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SELLING OVERSEAS AND AFTER-SALES SERVICE

In This Chapter

- Establishing a policy to deal with international inquiries
- Researching an international company before conducting business
- Building and maintaining a working relationship with an overseas customer
- Reviewing options for service delivery to foreign buyers

Many successful exporters first started selling internationally by responding to an inquiry from a foreign firm. Thousands of U.S. firms receive such requests annually, but most firms do not become successful exporters. Generally, successful firms make it a priority to create systems to properly respond to inquiries, conduct research on foreign customers, differentiate between domestic and international sales, and build positive relationships with partners.

RESPONDING TO INQUIRIES

Most, but not all, foreign letters, faxes, or e-mails of inquiry are in English. Your firm may look to certain service providers (such as banks or freight forwarders) for assistance in translating a letter of inquiry in a foreign language. Colleges and universities are also excellent sources for translation services. Most large cities have commercial translators who are hired for a fee.

A foreign firm will typically request product specifications, information, and a price. Some inquiries will come directly from the end user, whereas other inquiries will come from distributors and agents who wish to sell the product in their market. A few foreign firms may already be familiar with your product and may wish to place an order immediately.

Regardless of the form such inquiries take, your firm should establish a policy to deal with them. Here are a few suggestions:

- Expect some inquiries to have grammatical or typographical errors because the writer may know English only as a second language.
- Reply promptly, completely, and clearly. The correspondent naturally wants to know something about your firm before a transaction takes place. The reply should introduce your firm

FACT:

Rather than engage in direct marketing, most small exporters simply take orders from abroad.

INSIGHT:

Be prepared. Establish a policy to deal with inquiries from abroad:

- Consider the possible need for translation services.
- Know how to research a foreign company before conducting any formal business.
- Promptly reply to all inquiries.
- Know the basic business practices that are key to successful selling in the target market.
- Create a database of foreign inquiries.

sufficiently and establish it as a reliable supplier. The reply should provide a short but adequate introduction to the firm, including bank references and other sources that confirm reliability. Your firm's policy on exports should be stated, including cost, terms, and delivery. Your firm may wish to respond with a pro forma invoice (see Chapter 13).

- Enclose information on your firm's goods or services.
- If the company needs to meet a deadline, send the information by e-mail or fax. Unlike telephone communications, these methods may be used effectively despite differences in time zones and languages.
- Keep a record of foreign inquiries. They may turn into definite prospects as your export business grows. If your firm has an intermediary handling exports, the intermediary may use the information.

LEARNING ABOUT POTENTIAL CLIENTS

There are many ways for a U.S. firm to research a foreign company before conducting any formal business. Your company can save time and money by using the following resources:

- **Business libraries.** Several private-sector publications list and qualify international firms. There are also many directories devoted to specific regions and countries.
- **International banks.** Bankers have access to vast amounts of information on foreign firms and are usually very willing to assist corporate customers.
- **Foreign embassies.** Foreign embassies are located in Washington, D.C., and some have consulates in other major cities. The commercial (business) sections of most foreign embassies have directories of firms located in their countries.
- **Sources of credit information.** Credit reports on foreign companies are available from many private-sector sources and from the U.S. Commercial Service. For help in identifying sources of credit reports, contact your nearest Export Assistance Center.

- **Commercial Service overseas offices.** Commercial Service officers can prepare International Company Profiles or help with background reports on foreign firms.

CONDUCTING BUSINESS INTERNATIONALLY

Companies should be aware of basic business practices that are essential to successful international selling. Because cultures vary, there is no single business code. The following basic practices transcend culture barriers, though, and will help your company conduct business overseas.

- **Keep promises.** The biggest complaint from foreign importers about U.S. suppliers is failure to ship as promised. A first order is particularly important because it shapes the customer's image of a firm as a dependable or an undependable supplier.
- **Be polite, courteous, and friendly.** It is important to avoid undue familiarity or slang, which may be misinterpreted. Some overseas firms feel that the usual brief U.S. business letter is lacking in courtesy.
- **Personally sign all letters.** Form letters are not satisfactory.

