



EXPORT 101

Learn the Basics of Exporting in 8 Steps

EXPORT MT

Montana Dept. of Commerce

ExportMontana@mt.gov

ExportMontana.com



COMMERCE

EXPORT 101

INTRODUCTION

This booklet was developed primarily with widgets - manufactured goods - in mind, but service exports can be subject to the same processes and rules.

This information is brought to you by:

- [Export MT](#) of the Montana Dept of Commerce
- [US Commercial Service - Montana](#)
- [Montana District Export Council](#)

We adapted this short Export 101 training from Elyse Erikksen's [Riddle of the Exporter](#) training and added in some resources from the [U.S. Commercial Service](#). This training provides an 8-step process to exporting.

Some of the information provided is from [Trade Passport](#) in collaboration with the [Montana Small Business Development Center](#). You can get up to 20 video views for free; the [STEP grant](#) may be used to cover charges for additional video views.

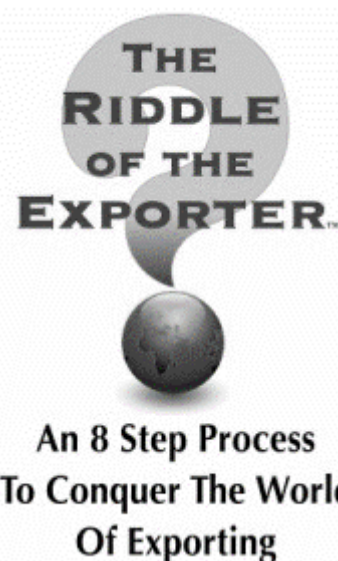


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STEP 1: GETTING STARTED

Determine if exporting is wise for your company



Are you ready to get started? It's time to determine if exporting is wise for your company and for your product.

This booklet is a condensed version of exporting basics, so all you are getting is the 10,000-foot view of the steps towards exporting. There are a lot more details to get into, so if you need more help you can:

1. Schedule a 1 on 1 with [Export MT](#)
2. Go through the [Learn How to Export](#) guide online
3. [Develop an Export Plan](#)

Why Export?

First, we must look at possible reasons to export. Why is it a good idea for your company?

- **95% of the world's consumers** (and more than 70% of the world's purchasing power) are located outside the USA.



Economies of scale



Increased revenue



Increased productivity



Spread business risk



Offset seasonal risk



Product innovation



Additional markets



Tax advantages

- companies that export are better **able to ride out fluctuations in the USA economy** and are more likely to stay in business.
- **when it's summer here, it's winter there**, and vice versa, helping you to achieve a longer and more stable sales pattern.
- increased sales and a stable sales pattern means that you can **put idle production capacity to work**
- research shows that **companies grow and innovate more quickly** as a result of exporting.
- Learn more reasons [here](#).

Assuming that we have now convinced you to export, let's get started!

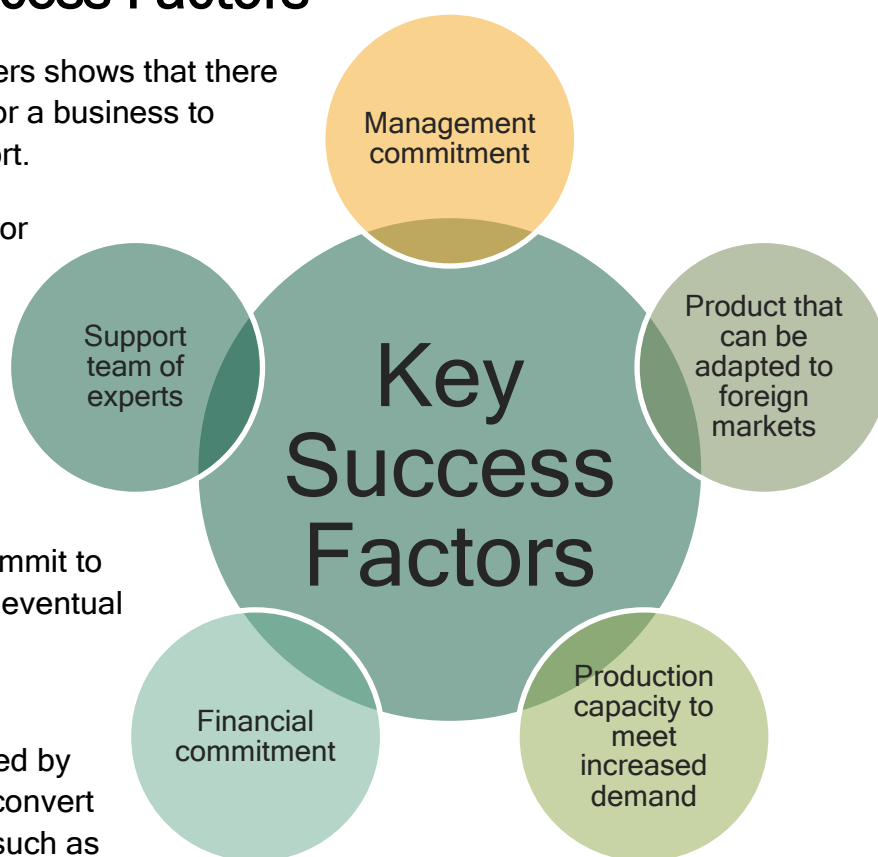
Exporting Key Success Factors

Research on successful exporters shows that there are a few key success factors for a business to consider when deciding to export.

