How High is Your Fence?

Alex Viva

• International Business Development Counselor – SBTDC

Mike Seibert

• Assistant State Director – IBD - SBTDC
The SBTDC is a business advisory service of The North Carolina University System operated in partnership with the US Small Business Administration.

sbtdc.org  |  info@sbtdc.org

Alex Viva

• International Business Development Counselor – SBTDC
• CGBP – Trainer at UNCW, UNCC, NC State
  • May 28/29 Raleigh
• 30 years experience
• Sales, Marketing, Operations
• Start ups to F-500 Companies
• Technology, Durable and Consumer Goods, Services
• MBA-MED  IESE Barcelona, Spain
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
• 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%

NSBA/SBEA 2013 SMALL BUSINESS EXPORTING SURVEY
How High is Your Fence?

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?

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

- PRODUCT Knowledge
- MANAGEMENT Commitment
- MARKET Opportunity
- FINANCE Capability
Assessing the Client’s Fence

- **Management Commitment**
  - Expertise
  - Time
  - Risk Aversion
  - Capacity
  - Priorities
  - Exit Plan?
Internal and External Fences

- **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?

• 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 )
How High is Your Fence?

• 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.

To standard bedroom furniture (not included).

Wood 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

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.