BUILDING A WORKING RELATIONSHIP

Once you have established a relationship with an overseas customer, representative, or distributor, it is important to work on building and maintaining that relationship. Common courtesy should dictate business activity. By following the points outlined in this chapter, your firm can present itself well. Beyond these points, you should keep in mind that a foreign contact should be treated and served as well as a domestic contact. For example, your company should keep customers and contacts notified of all changes, including changes in price, personnel, address, and phone numbers.

Because of distance, a contact can "age" quickly and cease to be useful unless communication is maintained. If your firm cannot afford frequent travel, you may use fax, e-mail, and telephone to keep the working relationship active and up to date.

PROVIDING AFTER-SALES SERVICE

Quality, price, and service are three factors critical to the success of any export sales effort. Quality and price are addressed in earlier chapters. Service, which is addressed here, should be an integral part of any company's export strategy from the start. Properly handled, service can be a foundation for growth. Ignored or left to chance, it can cause an export effort to fail.

Service is the prompt delivery of the product. It is courteous sales personnel. It is a user or service manual modified to meet your customer's needs. It is ready access to a service facility. It is knowledgeable, cost-effective maintenance, repair, or replacement. Service is location. Service is dealer support.

Service varies by the product type, the quality of the product, the price of the product, and the distribution channel used. For certain export products—such as food products, some consumer goods, and commercial disposables—service ends once distribution channels, quality criteria, and return policies have been identified.

However, the characteristics of consumer durables and some consumables demand that service be available after the purchase is completed. For such products, service is a feature expected by the consumer. In fact, foreign buyers of industrial goods typically place service at the forefront of the criteria they evaluate when making a decision about a purchase.

All foreign markets are sophisticated, and each has its own expectations of suppliers and vendors. U.S. manufacturers or distributors must therefore ensure that their service performance is comparable to that of the predominant competitors in the market. This level of performance is an important determinant in ensuring a competitive position, especially if the other factors of product quality, price, promotion, and delivery appeal to the buyer.

You may decide, as part of your exporting strategy, not to provide after-sales service. Your company may determine that its export objective is the single or multiple opportunistic entry into export markets. Although this approach may work in the short term, your subsequent product offerings will be less successful as buyers recall the failure to provide expected levels of service. As a result, market development and sales expenditures may result in one-time sales.

Reviewing Service Delivery Options

Service is an important factor in the initial export sale and ongoing success of products in foreign markets. Your firm has many options for the delivery of service to foreign buyers.

REQUIRING THE BUYER TO RETURN THE PRODUCT

A high-cost option—and the most inconvenient for the foreign retail, wholesale, commercial, or industrial buyer—is for the product to be returned to the manufacturing or distribution facility in the United States for service or repair. The buyer incurs a high cost and loses the use of the product for an extended period, while you must incur the export cost of the same product a second time to return it. Fortunately, there are practical, cost-effective alternatives to this approach.

USING A LOCAL PARTNER

For goods sold at retail outlets, a preferred service option is to identify and use local service facilities. Although this approach requires upfront expenses to identify and train the staff for local service outlets, the costs are more than repaid in the long run.

Exporting a product into commercial or industrial markets may dictate a different approach. For the many U.S. companies that sell through distributors, selection of a repre-

FACT:

Properly handled, service can be a foundation for growth. Ignored or left to chance, it can cause an export effort to fail.

INSIGHT:

You have many options for handling your after-sales service:

- Have the product returned to the United States for service or repair.
- Identify and use local service facilities.
- Provide on-site service.
- Create a branch or subsidiary to provide service in the country.
- Be prepared to accept return of merchandise if the foreign buyer refuses to accept it.

sentative to serve a region, a nation, or a market should be based not only on the distributing company's ability to sell effectively but also on its ability and willingness to service the product. Assessing that ability to provide service requires that you ask questions about existing service facilities; about the types, models, and age of existing service equipment; about training practices for service personnel; and about the firm's experience in servicing similar products.

If the selected export distribution channel is a joint venture or other partnership arrangement, the overseas partner may have a service or repair capability in the markets to be penetrated. Your firm's negotiations and agreements with its partner should include explicit provisions for repairs, maintenance, and warranty service. The cost of providing this service should be negotiated into the agreement.

