Challenge

The first challenge is working capital. Building airplanes is expensive – engines, airframes and component parts cost a lot. On top of that are the expenses associated with operating in a regulated industry.

The second challenge is that while the working capital requirements can be tough for small companies, the numbers are not big enough to interest most commercial banks.

The third challenge is that most countries Thrush is selling into don't have good financing options. Asking customers to pay cash up front is possible, but it severely restricts your market. The issue is that the company purchasing the plane may not have access to financing at reasonable rates. The financing rates from commercial banks in one market that Thrush sells into are 16, 18 and sometimes 20 percent per year and that's just not feasible. Customers will cancel or delay purchasing when the cost of capital is too high.

As Arthur Lorga, Thrush Aircraft Vice President of Product Financing points out, "Thrush Aircraft is an aircraft manufacturer. We want to focus on our core business. We're not a bank, we're not a financial institution and we don't want to put our resources into financing customers. We want to deliver the best aircraft we can to our customers. That's where we should put our energy, that's where we should put our resources."

The Solution

Thrush Aircraft uses EXIM Bank's Working Capital Loan Guarantees and Medium-term Insurance to build and sell aircraft to international buyers. With a working capital loan guarantee from EXIM Bank, Thrush has access to cash to build aircraft and fulfill international orders.

The medium-term insurance empowers Thrush to offer its foreign buyers credit terms, and assists the company in expanding its reach to new customers and into new markets. "The aircraft will pay for itself," says Mr. Lorga. "The work of the aircraft is enough to pay the loan. So, the customers just need a little bump, and that's what EXIM Bank gives us."

More EXIM Success Stories

EXIM Bank provides a valuable service that can make the difference between being able to sell product internationally and missing out on this opportunity altogether.



DemeTech, of Miami Lakes, Florida, is a manufacturer of medical sutures that sells much of its product in the Middle East. Luis Arguello, Sr., the company's president and CEO, notes that its distributors rely on manufacturers' credit terms to finance their business. "Before, we simply had no capacity to extend credit," Arguello says. "Once we partnered with EXIM Bank for export credit insurance, we immediately started giving credit to our clients. This allowed our revenues to pop up considerably. We have now increased our revenues four times to present levels."

Thanks to the receivables insurance EXIM Bank provided, Arguello says that his local bank was willing to extend working capital loans to DemeTech, increasing liquidity and improving cash flow.



Houston-based **Control Flow**, a maker of oil well and pipe laying equipment notes that large contracts will often require the supplier to post a performance bond of 10% of the total project cost. On a \$50 million contract, the company would have to put up \$5 million to be held until contract completion. With an EXIM Bank [Working Capital Loan Guarantee](#)², Control Flow was able to finance the bond, freeing up cash to pay for materials and payroll. With about 70% of sales to oil-producing countries such as Iraq and Qatar, the financial backing provided by Wells Fargo Bank (guaranteed by EXIM Bank) is essential to the company's continued operation and growth.



Miami-based **Ben Kaufman Sales** makes a range of towels and apparel items with custom embroidery for sale throughout the Caribbean. They are required to extend credit to these customers (a local business requirement not unique to the Caribbean) but U.S. commercial banks generally do not make loans against foreign receivables because they see too much counterparty credit risk. How could they impose collection action against a gift shop or distributor in, say, Aruba or St. Kitts?

Ben Kaufman Sales had to find another way. One of EXIM Bank's many services is to provide [export credit insurance](#)¹ for foreign receivables. After establishing the account with EXIM Bank, a process that a Kaufman spokesperson describes as "very easy," each transaction is pretty much automatic. Kaufman would be a much smaller company without the Caribbean sales, which were enabled by EXIM Bank's receivables insurance.

¹grow.exim.gov/eci-ebook

²grow.exim.gov/wclg

EXIM Resources in Action

Invited to Export: Bidding on International Opportunities

Sometimes export business opportunities come to you. That was the case for Baltimore-based Maritime Applied Physics Corp (MAPC). In 2003, the \$4 million in sales, 40-employee designer of ship components was invited (over the Internet) to travel to South Korea to engage in negotiations to design, fabricate and deliver 100 tons of electronics, hydraulics and fabricated steel ship components. However, its introduction to international business was not the smooth, polished experience the company had hoped for. The two trips to Korea were hampered by a tsunami and a snowstorm, and the MAPC team's complete unfamiliarity with cultural and business practices in the region left them woefully unprepared to negotiate in a fixed-price bid situation against a large British company.

