

The International Trade

Connection

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The First Meeting with Your Supplier...

If you're an export intermediary and it's finally time to have your first sit-down meeting with the supplier, you want to make sure you do it right.

On the other hand, don't make the mistake of getting so anxious about the meeting that you come across as uncomfortable. Think of this meeting in simple terms: *it's just people helping people*. Relax but be prepared. It's not that hard. Here's what you need to do.

Depending upon the size of the company, you may have multiple meetings. Usually, new exporters work with small or mid-sized companies and may meet with just one or two people, probably at the same time.

Don't act like a salesman. Your job is to *solve the buyer's problems*. Those problems may be declining domestic sales, an inability to expand their market or simply a lack of personnel to move into the global market. You should come to the meeting prepared with *questions* that will bring the buyer's problems to the surface. In addition, you should have predetermined *answers* that will show how you can solve these problems.

Don't be too fast in offering to solve the supplier's problems, however. Find out just how serious are the implications if the problems are *not* solved.

Next, *let the supplier sell you*. That's right. By asking *solution questions*, they'll decide for themselves that you are the solution to their problem. For instance, a question like "what would it do for your company if total sales increased 15 per cent as a result of overseas customers?" will get your potential supplier thinking.

What Can You Do for Me/

In your meeting, make sure you *emphasize benefits*, not features. In other words, don't say "*my company will arrange with freight forwarders to handle shipping and insurance matters and I'll talk with international bankers to determine payment terms.*" Instead, say "I will find the best shipping rates and ensure we get

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guaranteed payment before the goods leave the country.”

Finally, after you're sure you've covered all the important concerns of the buyer, ask him if there is anything else that's important to talk about. Then finish by summarizing all the problems that have been discussed and the solutions you will provide.

A few other tips... Try to learn as much as possible about your audience in advance. If they are active in the community, bring this into your discussion. If they are entrepreneurs who built their business from the ground up, they will appreciate the fact that you recognize this. Don't be afraid to be passionate in your arguments. People enjoy enthusiasm.

Don't be afraid to laugh at yourself and it's okay to be a little arrogant about what you know. This will inspire confidence.

When you ask for questions, answer to the best of your ability right away. Look each questioner in the eye. If you don't know the answer, say so. Then get back to the questioner with an answer as soon as you can. A phone call is best. Email is okay but make sure your questioner received your communication.

During the course of your meeting, force yourself to let the supplier talk 50-70 per cent of the time. Try to prioritize his problems, then deal with them in priority order. *Smile.*

Some of my clients have asked about presentation brochures or booklets. These can be useful, particularly at follow-on meetings after the supplier has determined he wants to use you as his export representative and you have done some preliminary research.

Some exporters have a generic brochure about their company and services that is modified for each

meeting. An office supply store like Office Depot or Kinko's can put it together. Include a nice cover with your company name on the outside.

Your brochure should start with **The Opportunity**. Here you can outline what countries you have targeted for that supplier. Explain the potential for increased sales and the other pluses that come from exporting.

The next section is **The Challenge**. Here you talk about the importance of identifying just the right market, dealing with financing, language and shipping concerns, finding good in-country representatives or distributors and expanding markets and products.

The third section is **The Solution** or **The Answer**. Here you talk about your company and all the ways it will add value to this transaction by researching, working with shippers, coordinating with bankers, preparing sales brochures, or whatever you are planning to do. Make it clear that your level of involvement can be whatever they want.

It's also a good idea to list bank and other business and personal references. Make sure to mention your "edge" in terms of experience in the industry, contacts in the targeted market, and whatever other advantages you bring.

I would recommend passing out the brochure at the end of your presentation. You don't want people reading it while you're making your all-important presentation. At the end of the meeting explain that "this covers some of the issues we've discussed." It's in this brochure that you might want to include a stronger request for their business as well as contact information.

What Terms of Sale Make the Most Sense?

If you have a product that is highly desired in your target market, you can start out by insisting on payment up front. If your customer goes along with that, good for

you. Your life will be a lot simpler. You can sweeten the deal by offering a price discount — 2 per cent is fair — for payment in advance. Once you know your buyer better, you can offer more generous terms.

If this isn't possible, request a confirmed, irrevocable letter of credit. This is the usual option for new trading partners but you shouldn't automatically accept if your buyer chooses this option. Your bank should help you determine if the buyer's bank will be willing and able to release payment when the goods are shipped. Another way to check up on the buyer's bank is through the U.S. Chamber of Commerce.

Finally, if you think you might lose business because your terms are too strict, look into the possibility of insuring foreign receivables. The U.S. Export-Import Bank offers a number of programs with some tailored to small businesses and short term buyers of single policies.

Still More on Letters of Credit

Lots of questions continue to come in about letters of credit. I'll try to answer a few of the more common queries I receive.