Whether you own the business or are the sales manager, you will need to make sure that **management is committed** to exporting. It's going to require lots of patience as markets develop, and it's going to require significant financial commitment, so you need to commit to the process, understanding the eventual payoff.

Take a **look at your product or service**. Could it be easily copied by foreign competitors? Can you convert it to fit international standards, such as from 120v to 220v, or different packaging, or foreign language labels, etc.?

Do you have the **production capacity** to manage an increase in orders or adapt to foreign standards? If not, can you, and do you want to, make those upgrades? [Learn more](#).



Do you have the **financial resources** for product or production changes, or for marketing activities like trade shows? If so, can you maintain cash flow while it takes 6 to 18 months to get export sales?

Lastly, are you ready to **reach out to exporting resources** for help? There is a virtual support team of experts ready to help you with each of these, so we'll go over those as we discuss the remaining steps.

Still not sure? Take this [Export Readiness Assessment](#).

You can get a quick overview of the Export Process in [this video](#) and [learn more about export readiness here](#).

Why is this important? Because when you know what it takes to be a successful exporter, you can become one yourself!

STEP 2: MARKET RESEARCH

Determine where there is demand | Make sure the market is a good fit

With 195 countries to choose from, you might be wondering how in “the world” you could ever choose among them? That’s a good question, and one that all exporters struggle with!

Many first-time exporters use simple factors to choose their first international market:

- **Proximity:** what global markets are closest to you? For example, Montana exporters typically start with the Canadian market - in fact, Canada is Montana’s #1 export partner.
- **Same language:** one way to not have to worry about the language barrier for exporting is to sell to countries with the same language and similar business practices.
- **Free Trade Agreements:** often, first-time exporters find that selling to [countries with whom the USA has a Free Trade Agreement](#) because the FTAs offer reduced or eliminated tariffs, intellectual property protection, and elimination of non-tariff barriers, among other provisions. [Learn more](#).

Once you’ve exhausted those options, there are a couple of ways to choose your next market, either in response to a buyer inquiry or by ranking countries’ demand.

In Response to a Buyer Inquiry

Most exporters rely on buyer inquiries as an indicator of export market possibilities. The scenario usually plays out like this:

You're sitting there, minding your own business, when you get an email from a distributor in Singapore who wants to buy 25 of your widgets. You say, "yippee!", and tell them sure, as long as they pay up front, pay for shipping, and handle the logistics

from your shop door to their door. They say yes, and then in 6 months submit another order for 50 widgets. As you run gleefully to the bank to cash the check, you start to wonder...why is Singapore so interested in my product? So you start searching for data, reading articles, looking at trade associations' websites, etc., and you start to see that Singapore is a great market for your product. In fact, all Southeastern Asia has the same problem that your product solves! And you begin to hope: is there a market out there for my product that I have yet to tap?

Next you get this distributor on the phone and start talking about ideas to increase your sales throughout Southeastern Asia, and they tell you that it would be good to exhibit at the XYZ Trade Show in Singapore and work with them as your distributor.

While this method works and can be successful, we have found that companies who proactively research the best export markets are typically more successful exporters in the long run.



By Researching the Best Market

Many exporters do not have a formal export market research process or plan. Below are a couple of options to consider.

Country Commercial Guide & Top Markets Report

You can take the DIY route. The U.S.

Commercial Service offers free [Country Commercial Guides](#) that give some guidance as to what products the country imports. They also provide some [Top Markets Reports](#) for certain industries with insight in which world markets your product is in demand. [Learn more.](#)

RAISE Program

Or you can contract with the [RAISE program](#) to get affordable, customized international market research. Within a few weeks, the RAISE program will provide you a list of your top markets, your best in-country partner prospects, and some pitfalls to avoid.

Initial Market Check

If you already have a market in mind, you can work with the RAISE program and/or the U.S. Commercial Service for an [Initial Market Check](#). You get connected with in-country officers who will help to analyze your product's potential in the market and make connections with key industry members, such as trade organizations, distributors, etc.

