



# GlobalWatch®

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## *Selling to the U.S.* **The Failure of Exporters to Penetrate the U.S. Market**

*By: Charles Klein*

In today's competitive business environment, many manufacturers around the world are making attempts to penetrate what they perceive as the large and lucrative American market. In fields ranging from software, telecommunications equipment, medical devices, industrial machinery and consumer products, it seems like everyone is interested in getting even a small foothold in the United States. This strategy clearly makes sense as business people in the U.S. speak one language, use the same currency and are quite willing to import products from nations around the globe.

Unfortunately, the success rate for exporters to the U.S., especially among SME's (small and medium sized enterprises) is quite low. Why is it so difficult to conquer American markets?

### **Obstacles to US Export**

A recent interview with exporters, trade promotion agencies, marketing consultants and others from countries where U.S. marketing is a high priority helped to pinpoint the reasons for the difficulties marketers encounter selling to the world's largest market.

### **Lack of Business Intelligence**

Companies targeting the U.S. market need to have detailed information on their competitors, distribution channels, pricing, market trends and barriers to successful market entry. While exporters would never consider launching a product at home without this information, they readily seek out U.S. importers and distributors before gathering critical business intelligence. Although information available from the Internet is a good start, many exporters seem to suffer from "Net Disease", not realizing that field market research is

critical in understanding how to penetrate U.S. market.

Indian companies selling in India know that beyond developing a good product, they will need to invest in exhibitions, advertising, a sales force, public relations, Web marketing and other methods of generating sales. On the other hand, many potential exporters to the U.S. simply seek out "marketing partners", U.S. companies in their field whom they hope will do all of these functions for them. The more successful exporters commonly hire U.S. staff, open sales offices, maintain stock in a U.S. warehouse and invest in developing the market. Relying on the Americans to do all of the work is a strategy which fails more often than it succeeds.

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### *Notes from the Executive Director*

## **If Not Social Responsibility, then Personal Self-Interest**

**by Dr. Donald Burton**

Recently I was asked why it is good business to get involved in the rebuilding of Afghanistan. The question did not come from an expected source. It came from a small business owner who was questioning his possible role and the impact people like him could make. It caused me to stop and rethink the issue. I am familiar with the social responsibility role prosperous countries have in helping countries like Afghanistan, and I am familiar with the vast array of macro issues that are often discussed within government circles and global companies' boardrooms. But the role of the very small business in helping to rebuild a nation was a new idea to me. After considerable thought, I decided that a very small business could play a critical role in such a huge undertaking as rebuilding a nation. But how?

I have read that the current per capita income in Afghanistan is considerably less than US\$100. As most of that nation's economy has been destroyed over the past twenty plus years of war, there isn't much infrastructure remaining. In short, the Afghans, like many countries, need everything and have no money to pay for it. So how can a small company's effort make a difference? Can a small company afford to be so generous? The answers to both questions may surprise you.

Even in their current economic state, Afghans produce goods that would be desirable and valuable in other regions of the world, and because of their economy, the pricing for these goods is at a low point. The profit potential is therefore greater from them than other sources. Items like rugs and artisan products that have very little actual cost to manufacture other than labor content, have the greatest potential. Foreign arts and crafts are very popular in most developed countries, with the U.S. and other highly industrialized nations leading the way. The answer to my first question is to find a Afghan supplier – someone who can produce or make available the types of goods you are interested in— and PURCHASE THEM. You may be seeking goods to sell in your small retail store or you may be offering those goods over eBay™. The effect is the same. There are numerous intermediaries, government and private, that can and will assist you in this matchmaking process. Remember, if your purchase nets the Afghan only a few dollars on the transaction, it does not take many of these purchases to double or triple their current income. Their prosperity flows into their economy. Indirectly I have answered my second question as well. Your generosity does not cost you; it provides an economic return that was far greater than your original opportunity cost of getting involved. Everybody wins, and you did the socially responsible act of caring for those less fortunate.

## Selling to the U.S. - con't.

### **A Need for Specific Training**

Non-U.S. universities and executive training programs commonly teach "international marketing". Such courses and seminars, while valuable, do not distinguish between marketing to Moscow and selling in St. Louis, bundling all export markets into one package. While many exporters speak English, conducting business in the U.S. is very different than in Europe. Learning how to research the market, develop a penetration strategy, target appropriate distribution channels, recruit manufacturers' representatives and hire staff are examples of skills that can easily be taught by experienced exporters and trade consultants who focus on the American market.