One of the biggest challenges for the new exporter is to make sure he gets paid. The best way to make sure you receive your slice of the payment check is to add so much value to the export transaction that the buyer and supplier will want to pay you promptly and wouldn't think of circumventing you. They know you will get new business or find related products. You are "adding value." They need you. That's the best way to make sure you get paid. Here's another way.

Let's say a broker is selling 100 widgets to the buyer for US\$100 which includes \$15 as your commission (of course, I'm keeping the amounts small to make it easy to explain). The buyer will have a transferable letter of credit issued by its bank in favor of (IFO) the broker for

US\$100. The broker will request that bank to transfer 85 per cent of the credit to the supplier. The buyer's bank (called the advising bank) will (for a small fee, of course) send a rewritten credit for US\$85 IFO the supplier.

The supplier will ship the goods and present the required documentation to the advising bank with an invoice and a draft for \$85. The supplier will be paid the \$85 when the documents comply with the terms of the letter of credit. The bank then notifies the broker who receives his \$15 by the bank.

Sound confusing? Like most things associated with letters of credit, it does *sound* complicated. The best advice is to discuss terms of the letter of credit with your international banker. You also need to make sure the terms of the L/C are acceptable to the supplier. The point is, this eliminates the hassles of getting a separate commission check from the supplier and eliminates any temptation he may have of cutting you out of your share.

Transferrable letters of credit are a fairly small percentage of L/Cs handled but are not the least bit unusual. Don't be surprised if your local international banker is unfamiliar with them. And don't let him tell you they don't exist. He simply needs to contact his main branch's international trade banker to find out how it's done.

In theory, this is the way an intermediary can protect himself from having the supplier muscle in on the relationship with the buyer. The sad truth, however, is that it is tough to keep the supplier and buyer from learning about each other. If at all possible, try to find suppliers who just don't want the hassles of international trade, at least in the markets you are working. And make sure *everybody* understands how you are adding value.

You've heard it again and again. The *confirmed, irrevocable letter of credit* is the best way to receive

payment for goods when dealing with new or unknown buyers. It is a way of ensuring trust when there is none. Unfortunately, while letters of credit offer substantial protection from commercial risk, they are of little value in protecting you from fraud. Remember, letters of credit deal in documents, not in the goods themselves. Payment is based on paperwork. When the proper paperwork is submitted, payment is made.

How can you tell if someone is trying to pull a fast one? One way is when a new buyer is in a great big hurry and wants to get you to skip some of the normal steps in processing the letter of credit. This is one way to lose control. He may try to convince you to hurry by promising bigger and more lucrative orders in the future. Often he will try to get you to ship prior to the arrival of the letter of credit. There are other tricks crooked buyers use to snag inexperienced or greedy intermediaries but the way around all of them is caution, research and, most importantly, knowing your customer. The more you know about your buyer, the less likely you will be victim of a real or attempted swindle.

Secrets of the Millionaires

There are lots of misconceptions about millionaires in this country. Most people believe that many were born to money or live in big houses and throw lavish parties. Nothing could be further from the truth. In an enlightening (and encouraging) book, you'll discover that most millionaires are frugal workers who are usually self-employed in what many would consider "dull, normal" jobs.

The book is called "***The Millionaire Next Door: The Surprising Secrets of America's Wealthy***" by Stanley & Danko. I don't know if new copies are still available but you can pick up a used copy through Amazon.com. It's fascinating reading whether you're an importer, an exporter or even a farmer. Here are just a few of the insights about millionaires in America today.

About two-thirds are self-employed working in such jobs as welders, contractors, auctioneers, rice farmers, and coin and stamp dealers. The median taxable income is \$131,000 annually. About half have lived in the same home for 20 years. Most live well below their means, wear inexpensive suits and drive domestic cars. Four out of 5 are college graduates but only 17 per cent attended private elementary or high schools. They invest nearly 20 per cent of household income each year and most make their own investment decisions.

The book makes it clear that *millionaire* is not a lifestyle but a way of living. In other words, if you have a "millionaire attitude" you could be on your way even if you can't rub two nickels together right now. The book is highly recommended for all entrepreneurs.

Do You Want to be Rich?

While we're on the subject of *making lots of money*, I thought you might find the results of a recent study interesting. It determined that millionaires are not necessarily smarter than you or luckier than you. Here's a few of the ways they reach success.

- They think for themselves setting a personal wealth goal — *other people don't define their limits*
- They seldom make it big on their first go around — *success follows many failures*
- They work in an area of natural talent — *they take advantage of their edge*
- They aren't afraid to take risks
- They don't get caught up in day-to-day problems — *instead they focus on their success mission*
- They are willing to accept advice from others who are more knowledgeable
- They never give up