Competitive Analysis

Attempting to enter a new market without understanding the competition can result in significant miscalculations and losses. [Learn more.](#)

1	Canada		78.1	+1
2	Norway		77.1	+4
3	Sweden		75.1	=
4	Switzerland		74.4	-3
5	Australia		73.2	=
6	Finland		71.1	-2
7	New Zealand		71.1	+1
8	Denmark		74.8	-1
9	Netherlands		73.7	=
10	Belgium		72.2	+2
11	Ireland		72.8	+2
12	Austria		71.2	-1
13	UK		69.5	+2
14	Italy		68.4	+2
15	Germany		68.0	-5
16	Japan		68.0	-2
17	Spain		67.8	+1
18	Portugal		64.4	+1
19	France		64.4	-2
20	Singapore		61.1	=

Market Research Help

Export MT can help you with your international market research:

- Connect you with the [RAISE Market Research](#) program to find the best market and best in-country partners.
- Connect you with the [U.S. Commercial Service's foreign offices](#).
- Help you apply for our [STEP grant](#) to reimburse some of the cost of the RAISE program, etc.



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STEP 3: MARKET ENTRY

Determine pricing and landed costs | Determine how to reach your market

Once you know that the foreign market is a good fit for your company and product, it's time to plan your market entry strategy. First determine your pricing and landed costs to make sure that your foreign-priced product can compete with their local brands.

Then you need to decide how you're going to tell foreign buyers about your product: e-commerce, trade shows, distributors, etc.

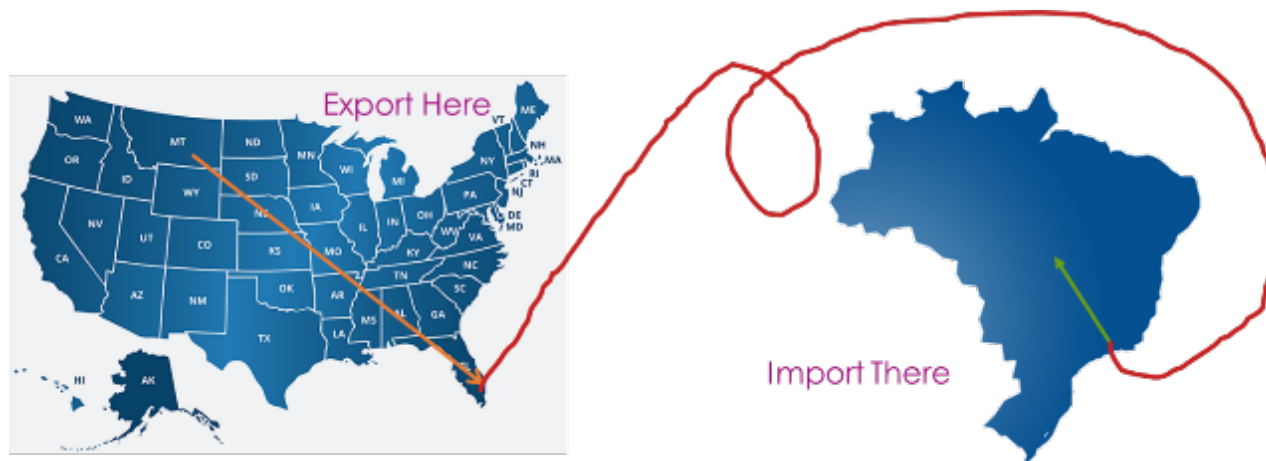
Remember This



From the [Riddle of the Exporter](#) training, we have learned that an important mantra for international sales is that “export here equals import there.” That means that you need to think about your product leaving our country (export) and entering their country (import), and you need to understand the regulations and steps that are part of each of those processes.

Can You Compete?

When it comes to pricing, let's illustrate how this works.



From buyer inquiries and international market research, we know there is demand in the Brazilian market, so next we're going to see if our widget is competitive.

Knowing that our first step is to **Export Here**, we first would calculate the **overland shipping cost** to Miami, Florida. Then we would calculate our **overseas shipping**, including the **cargo insurance**.

Once it arrives in Sao Paulo, Brazil, then it's the second phase; we know it as **Import There**. To import the product into Brazil, we'd add on the **tariffs, customs clearance, and foreign local taxes**.

Then to get it overland from Sao Paulo to Brasilia, we'd figure out the **inland freight** and tack on the **distributor's markup**.

With that final number, we'd calculate the **foreign currency exchange rate** to get the price in Brazilian Reals, and then **compare that to the locally available brands**.

Lastly, we ask, **will the foreign end users pay that much?**

Pricing Example

You will need to add to your product's price the cost of the insurance, freight, import duties, local taxes, etc. And then you need to exchange the dollar amount into the local currency.

Where do you come up with the figures for the calculations? For your overland shipping cost, overseas shipping, and inland freight costs, work with your [Freight Forwarder](#) to get those estimates. For taxes and tariffs, use the US Commercial Service's [CustomsInfo Global Tariff Classification Research Tool](#).

[Watch Trade Passport's video for more information](#), and [this video about selecting the best logistics partner](#).

[Contact Export MT for help](#).

Notice how this all adds up very quickly?

Why is this important? Because if your product is too expensive, then you'll have done all the work to get it there for nothing - it likely won't sell!

