

# How High is Your Fence?

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*The SBTDC is a business advisory service of The North Carolina University System operated in partnership with the US Small Business Administration.*

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- **30 years experience**
- **Sales, Marketing, Operations**
- **Start ups to F-500 Companies**
- **Technology, Durable and Consumer Goods, Services**
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## International Business Defined

- **International business may be defined simply as business transactions that take place across national borders. This broad definition includes the very small firm that exports (or imports) a small quantity to only one country, as well as the very large global firm with integrated operations and strategic alliances around the world.**
- **International business may conduct its operations with scraps of paper, but the ink it uses is human blood.**

**[Eric Ambler](#)**

## Current Reality

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- **28 million businesses in the US; only 280,000 exporters**
- **1% of SMEs export; 58% of those to one market only**
- **95% of customers and 70% of the world's purchasing power is outside the US**
- **Between 2010 – 2015, 87% of global growth outside of the US**
- **Between 2005-2009 SMEs exporting companies saw a 37% increase compared to a 7% decline for non-exporters**

## How High is Your Fence?

**What do you consider the largest challenges to selling your goods and/or services to foreign customers? (Check all that apply)**

- I worry about getting paid 41%
- It is confusing and difficult to do 29%
- I have limited goods and/or services that are exportable 23%
- It takes time away from my regular, domestic sales 21%
- It is very costly 19%
- I can't get financing to offer foreign customers 14%
- I have all the business I want domestically 3%
- Other 28%

## How High is Your Fence?

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### **Top Reasons Why SMEs do not engage in international trade**

- **Daunting bureaucracy of US Govt.**
- **Getting paid**
- **Logistics – shipping**
- **Lack of information**
- **High cost of entering foreign markets**

# How High is Your Fence?

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## Number 1 Reason

- **They don't know where to begin**
  - Uncertainty of the overall process

## Where to begin?

- **What small companies must realize is that for every obstacle or limitation, there are solutions in the form of private or public support and resource programs**
- **In other words – Here is where you come in!**
- **We all know how to export, where to start, next steps, blah, blah, blah... More importantly, how can you recognize issues and counsel an SME to go beyond the borders – Scale their fence!**
- **“Export Readiness”?**
- **Not an issue of CGBP knowledge – although comforting**
- **Issue of assessing and then offering counseling based on this assessment**

# Cornerstones of Export Readiness



# Assessing the Client's Fence

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- **Management Commitment**

- Expertise
- Time
- Risk Aversion
- Capacity
- Priorities
- Exit Plan?

# Internal and External Fences

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- **Internal:**
  - Finances
  - Company Culture
  - Product
  - Resources – time, personnel
- **External:**
  - Industry – competition, local vs. global
  - Market - locality, price, assumptions
  - Macro-environment

## How High is Your Fence?

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- The average small-business exporter reports spending approximately 8.4 percent of their annual operating revenue on preparing to export. To put that in context, the average S-Corp reports spending 11.1 percent of their annual operating revenue on salaries and wages, according to the most recent information available from the IRS. (NSBA/SBEA 2013 SMALL BUSINESS EXPORTING SURVEY)

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- **WHEN ASKED ABOUT THE EXPORTING SUPPLIER RELATIONSHIP, JUST ONE-THIRD (35 PERCENT) SAID THEY CONSIDER THE EXPORTING SUPPLIER RELATIONSHIP TO BE PART OF EXPORTING.**

## Analogy - Sleep Number Bed comfort / control



Designed and crafted in the USA.  
Fits standard bedroom furniture (not included).  
Modular base shown not included in mattress-only pricing

## Case Study – Compare and Contrast

- **Company A**

- Owner is 65 years old and never traveled out of the US.
- Highly successful and profitable regionally
- Product has competitive advantage
- Little seasonality
- Returning to profit after 4 years
- No export experience
- Minimal marketing budget
- Cash is reinvested in business
- Risk taker

- **Company B**

- Multiple owners
- Branded product
- Low growth market
- Highly seasonal
- Returned to profit after 4 years
- Some export, but reactive
- Extensive marketing budget
- Available capacity (seasonal)
- Risk averse

## Case Study

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### **Discussion:**

- **Issues – Fear?**
- **Commitment**
- **Finances**
- **Risk Aversion**
- **Product**
- **What is the underlining issue?**

# Your Export Plan

- **The first time an export plan is developed, keep it simple.**
- **Its initial purpose is to be a planning tool.**
- **Important market data may not yet be available.**
- **Expect the export plan to be revised over time.**