Nonetheless, MAPC won the business and established a strong collaborative relationship with talented Hyundai engineers, enabled with the help of the agent that first made the connection between the companies. The products were designed, built and delivered on time and all payments were made as agreed. The firm not only grew from a solely design-oriented business to design and manufacturing, it also established a capability and familiarity with foreign trade that opened opportunities for future export sales.

The company credits the [U.S. Export Assistance Center \(USEAC\)](https://grow.exim.gov/useacs)¹ as a key factor in their exporting success by providing introductions to international buyers. USEAC also provided training and consultation that helped MAPC overcome various market barriers, understand problems common to exporting, and prepare for the complexities of operating in foreign markets.

Smaller Can Mean Better

Considering the apparent challenges in entering new markets overseas, it would seem that larger companies have an inherent advantage due to their greater resources. That may be the case, but large companies sometimes tend to lack the agility of smaller competitors.

Small and mid-size companies can be more flexible when adjusting to the demands and idiosyncrasies of new markets overseas. This is especially important in emerging markets where conditions change rapidly and the first-mover advantage is critical. Executives at small companies usually view large multinational companies as their biggest threat in overseas markets, but often the fiercest competition comes from other small and mid-sized companies in the region.

Local competitors, in fact, often turn out to be the most difficult to compete against for local sales deals and projects. Exporters would be wise to visit a potential customer's home country, and while you're getting to know the culture and business practices, get to know the local companies that will be your main competition.

Tapping New Markets for Growth

In cases like these, EXIM Bank provides a valuable service that can make the difference between being able to sell products internationally or missing out on these opportunities altogether. International sales and exporting offer tremendous opportunity as the foregoing examples demonstrate. Each of these companies found new markets for their products, expanding their businesses to a level they could not have achieved in the domestic market while diversifying their business portfolio.

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¹grow.exim.gov/useacs

Open the “Toolbox” of Opportunities

The potential for growth is well worth the effort and risk.

There are barriers, which include:

- new processes and procedures to develop
- new partners to identify and work with
- new requirements like managing international shipping, customs, and duties
- new things to learn about business expectations, competition, and relationships in the target market

The companies referenced in this article have been able to double, triple, and even quadruple their business volume by expanding their sales overseas.

Going international doesn't mean going it alone. The U.S. government, along with state agencies, has a “toolbox” of services and financial products to assist U.S. manufacturers in their quest to identify, penetrate and develop new markets for their goods overseas. They can provide market information and local contacts, as well as the regional know-how manufacturers need to capture opportunities and overcome the challenges of getting your products into foreign markets.

Once you do establish a foothold, and are ready to start production and prepare international shipments, EXIM Bank can back up your operations with export credit insurance, loan guarantees for working capital and other products that empower you to compete successfully.

More than 98% of the 304,000 U.S. companies that export are small to medium sized businesses. While the U.S. is still the largest marketplace in the world and the easiest for domestic businesses to operate in, other markets are rapidly ascending. 95% of the world's customers are located outside the U.S. With the help of the Department of Commerce and www.buyUSA.gov, your state's Trade Export Agency, and EXIM Bank (EXIM.gov), your company can realize its global potential, explore new markets, and gain financial leverage to maximize your opportunities while minimizing risk and grow your profits.



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Additional Information

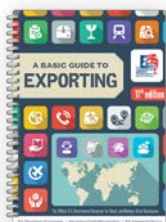
Are you ready to work with EXIM?

U.S. government agencies have a wealth of resources to help you grow your business through exporting. EXIM Bank trade finance directors are located throughout the country and work hand-in-hand with the Small Business Administration (SBA) and Department of Commerce (DoC) to meet all of your small business exporting needs.

Let's get started:

Request a free consultation with an EXIM Bank regional specialist.

grow.exim.gov/contact-a-trade-finance-specialist



BASIC GUIDE TO EXPORTING

Learn the basic fundamentals of exporting and turn export opportunities into sales.

grow.exim.gov/basic-guide-to-exporting



GUIDE TO EXPORT CREDIT INSURANCE

Learn how to protect your foreign receivables from bad transactions.

grow.exim.gov/eci-ebook



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For more in-depth information about EXIM, visit our website.

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This is a descriptive summary to be used only as a general introductory reference tool. The complete terms & conditions of the policy are set forth in the policy text, applications, and endorsements.



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