CIF Price	
\$ 12,000	Invoice Price
+ \$ 475	Inland Freight
+ \$ 852	Overseas Freight
+ \$ 125	Insurance
= \$ 13,452	CIF Price

Landed Cost	
\$ 13,452	CIF Price
+ \$ 874	Import Duty
+ \$ 87	Warehousing & Expediter Fees
+ \$ 315	Terminal Handling Charges
+ \$ 35	Freight Forwarder Handling Fee
+ \$ 700	Customs Brokerage Fees (average)
+ \$ 240	Bank Costs
+ \$ 520	Additional Costs
= \$ 16,224	Landed Cost

List Price	
\$ 16,224	Landed Cost
x 33%	Distributor Markup
= \$ 21,578	Selling Price to the Retailer
x 40%	Retailer Markup
= \$ 30,209	List Price
x 0.85	Exchange Rate
= 25,677	End-User Price Before Taxes
+ 4,108	Local Taxes
<u>29,786</u>	End-User Price

Market Entry Options

The way you choose to export your products can have a significant effect on your export plan and specific marketing strategies. Key considerations are:

- The level of resources your company is willing to devote to your international marketing effort
- The size of your company
- Your tolerance for risk
- Resources available to develop the market
- The nature of your products or services
- Previous export experience and expertise
- Business conditions in the selected overseas markets



While there are a lot of ways to sell outside the USA, we'll just cover the most common ways that Montana exporters do it.

Direct Sales & eCommerce

If you have a website and ship directly to the end user, then you're participating in direct sales and e-commerce. While you reap the benefit of not having to share profits with any intermediaries, you also will have to take care of all aspects of exporting on your own: marketing to the client, taking the order, shipping, export logistics and regulations, etc. Learn more with [this video on eCommerce](#) and a [more in-depth look at eCommerce options](#) (Your Website, Online Marketplace, Social Media, 3rd Party In-Country Distributor). [Learn more.](#)

Would you like to know how your website scores on international search engines? Use the U.S. Commercial Service's [Website Globalization Review Gap Analysis Service](#) to find out.

Your international business strategy is incomplete without a content globalization plan. In the era of pandemic confinement this is clearer than ever. Companies with a robust multilingual digital presence continue to grow while seamless, self-service web support models automatically create brand loyalty around the world. [Learn more.](#)

Sales Reps & Agents

You can hire a **sales rep or agent** in-country to meet buyers and take orders for you, and then ship those orders direct to the end-users. This is useful in that local reps know the customers, sales strategies, and regulations; however, you will pay a markup to them per sale, and you can lose some connection with your end-users.

Distributors

Selling to **distributors** who then get it to retailers, dealers, or end-users is another option. Your foreign distributors can function as your importer and take care of the import paperwork, as well as help you communicate with local buyers who don't speak the same language or conduct business the same way we do here, and distributors tend to order in larger lot sizes which reduces your handling costs. However, as with reps, you will have to discount the price of your product to this intermediary (so they have room in the end-user's price to make a profit), and you can lose some connection with your end-users.

Licensing

Licensing a technology can be a very useful, inexpensive method of exporting. An example of this is if you were to develop the latest in metal detection technology, but you don't want to equip and staff a manufacturing plant in the US or overseas, so you just sell the instructions for a foreign manufacturer to make and sell the product under their name. Then they pay you a license fee, like a royalty, for every metal detector they sell. With foreign buyers, you should take extra precaution because it's harder to keep tabs on international licensees, and you would need to be sure your technology is protected from Intellectual Property theft and doesn't get into the hands of any "bad guys."

[Learn more here.](#)

Why is this important? Because you need to know your options and find the best one for the market and your product.

International Marketing Budget

Developing and managing an international marketing budget is different than a marketing budget for domestic businesses in a few key areas. [Learn more.](#)

- International has multiple line items that are typically more pronounced than domestic
- International businesses usually feature intermediaries that are less common than domestic

How to Find Partners

I bet you're wondering now: How, from my desk here in Montana, do I find the right partners for selling my products overseas?

Note: Once you've found a prospective partner, use this [Choosing a Foreign Representative Checklist](#) to guide your selection. You will also need to pay close attention to the relationship. Use these [Strategies for Keeping Buyers](#).

International Partner Search

If you want to find a distributor but can't afford to travel to a foreign market right now, use the US Commercial Service's [International Partner Search program](#). To do this, we get on the phone with you and the in-country specialist, and we introduce them to your product and tell them about the right buyers for you. They then use those criteria to do the time-consuming leg work for you: they talk to a bunch of potential buyers and narrow the list down to the top 3-5 buyers who are interested and would like to talk to you more. Then they send you this list, and you can set up meetings with the buyers to see who's a good fit.

Gold Key Program

Then if you decide that traveling to the country and meeting in person with these potential buyers is the logical next step, you can upgrade to the [Gold Key Program](#). For this, the US Commercial Service's in-country reps set up the meetings, travel with you and sit in on the meetings, providing introductions and translation, as necessary, and putting the USA's giant stamp of approval on your company and products - something that can open more doors for you than if you were to cold call!