The absence of training that is specific to American marketing results in exporters using the trial and error method, a great recipe for marketing failure. Exporters to the U.S. from smaller countries such as Ireland, and even from the larger countries such as Britain and Germany, commonly fail to understand the size and complexity of the U.S. market. This results in various strategy errors, especially noticeable when non-U.S. companies give a U.S. distributor exclusivity for the entire U.S. market when the distributor lacks the wherewithal to be a national marketer. I know an exporter of swimming pool equipment that quickly signed a two year exclusive agreement with a company in Florida. After months of frustrating discussions and correspondence, the manufacturer discovered that the American firm really only sells in one U.S. state

and in one marketing channel! In order to get true national coverage, the manufacturer needed representatives in all major U.S. markets covering both the home pool market as well as the institutional trade where equipment is sold to hotels, schools and community centers. The large size of the United States has created a system of specialization. California reps selling pool equipment to schools will rarely sell the same equipment to residential customers in Florida.

### **Doing Your Homework**

The marketing experts we interviewed noted that targeting the U.S. as an export market has become even more prevalent for non-Americans than in the past. Although major opportunities exist in the U.S.

for exporters of all sizes and in a wide range of industries, the large number of failed attempts at U.S. marketing should be a red flag to exporters worldwide to do their "homework". Companies that truly understand the U.S. market for their products, the strengths and weaknesses of their competitors, and their own relative advantages have a reasonable chance to generate sales and gain respectable market share for their products in the United States.

Conversely, exporters whose entire U.S. marketing strategy is based on surfing the Net and sending e-mails are doomed to clicking at their keyboard rather than filling export orders and profiting from the vast potential of the US market.

*Charles Klein is managing partner of Amcon Marketing Strategy International, a consulting and training company focused on assisting non-U.S. companies in their U.S. business development efforts. Amcon's services include business information research, competitive intelligence, rep recruitment, strategic partnership development and executive search in the U.S. for non-American companies. Mr. Klein is the author of the widely distributed book *Marketing to America: How non-U.S. Companies Can Profit by Selling in the USA*. He can be contacted at: [chuck@amconmarketing.com](mailto:chuck@amconmarketing.com).*

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## U.S. Commerce Department Launches Spanish-Language Web Site

In an effort to better serve Hispanic entrepreneurs and businesses, the U.S. Department of Commerce has launched a Spanish language web site, designed to inform about changes in the economy, upcoming trade development missions, high-tech issues and trade opportunities. The web site also allows users to access information about minority development, export assistance, grant opportunities, and contracting and career opportunities.

The "Newsroom" feature of the web site will keep users apprised of efforts the Bush Administration is taking to promote trade in the western hemisphere, develop the Free Trade Area of the Americas, and steps being taken to strengthen the economy and create jobs.

The web site also includes a listing of Department of Commerce offices, with their web sites and bios of key department officials. The Spanish-language site can be accessed via the U.S. Department of Commerce web site at:

[http://www.commerce.gov/index\\_spanish.htm](http://www.commerce.gov/index_spanish.htm)

### Translations vs. Adaptions

Spanish is an expressive language with etymologies that date back more than 300BC from the Greeks and later from the Romans and Spaniards. Before translating your message into Spanish, consider what type of message you want to convey. Is it to be persuasive, educational, or descriptive, and in what form, printed or recorded. Creating a "literal translation" can become a tragic scenerio. Consider hiring only language experts who can capture the essence of your message along with the words.

## Los Idiomas: Un Factor Creciente en la Competitividad Empresarial Internacional

*El economista escocés Adam Smith aseguró hace más de un siglo que la mejor forma de satisfacer tus propios intereses es cuidando y satisfaciendo los intereses de tu contraparte. Parece evidente, por tanto, que las empresas que negocian en el ámbito del comercio internacional han de buscar las formulas más adecuadas para cumplir con este principio tan básico en el mundo empresarial. Y, sobre todo, cuando la globalización y las nuevas tecnologías han acelerado aún más la carrera hacia la supervivencia. En este sentido, se percibe la necesidad, por parte de los directivos de las compañías, de afrontar dicha situación teniendo en cuenta todos los factores externos: económico, sociopolítico, legal, fiscal y cultural, entre otros.*

*Dentro del contexto cultural, el idioma ocupa un lugar vital si se aspira a una comunicación fluida*

*y eficaz. Según WorldLingo, consta que el 91% de las empresas de Fortune 500 y Forbes International 800 no disponen de los medios suficientes para responder a un e-mail en una lengua que no sea inglés. No hay que menospreciar la importancia de la lengua inglesa en el entorno internacional de los negocios pero tampoco hay que olvidarse de los demás idiomas.*

