

The International Trade Connection

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This Issue is Full of *Mistakes*

Do you hate clichés as much as I do?

One of the biggest is *“You can learn from your mistakes.”* Maybe the reason we hate clichés like this so much is that they are often annoyingly true.

I've been exporting and working with new exporters for the better part of 20 years now and it always amazes me (I don't know why) that new traders consistently make the same dumb mistakes year after year. It costs them time. It costs them money. It frequently is so frustrating to them that they get out of the business completely.

Of course, these are *new* exporters, so what would you expect? Nevertheless, some part of me wonders why I keep saying the same thing year

after year and people keep doing the same dumb things anyway!

Okay. Rant over. This month I'm going to **write down** the errors I see most often and ways you can avoid them. If you have my trade information packages, most of this information is included but they are not identified as mistakes or errors. They're simply part of the text.

This month I'm going to say the equivalent of *“this is a common mistake – don't make it.”* Let's get started with . . .

Communication or *“Why don't you call me anymore?”*

This is a frequent sin and all the more shameful because it's so easy to correct.

People who are good businessmen in their home country seem to forget all the rules when they're shipping products overseas. The shame is that, if anything, it's more important to remain in communication with your overseas partners than with partners in your own country.

Here's how it usually happens.

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A company or a trade intermediary (*you!*) closes a deal. The payment is received. The goods are shipped. And you make a note to call your foreign customer in a month to see if they want to place another order. Everybody's happy, right?

Wrong!

In any sale, but especially a first sale, it's important to stay in touch with your customer. Did the ship arrive with the goods on schedule? Were they received in good condition? Were there any problems? Is there anything we can do better next time?

You're not asking these questions because you're simply a good guy – although that should be reason enough (unless you're not a guy!). You're asking the questions because you want your overseas customer to be comfortable with you and know that you're looking out for him.

No matter what he tells you, he is unsure about you until he receives his first few orders without problems and on time. You want him to have that warm feeling in his belly that you are, indeed, looking out for him, just as you promised. Why?

So he'll order again!

If you're an intermediary, another reason you want to communicate with your overseas buyer is so your *supplier* knows you're looking after the transaction. That's how you add value and that's the secret to success as a trade intermediary.

In the same way you want your overseas buyer to order again, you want your domestic supplier to employ your services in future transactions. When he's convinced you're looking after the sale and not just looking for a commission, he's going to be much more

favorably inclined toward you.

What happens to new traders is they fail to stay on top of the transaction. The supplier isn't sure what's going on. The buyer doesn't know what's going on. These two eventually contact each other and, pretty soon, the supplier starts wondering why he's paying you the fat commission.

If you're an intermediary, this is not the kind of thinking you like to see develop. Stay on top of the transaction. Communicate with all parties involved. And do it often. Don't make the non-communication rookie mistake.

“Let's Crank this Thing into High Gear!”

In this particular case, “this thing” refers to expanding exporting to lots of markets – and doing it in a hurry. This is another common mistake, and I'll tell you why.

I remember an entrepreneur telling me that being successful early is the best thing that can happen to a business owner – and the worst. It's the best because, well, the money is nice. The reinforcement of your decisions is nice.

The downside is you believe it's always going to come this easily, although it seldom does. To use a non-trade example, many years ago I decided to take advantage of this new service called eBay to buy and sell musical instruments in my local town. I would buy the used instruments on eBay, then resell them in classified ads in the local paper (this is before Craigslist effectively destroyed the classified section of the newspaper). I bought small instruments like flutes and piccolos, even though I knew nothing about them.

I bought a bunch and resold them easily, making a nice profit in the bargain. So I bought more, deciding to

“ramp up” this obviously effective business model.

But this time I couldn't *give* them away. I placed the ads and nobody called. I took the instruments into local music shops and they schooled me on why these weren't very good instruments (bent, bad cork, etc.).

The store owner explained that last time I just happened to put my first instruments on sale the week music classes started in the local schools. Parents were looking for any musical instruments and they were usually just as ignorant about quality as I was. And that's the reason I was such a big success earlier. Now I had flawed instruments and no market for them. Success had done me in.

In the international marketplace, the same thing can happen. You may strike gold at a trade show. It happens more often than you might expect.