For agriculture companies, the [Foreign Ag Service](#) can also help set up meetings and assist with finding partners in-country, and [WUSATA](#) can help with grant funds for your marketing activities.



Trade missions

The US Commercial Service and Export MT also host **international trade missions** for specific regions and industries throughout the year. These can be beneficial because our foreign offices make all the in-country arrangements and schedule meetings for you with potential buyers or partners. Unlike trade shows, all of the meetings you have will be with interested parties and will be supported by in-country staff.

For information on upcoming trade missions, [contact Export MT](#).

Trade shows

Trade shows are often a good way to meet new buyers, and you could even combine exhibiting at a trade show with the Gold Key Program to ensure some buyer meetings while you're there. You can find foreign buyers at some trade shows in the USA, or you can travel outside the country and exhibit at trade shows for your industry; shows with a USA Pavilion onsite are especially easy for first-time exhibitors. [Learn more](#).

For help finding the right trade show, [contact Export MT](#).

Montana Pavilions

Export MT also offers companies in certain industries the chance to exhibit, free of charge, in the **Montana Pavilion** at international trade shows. We usually offer 2-3 shows per year. This is a useful service because Export MT does all the planning, pays for the trade show amenities, and you get to try out the show for very little cost or without much work.

For information on upcoming Montana Pavilions, [contact Export MT](#).

Why is this important? Because you could do this all on your own, but it's going to cost you more and take you longer. If you use our services, we can help accelerate your time to market by 6 - 12 months!

Due Diligence Red Flags

When you get that buyer inquiry phone call or email, or when you make a plan and start vetting in-country partners, the first question you should ask yourself is, “is this the best partner for me? Or could I do a little digging on my own and find a better partner?”

The next question you should ask yourself is “how do you know that this inquiry is legitimate?”. Some red flag warnings you could keep an eye out for are:



- It sounds too good to be true.
- Without much negotiation, or personal contact, the buyer wants to place a substantial order.
- The buyer indicates unreasonable urgency.
- The buyer’s phone number isn’t consistent with their indicated location.
- The buyer asks you to pay money to register as a supplier in their country.
- The buyer asks for personal information like a SSN, driver’s license, or passport.

Market Entry Help

To connect with the aforementioned services and resources, [contact Export MT](#).

For each of the previously mentioned services, Export MT offers the [Montana STEP grant](#), which provides reimbursement for the costs.



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STEP 4: LEGAL

Address contract issues | Address Intellectual Property issues

Below is an outline of WHAT you need to do, but you need to work with a legal professional on HOW to do it. At a minimum, in order to export, you should understand how to contract with a foreign entity and to protect your intellectual property overseas.

Contract Issues

These are some general issues you need to consider when selling to foreign buyers.

Sales agreements

- Do you need a written agreement?
- What is the governing law?
- Which currency?
- Any payment or exchange controls?



Distributor agreement

- Which territories will they cover?
- How are warranties handled?
- How to break up?

You can download some [distributor agreements](#) and [contract templates](#) from the International Chamber of Commerce, which will give you a start, but we do stress the importance of getting a legal professional's advice. [Learn more](#).

Read [Negotiating an Agreement with a Foreign Representative](#) to help you design a contract, and [learn more about contractual dispute resolution for international business](#).

Why is this important? Because you don't want to be stuck defending a contract in a foreign country!

as when your product's international return on investment is significant enough to offset the costs involved (i.e. your product is very expensive).

Want to know what the IP protections are like in the countries you're targeting? Check out the International Trade Administration's [Country Snapshots](#).

Why is this important? Because if you don't protect your IP, then your international brand could be taken by anyone!

IP SNAPSHOT	
CANADA	
COPYRIGHT Agency: Canadian Intellectual Property Office Contact: ic.contact@ic.gc.ca	TREATY MEMBERSHIP Yes TRIPS Agreement Yes Paris Convention Yes Berne Convention
PATENTS Agency: Canadian Intellectual Property Office Contact: catherine.veny@ic.gc.ca	Yes Patent Cooperation Treaty Yes Madrid Protocol Yes Hague Agreement
TRADEMARKS Agency: Canadian Intellectual Property Office Contact: Trademark Agents List	Yes Nice Agreement No Lisbon Agreement Yes Stockholm Agreement
DESIGN Agency: Canadian Intellectual Property Office	Yes Photogram Convention No Vienna Convention Yes Budapest Treaty
SPECIAL 301 DESIGNATION 2016.....Watch List 2015.....Watch List 2014.....Priority Watch List	No Rugby Convention No Nairobi Treaty No Trademark Law Treaty Yes WIPO Copyright Treaty
IP ATTACHÉ There is no IP attaché that specifically covers Canada.	Yes WIPO Performance and Phonogram Treaty No Beijing Treaty on Audiovisual Performances Yes Singapore Treaty Yes Aburatsubo Treaty

Legal Help

To connect with the aforementioned services and resources, [contact Export MT](#).