If the product being exported is to be sold directly to end users, service and timely performance are critical to success. The nature of the product may require delivery of on-site service to the buyer within a very specific time period. You must be prepared to negotiate such issues. On-site service may be available from service

organizations in the buyer's country, or your company may have to send personnel to the site to provide service. The sales contract should anticipate a reasonable level of on-site service and should include the associated costs. Existing performance and service history can serve as a guide for estimating service and warranty requirements on export sales. This practice is accepted by small and large exporters alike.

If your export activity in a particular region grows to a considerable level, it may become cost-effective for your company to establish its own branch or subsidiary operation in the foreign market. The branch or subsidiary may be a one-person operation or a more extensive facility staffed with sales, administrative, service, and other personnel, most of whom are local nationals. This high-cost option enables you to ensure sales and service quality, provided that personnel are trained in sales, products, and service on an ongoing basis. A benefit of this option is the control it gives you and the ability to serve multiple markets in a single region.

If you have neither partners nor joint venture arrangements in a foreign market, you must be prepared to accept return of merchandise that the foreign buyer refuses to take. This situation is not likely to occur in cash-in-advance or confirmed letter of credit transactions. However, in an open-account or documentary collection transaction, the buyer is in a position to refuse delivery of the goods and suffer no financial harm. If you cannot find another buyer in that market or if you elect not to abandon the goods, you will be faced with the fees and charges associated with returning the goods to the United States. Your freight forwarder can be of great assistance in this process should the need arise and can quote you a price to return the goods.

Considering Legal Options

Service is an important part of many types of representative agreements. For better or worse, the quality of service in a country or region affects your company's reputation there.

It is imperative that agreements with a representative be specific about the form of the repair or service facility, the number of people on the staff, inspection provisions, training programs, and payment of costs associated with maintaining a suitable facility. The depth or breadth of a warranty in a given country or region should be tied to the service facility that you have access to in that market. It is important to promise only what you can deliver.

Another part of the representative agreement may detail the training you will provide to your foreign representative. Such detail may include how often training will be provided, who must be trained, where training will be provided, and which party will absorb travel and per diem costs.

Taking Advantage of New Sales Opportunities and Improved Customer Relations

Foreign buyers of U.S.-manufactured products typically have limited contact with the manufacturer or its personnel. The foreign service facility is one of the major contact points between you and the buyer. To a great extent, your reputation is made by the overseas service facility.

Each foreign market offers a unique opportunity for your company. Care and attention to the development of in-country sales and distribution capabilities are paramount. Delivery of after-sales service is critical to the short- and long-term success of your company's efforts in any market.

Senior personnel from your company should commit to a program of regular travel to each foreign market to meet with representatives, clients, and others who are important to the success of your firm in that market. Among those people would be the commercial officer at the Commercial Service's post and representatives of the American Chamber of Commerce and the local chamber of commerce or business association.

The benefits of such a program are twofold. First, executive management learns more about the foreign marketplace and the foreign service facility's capabilities. Second, your customer will appreciate the attention and understand the importance of the foreign market in your company's long-term plans. As a result, such visits will help you build a continuing productive relationship with your overseas clients.

CASE STUDY:

ProStuff LLC

"We have to take [our] technology to the rest of the world. And that's been one of the core principles in our success."

—Pierce Barker, founder and chief executive, ProStuff LLC

THE COMPANY

ProStuff LLC was founded in 2004 by Pierce Barker and a couple of his friends. As Barker tells the story of the business idea and how it germinated in Columbus, Ohio, it was "our inspiration meeting the opportunity."

Says Barker, "A customer came walking through the door one day and needed help with a piece of equipment that he had built, and from that we saw the opportunity to take this product—a starting gate for bicycle racing—on an international basis." Barker's expertise is in hydraulics, skills he learned from his dad. The starting gate is a pretty sophisticated piece of gear. Add pumps to fabricated sheet metal and some other devices, and the race is on.

The gate is especially popular with BMX, or bicycle motocross. BMX uses a small course of about 400 meters that includes jumps and tabletops.

THE CHALLENGE

Barker recognized early that the market in the United States wasn't as big as he thought. The company had to go global—fast. The biggest challenge for ProStuff

was to generate international sales quickly and to produce a high-quality product. Small startup manufacturing companies (ProStuff has six employees) can't afford the cost of shipping equipment over great distances for repair. To be successful, ProStuff needed from the start to take a durable, reliable product to the world. But customers were not individual bikers; they were organizations that sponsor the races. Where were these organizations, and would they buy?