My steak sauce is an unexpected hit in Germany so I sign on with a European-area distributor, ramp up production of my steak sauce, develop packaging unique to each country and wait for the orders to come in.

But they don't. The Germans love it, but the French have no use for it at all and the Italians dismiss it out of hand. Some of the Eastern European countries aren't even sure what the stuff is or how it should be used. And now the Germans are telling me they want labels in their own language and in different-sized bottles.

Here's the lesson: start slowly and don't assume your current success will be followed by more of the same. Maybe it will. It's human nature to assume so. But stay focused on your current market while you work out the kinks and learn. On your first successful sale especially, it's critical to learn all you can so that things will go even more smoothly next time.

But maybe you were lucky. Or maybe your careful

research has paid off with the perfect product/market match. Instead of *assuming* the same thing will happen with every market, do your homework, Display at trade shows. Research on USA Trade Online.

In international trade, as I've said so many times, you get rich by finding a successful product match and building upon that success – slowly.

Maintain your current relationship, then explore expanding into other markets with the same product or related products in the same market, or both. But do it with a sense of discipline. Persevere and do not be put off by dead ends. It's inevitable.

If it were too easy, *everyone* would be doing it.

Grab Bag of Goofs, Assumptions and other 'Don't Do's'

In many cases, small-and mid-sized suppliers will be ***reluctant to change their packaging or product*** to accommodate the unique needs of foreign buyers. We Americans are especially bad about this.

American manufacturers – at least those not involved with international trade – figure if it's good enough for Americans, you foreigners should consider yourself lucky to have it available. Believe it or not, some company owners really think this way.

If you're an intermediary and a company like this is trying to expand into foreign markets, you'd be well advised to convince them otherwise. That attitude will result in either few sales because the product is not a match for the market or (as in the case of the steak sauce supplier mentioned earlier) it could lose you their business if your attitude indicates an unwillingness to modify your product to suit customer needs.

Don't enter into a relationship with an exclusive agent in your overseas market without clearly defined goals.

This caution is not unrelated to the earlier warning against moving ahead too quickly. If you have an attractive product, you may decide to move into an agreement with an exclusive agent who will represent your product in a particular area. As with everything else related to international trade, you should move slowly when doing this.

If you're a U.S. citizen (*other countries have similar programs*) you can take advantage of the **International Partner Search** program

(http://www.export.gov/salesandmarketing/eq_main_018197.asp) to find qualified representatives to sell your products.

Before hiring an agent or distributor, ask the potential overseas partner what quantity they anticipate selling during a given time frame, such as a year. Hold them to this figure and make their continued relationship with you contingent upon meeting these goals. This is important. And make sure they are not also representing competing product lines.

It's not unknown for agents to establish a relationship with an overseas supplier while secretly representing a competing company. They set up the relationship with you to preclude market penetration into their territory. Sneaky, but it happens.

That's another reason to make sure there's an escape clause that allows you to dump a poor-performing or even malicious representative. Some countries are quite protective of this supplier/representative relationship and will not allow you to dismiss them and hire another for any old reason. Know what the rules are in your target country *before* you sign an agreement.

This next "sin" is more common that you might expect but the repercussions can be catastrophic. **Make sure you have a payment plan in place *before* you ship product.**

I know, I know. It seems crazy, but some suppliers are so excited about receiving an order that they bundle up their product and ship it off before they've given any thought to getting paid. Not a good idea.

I'm not going to go into all the various terms of sale, but, by all means, make sure you've at least spoken with your international banker (you have one, don't you?) before you ship product.

Yes, it's a custom in many European companies to pay after delivery but I wouldn't make that your term of sale on a first order. The reliable letter of credit is probably your best bet. But work these issues out *before* (there's that word again!) you ship and, preferably, *before* you send off a pro forma invoice to the buyer.

Just because your product is priced competitively against a similar product in your target country doesn't mean it will be competitive after you factor in other costs.

Sure, you've considered shipping, insurance, packaging, commissions and other services in determining final cost to the buyer. But don't forget a big one that you *don't* collect but must be paid by the buyer and will determine if your product is still competitively priced – *tariffs and taxes*.

This is just one more reason to move slowly when entering into new markets. Do your research to make sure you know *all* the costs – including duties, taxes and other fees – before you make a determination on the competitiveness of your product in the target market.