For each of the previously mentioned services, Export MT offers the [Montana STEP grant](#), which provides reimbursement for the costs.



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STEP 5: REGULATORY COMPLIANCE

Do you need an export license? | What are the import regulations?

We can't have a presentation by the Government without bringing up regulations, can we?
Nope. So here we go.

The basics for regulatory compliance are these: do you need an export license, and what are the import regulations?

Remember This!



Keep in mind as we talk about regulatory compliance that Export Here = Import There. That means that there are some regulations for your product leaving the country (export), and that country will have regulations for your product entering theirs (import).

Export Here: Export Licensing

What are you exporting? | How will it be used?

There are 4 questions you ask to find out whether or not your product is subject to export licensing requirements. Let's start with **what are you exporting, and how will it be used?** Unless you are exporting defense items (like guns, ammo, body armor, etc.), then your product likely falls under the Export Administration Regulations, or E-A-R.



The goal of EAR is to protect the national security of the United States by preventing the unauthorized export of controlled items to foreign persons. When your product is subject to Export Administration Regulations, then you will need an export license for every time you sell your product outside the country.

Why is it important for you to know? Because if you fail to get a license when required, and you are caught, you can lose the right to export ever again, as well as incur fines and even jail time!

Where are you exporting? | Who are you exporting to?

It's important to know that, for the public safety, the USA has a list of countries, companies, and individuals that you are not allowed to export to. For example, you can't export to a known terrorist in Iran (nor would you want to, right?).

To make sure you don't do this and violate some very serious US export laws, Google the term "export lists to check" (yes, you heard me right), and the first site that comes up is the **Consolidated Screening List**. You then type in all the information you know about your buyer - and you better know at least this much info - and it will check all of the lists the USA government keeps.

Keyword

Search for words in the name, alternative names (aliases), title of the entity, and additional

Name

Search for an entity's name or one of its alternative names.

Fuzzy Name

When set to off, the spelling of the Name you search for must be correct to get results. When search for may be slightly off. Check the score for each result to determine how close a match to alternative names. A score of 100 is an exact match. Results are returned with the highest score.

Address

Search for the street address, city, province, and postal code of an entity.

Sources

Choose which of the screening lists that you want to search.

Countries

Choose which countries that you want to search. Note, the Nonproliferation Sanctions and I country with an entity. If you choose to search for entities by country then you will not be s

Screening Red Flags

Remember, the bad guys can be very tricky, so here are a few **key red flags** to keep in mind as you communicate with your buyer:

1. The customer or its address is similar to one of the parties found on the list of denied persons.
2. The customer is reluctant to offer information about the end-use of the item.
3. The product's capabilities do not fit the buyer's line of business, such as an order for sophisticated computers for a small bakery.
4. The item ordered is incompatible with the technical level of the country to which it is being shipped, such as semiconductor manufacturing equipment being shipped to a country that has no electronics industry.
5. The customer is willing to pay cash for a very expensive item when the terms of sale would normally call for financing.



Why is this important? Because if you know how to spot the red flags, you can stay out of trouble. [Learn more.](#)

The good news is, only 5% of products require an export license!



Import There: Foreign Standards

Have you ever looked at the back of your laptop plug-in box thingy and wondered what kind of hieroglyphics are on there? Many of those marks are on there to show the product's compliance with foreign standards.



What kind of standards do you think would apply to USA products sold overseas?

You will need to know which ones to follow, and you may need a 3rd party to certify as to your product's compliance. The Country Commercial Guide should have some guidance as to what you need, and your importer should be able to help, too.

[Learn about Foreign Product Standards.](#)

Market Entry Help

We can help you walk through the regulatory compliance requirements, and our [STEP grant](#) can reimburse 50% of the cost of your **international standards certification or testing**.



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STEP 6: TRANSPORTATION

Determine the best way to ship | Understand Incoterms

Trying to make exporting seem like it's a sequential process is difficult, because you have to skip around a bunch through these "steps". As an example, you will need to work on transportation after you've sold the product and the buyer wants you to get it to them; but you also need to work on transportation during the pricing phase, because it will affect what you tack on to your price and how much the buyer has to pay on their end.

So we'll go over in this section how to determine the best way to ship, and how to understand incoterms.

Export Here = Import There



Remember from our previous illustration that when you ship to other countries, there are often multiple shipping modes involved, and your product is going to be stopped at borders.

Modes of Transportation

- Ocean
- Air
- Rail
- Ground

There are so many options for you when it comes to getting your product from here to there, and you have more immediate access to these options than ever before in history. [Learn more.](#)

[Learn more](#) about the dangers and risks involved in shipping goods internationally along with the details of various options for shipping insurance that can be purchased to protect your business against unforeseen losses.



For large or complicated shipments

Let the experts do it...



