

Equalizing the Trade Imbalance

Position
yourself in
the path of
prosperity

By Rob Shirley

Too often, companies fall into a rut. Managers complain about less than ideal conditions, but yet are at a loss as to how to remedy the situation. To give your business a breath of fresh air, why not review one of the most powerful options available to grow your business?

We in the US spent \$66 billion more on imports in September 2005 than we exported. The US has about three hundred million people making up less than five percent of the world population. The \$66 billion means every man, woman and child in the US spent \$220 in September 2005 on imports; that's money flowing from our country's coffers that we are not recovering through profits from exported products. This is a major red flag, especially since expansion into the international market can easily prove to be a lucrative move for your company.

People in hundreds of other countries love products from the US and pay a premium to get them as status symbols. Your biggest competitor, or maybe even all of your competitors, may not even be doing business overseas. In the long run, it is valuable to be the first one into any market, especially an international one. Profit margins are traditionally much stronger overseas than what your products can command domestically. Whenever

you can identify two superior advantages at once, you usually have a winner, but the fact that I can instantly reel off four should send you running to your company's head of business development. When speaking with the higher-ups at your company, be sure to emphasize that by expanding into the overseas market, your business will have access to a larger market than you are already selling to, people who love American products, less competition and higher profit margins.

Take a look at Web sites and catalogs of US firms; most are only in English and many do not offer shipping outside of the country without major drawbacks. I found some that actually said products would not be delivered for six weeks. For those of you who celebrate Christmas, did you finish your holiday shopping by November 7? Neither did I, but that is what people overseas would have to do if they hoped to have the products on their doorsteps in time for the big day. Unfortunately, I am old enough to remember those same words present in catalogs selling in the US. Luckily for domestic sales, the catalog industry woke up about 10 years ago and identified retail sales as the chief competitor to catalog sales. The catalog industry has since flourished by adding speed of delivery and the Web, neutralizing the previous retail advantage.

To open the gates to what possibly may be the biggest long-term financial opportunity for your company, five key departments — logistics, finance, marketing, IT and HR — will have to work in harmony as a well-orchestrated team.

Logistics: Functioning as the Initiators

Your logistics department will manage international customs. Since so much is imported already, many logistics professionals can turn on the outbound faucet more easily. Top-tier delivery options, such as those that are provided by FedEx, DHL or UPS, must be explored. Additionally, there is some good news in providing these carriers even more business; it may help you negotiate more attractive pricing for domestic business because the carriers' highest margins are realized in international packages.

The logistics department should also explore the environment of the country you are planning to expand into; some of your most trusted manufacturers which are off-shore may make ideal distribution partners for your customers in their region. When shipping goods to international customers, remember that a delivery option for a much lower price point is international mail. Carriers and agents pick up your products locally and transport them to the postal service in another country that has the best rate options with hundreds of other countries' postal agencies. Furthermore, a multi-carrier shipping solution can provide domestic and international service for all of the global carriers and the USPS. Regional carriers can be added for even more cost savings.

Finance Acts as the Adapter

The finance department should review and put in place additional credit card options (like JCB in Japan) and other financial instruments (such as letters of credit) that are available and preferred by your potential international clients. A currency conversion process needs to be in place and constantly adapted in order to offer these new customers the kind of programs they are interested in purchasing. Finance will be indispensable to the other three departments by helping develop profitability models.

Keep in mind that there is an arbitrage spread in currency conversions that may help your profitability, and margins on global product sales are traditionally higher. In addition, Sarbanes-Oxley regulations are much easier to manage when multi-carrier solutions and audit services are added to the mix.

Marketing's Focus is Modification

The marketing department of your company should focus on revitalizing the current Web site and catalog in order to tailor services into country-specific programs. A common initial step is branching out with English speaking countries like Canada, the UK and Australia. However, keep in mind that although you speak the same language, customers will still expect you to understand their culture, which is often different than yours. Moreover, the US's increasing Hispanic population represents a rapidly growing customer group and an audience in radio, TV and print for daily, weekly and monthly publications. By initially focusing on Spanish-speaking groups in the US, you will be

able to expand to a host of other Spanish-speaking countries. Language translators are readily available from the top mail houses as are mailing lists categorized by SIC, income or credit card holders, to name just a few criteria.

Your marketing department should realize that since NAFTA has been approved for years and many companies in countries that are members of the organization are selling more to the US, we therefore have the same rights to sell to them. The decision that your firm will focus only on one channel may have already been made by others in your company, but it is marketing's job to convince the business to consider new channels. One good stepping stone is to look within new countries or regions that have distributors offering products that are complimentary but not competitive with yours. Retailers, Web sites, wholesalers and distributors are all good sources of information. This is an obvious step for business-to-business but has big potential for business-to-consumer also. Every country and regional decision will be unique, but many of these distributors can introduce you to a firm similar to theirs in adjacent countries or regions.

Information Technology Furthers Your Expansion

Your IT department will need to have the flexibility to accept harmonized codes, build the systems to take new currencies and adapt the Web site in numerous ways to accommodate the changes suggested by marketing, and inventory tracking through warehouse management system changes are likely to be involved. Additionally, utilizing country-specific URLs builds credibility with the specific customers and prospects in that country. Prior to incurring bigger expenses, the Internet is ideal for testing with catalog production and mail lists, but after the Web gets some quick wins on its new international focus, catalogs are a natural and time-proven process to expand into new customer segments.

Human Relations: Tying it All Together

It is challenging to develop the right policies and procedures in new languages and to understand the protocol and labor rates in countries that are not familiar to the HR department. Beginning now will be easier than waiting until the competition has successfully hired all of the best people. Hiring people with language-specific expertise to speak with customers, develop verbiage for catalogs and Web sites and determine customs clearance offers you an advantage.

What Are You Waiting For?

Many companies are taking advantage of the global opportunity; there are already hundreds of US companies producing more than half of their revenue from other countries and thousands more have begun the process. This is a long-term adventure, not a short-term fix, but it will prove invaluable for anyone who wants to grow their business over the long haul.

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