*De hecho, y según datos de Ethnologue, la lengua española ya contaba con 332 millones de hablantes en 1999, una cifra ligeramente superior a los 322 millones de habitantes que hablan inglés. Además, la tasa de natalidad en los países de habla hispana es relativamente alta y si las economías de los países de América Latina siguen mejorando, se espera que la lengua hispana, entre otras, vaya cobrando cada vez más peso en el comercio internacional.*

Para más información, véase: [http://www.worldlingo.com/resources/language\\_statistics.html](http://www.worldlingo.com/resources/language_statistics.html)

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## The Emerging Profile of the New Logistics Professional

By Diana L Larowe, MIM

It was not that long ago that logistics providers relied on paper spreadsheets and telephones to ensure that products were transported from Point A to Point B. Then came the Internet, which began to influence the way businesses think and operate, and began to transform the logistics landscape from a linear supply chain model to a multi-dimensional structure.

There is no doubt that globalization has accelerated the nature of business. New markets, new sources, new products have spurred global trade to unforeseen heights, and it only seems to be the beginning. A 2001 report from World Trade Magazine claimed that an incredible 80% of the world's Gross Domestic Product would be sold across international borders by the year 2027, staggering when compared with today's 20%. Translated into U.S. dollars, today's approximate \$5 trillion in global trade will easily reach \$70 trillion in 25 years, maybe sooner.

While global sales and sourcing provide numerous advantages for buyers and sellers alike, the complexity in relation to logistics is overwhelming. Numerous and geographically-dispersed parties, trade laws, government regulations, taxes, documentation and other factors now come into play that are not present in domestic distribution. Overriding these pressures, customers continue to increase their expectations of the logistics industry, demanding shorter lead times, instant answers to inquiries and lower costs.

Back in 1996, the Canadian Logistics Institute identified global

logistics competition as the second most significant force affecting our future, with information technology and all associated issues being first.

As the growth in trade climbs to new levels, the process is getting more and more complicated with integrated supply chain management presenting a unique opportunity for the global logistics provider. Industry leaders realize that only by creating successful networks of cooperating companies and treating the world as a single marketplace will they become one of the few supply chain management companies of the future.

Logistics professionals are increasingly becoming solution providers, and in doing so, must become competent in areas beyond getting from Point A to Point B. Logistics professionals must be adept at dealing with several interface suppliers, which means developing a working knowledge of not only logistics systems, but international rules, regulations, business protocol, culture, even foreign languages.

As global sourcing extends supply lines, domestic business ethics driven by consumer demand for environmental and employment equity are forcing these issues on suppliers. That means that logistics personnel must be aware of what those ethical standards are and assure their clientele that they adhere to them. In addition, logistics professionals will increasingly focus on international quality standards that are implemented and monitored in multiple cultures. Global Logistics will have to adhere to these standards not only to remain compliant, but also to maintain competitive advantage.

The demand for qualified, highly trained logistics professionals has never been better. A seemingly endless demand is felt in the emerging economies of the world, while salary ranges continue to dramatically increase in the industrialized countries. But the logistics professionals must hone their skills to meet the needs of this dynamic industry.

Global logistics represents a US\$400 billion industry that encompasses all modes of transportation, warehouse and storage facilities, inventory placement strategies, and distribution channels. Current knowledge of specialized computer applications, coupled with global knowledge of national regulations, ethics and cultures, make the new Global Logistics Professional a rare breed and the key to success in the 21<sup>st</sup> Century of global trade.

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"I feel these international trade certification programs will be quite successful in the Egyptian market, as our government is currently undergoing major changes in their export strategy", stated Maha Hussein, business development manager for the Egyptian school.

The IMD's business programs are considered among the most successful senior management training in Egypt, where large numbers of chief executive officers from government, public and private sector organizations meet to exchange experience.

The agreement covers two of the Export Institute's more popular trade certification programs, the *Certified International Trade Marketing Specialist®*, and the *Certified International Trade Professional®*. The course work will be offered as a postgraduate certificate, targeting an audience of traders and export specialists working in both the public and private sectors.

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# IIEI Members News

## Phoenix Chapter Elects Officers in Preparation for Busy Year.

The IIEI Greater Phoenix Chapter recently named their 2003 officers and committee chairs in preparation for an active and event-filled year.

Lisa Xinos, trade compliance officer for Honeywell Space Systems, was elected President and will be assisted by Vice President Diane Endres, head of Logistics Support International.

Heidi Miller, project manager for Bio Tech Medical Laboratories, will serve as the Chapter's Secretary along with Renee McCarthy, an independent logistics consultant, as Treasurer.

The Greater Phoenix Chapter is planning a series of monthly guest speakers to cover topics ranging from the impact of terrorism on international trade to the global growth of the biomedical industry.

The Phoenix Chapter meets the third Tuesday of each month and is open to all guests. For more information, go to:  
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