...or DIY?



I am sure your next question is, but how do I know which is the right way to ship? And how do I go about securing a container on a ship that's crossing the ocean? Isn't air freight really expensive?

Let me introduce you to your new exporting best friend: your freight forwarder.

Freight forwarders help prepare export documentation, book transport for your products, and, if needed, arrange for customs clearance at the port of arrival.

You are not required to have a freight forwarder, but they can be useful, especially if you are exporting for the first time, exporting to a new country, or prefer someone else to handle these formalities. [Learn more about Freight Forwarders.](#)

Why is this important? Because now you know that you don't have to figure this out on your own!

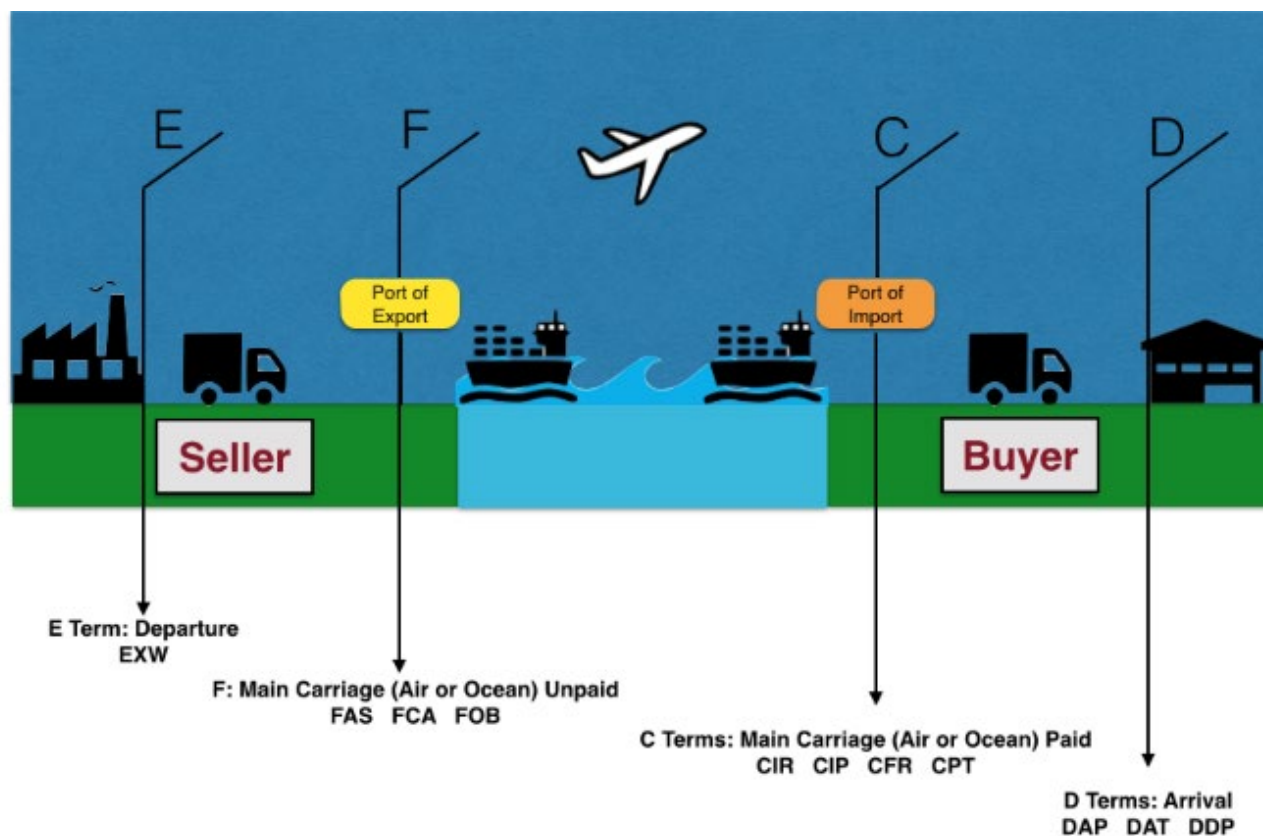
For small shipments

Most Montana exporters use the US Postal Service, Fed Ex, and UPS because they do most of the export paperwork and they are a familiar service. For those most part, it makes sense to use these services for small shipments.

Why is this important? Because knowing your freight options and which are best for your product and destinations can help make sure your product gets there on time, in one piece, and without costing a fortune.



Use INCOTERMs



When you quote a price to a foreign buyer, just quoting, for example, \$10,000 isn't descriptive enough. Does that price include shipping? Are you going to coordinate and pay for customs clearance, tariffs, and taxes? How do you communicate your intentions to a foreign buyer, in a foreign language, in a foreign country? Believe it or not, there is an easy way to do so.

INCOTERMs, short for International Commercial Terms, are three letter codes that the whole world has agreed to their meaning. In the contract between you and the buyer, the incoterm explains:

- Who takes care of the insurances, licenses, permissions and all other formalities
- Who arranges the transport until which point and who is responsible for this
- The point where the costs and risks pass on from the seller to the buyer.

A common incoterm, especially for new exporters, is EXW or **ExWorks**. This term represents your minimum obligation, since you only have to place the goods at your doorstep. The buyer must carry out all tasks of export & import clearance. Carriage & insurance is to be arranged by the buyer. On the other end of the spectrum is **DAP** - Delivered At Place where you pay for everything and are responsible for the product all the way to the buyer's doorstep. [Learn more.](#)

So when you quote a price to a foreign buyer, **you should quote it as your price + the incoterm + the place**. So from our example before, you would quote \$10,000 EXW Helena. Another example: when a foreign buyer asks you for your “CIF price to Singapore”, he wants you to include the price of the goods + the cost of the cargo insurance + the cost of the freight (or shipping) all the way to the port at Singapore. Then the buyer will take care of the import responsibilities and costs.

Why is this important? Because when you use incoterms, there can be no confusion or misunderstandings.

STEP 7: PAYMENTS & FINANCE

Export Quotes

Preparing a detailed quotation to your foreign buyer upfront can reduce significant costs and challenges later when shipping and invoicing the goods. [Learn more](#).

Cash Flow

Money goes out before it comes in. | How do you manage that?



Once you decide how you’re going to get paid, you still have to buy the inventory and hire the labor to produce your widget. Maybe you need to invest in some new equipment or spend money on international certification, and there will be lag time between when you spend that money and when you get paid. Remember at the beginning of the presentation: financial commitment is one of the key export success factors? You will need to plan your cash flow accordingly!

Why is this important? Because if you don’t plan cash flow just right, you won’t be able to pay employees or for your inventory!

Payments & Finance Help

The [Montana Small Business Development Center](#) can help you with any cash flow projections or getting prepared for requesting financing.



The SBA offers some [export loan programs](#) that can help with the financing you need to conduct business overseas. For export sales, working with your local bank, the SBA can help get you funding for inventory and labor costs, equipment, real estate, etc. The programs are easy to use, and the turn-around time is a maximum of 10 days.



The US Commercial Service's [International Company Profile](#) can also help reduce the risk of getting in business with the wrong buyers. They can use their in-country specialists to conduct a due diligence check on the buyer - looking at credit reports, contacting references, visiting their offices, etc.



The [Export-Import Bank, known as Exim Bank](#), provides credit insurance for foreign transactions. This insurance limits the risk of you not getting paid for your exported goods for many commercial and political reasons, such as foreign currency collapse or military coups. In fact, you could use this credit risk insurance instead of requiring cash in advance or LCs.



STEP 8: CULTURAL

Culture affects everything

You've made it this far - stick with me for one last step!

It's true: with international business, culture affects everything. Let's take a look at cultural misunderstandings and their effects ([watch this video](#)).



Cultural differences

Whatever your world view, or what you wish the world would be like, the fact is that you need to know and understand the culture of the foreign buyers you're working with. Whether their negotiating style is direct or indirect, or whether they believe that the individual or the collective are the most important, you should find out and act accordingly.



Cultural Mine Field

When traveling and conducting business abroad, make sure you understand how their culture handles the items below:

Basics

- Greetings
- Communication style
- Personal space
- Touching
- Eye contact
- Gestures
- Taboos

Business

- Dress
- Titles & business cards
- Time
- Meetings
- Negotiations
- Gift giving

Some common problem areas can be as basic as:

- Do you greet someone formally or is a familiar greeting more appropriate?
- What is your body language saying to your buyer?

For example, the “ok” gesture. While in the USA it means things are going well, in France it means a person is thought to be worthless, in Japan it refers to money, and in Brazil, Russia, and Germany it means something really not appropriate for the workplace!

Then there are issues like:

- Do I wear a suit and tie, or jeans and a button-down?
- The buyer is 30 minutes late to our meeting, did I get stood up?
- Is the buyer being straight with me during negotiations or just agreeing and saying yes so as not to hurt my feelings?

Do your research before you engage with foreign buyers. Learn their customs. Learn some polite phrases in their language. Do what you can to bridge that cultural gap, and it will go a long way towards creating a fruitful relationship. [Learn more.](#)

How to Prepare for Foreign Travel

Prepare by meeting [Travel Requirements](#), learning about the [Business Culture](#), and [Planning an Itinerary](#) that will meet your business objectives.

Why is this important? Because when you offend someone, you harm the relationship!

ADDITIONAL RESOURCES

[Basic Guide to Exporting](#)

[Trade Passport](#)

[Export-U Videos](#)

[US Commercial Service](#)

WE CAN HELP!



COMMERCE

So now you are an exporting expert, right? Ok, maybe not, maybe you're feeling more overwhelmed than ever? That's ok, it's a lot to cover in just an hour or so. But know that there is a team of experts available to you to walk you through your questions.