THE SOLUTION

Barker did his research and estimated that worldwide several million people are involved in the sport of BMX. If mountain biking is added, the market is much bigger. Contacting the individual riders was out of the question, so Barker decided to get ProStuff's starting gate adopted as the industry standard: "We found that BMX was going to be part of the 2008 Olympics, and I said, 'The best way to advertise our products is to go to the very top of the sport and work with those guys—become the international specification and let that filter down.' And that's exactly what we did."

Barker picked up the phone and called the Union Cycliste Internationale in Switzerland. He asked the person who answered, "Who do we talk to get our products specified and used in the Olympics?" The person in Switzerland replied, "That would be me." Says Barker about the call, "That's how it started."

Brand building at the Olympics was huge but insufficient to generate enough orders or to provide the financing needed to fill them. "I had no idea what to do when we first started," Barker says. "We were plowing new ground every day." Then he found Pat Hope, a commercial specialist at the U.S. Commercial Service. One of the first things Hope did was to introduce ProStuff to the Export-Import Bank of the United States. ProStuff applied and was accepted into the bank's loan guarantee program, which provides working capital to U.S. exporters at competitive rates. "With the bank's assistance and Pat's guidance, you can't stop us," Barker says. "We can go anywhere."

And they have. Since 2005, when ProStuff made its first export, the company has set up distribution on five

continents and has sold products to customers in 41 countries.

“Just in the past 10 hours, I’ve been in contact with China, Latvia, Switzerland, Denmark, and Singapore,” Barker says. “We actually received a contract from China this morning, and it’s our contract. It’s not their contract. They signed ours.”

LESSONS LEARNED

First, Barker explains, you need an export plan, but make it short. ProStuff’s is one page. It says, “Go do this.”

Second, Barker claims, is incorporating the concept of “velocity” in your business. By this he means providing instantaneous response to customers’ needs and requests. He says that it’s not uncommon for him to get a phone call from a customer, and his team turns the request into a shipped order in less than 12 hours.

Third is a conscious business decision to produce the very best product in the world. Barker says that because of this unstinting focus on quality, ProStuff’s business reputation over the past several years has become very strong.

Another lesson is to get out into world and not overlook any market. Barker clearly loves the sport and the young people who pursue it. You’ll find him at tournaments giving advice, cheering on competitors, and, in what seems almost like an afterthought, promoting his company’s products. He has found business in such unlikely places as Bolivia and Zimbabwe. “The political situations are really, really difficult [there],” Barker acknowledges. “[But] we have established successful distribution in both those countries. And where we couldn’t get support because of political restrictions, we said, ‘You

know what? We’re going to figure out how to make it work.’ And we’ve done it!”

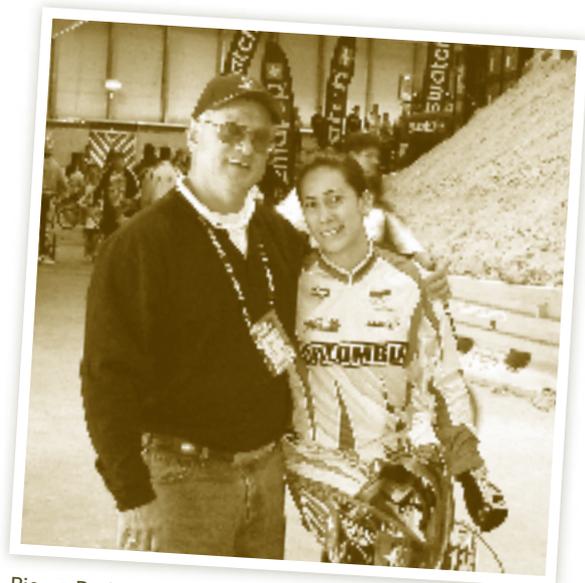
Related to this is Barker’s injunction not to be fearful. Recently, in South Africa, he was invited to meet a sports group. He was hesitant because of the political situation at the time but went anyway and got a lesson on what “fearless champions of freedom” many South Africans are. “If you don’t go there and see for yourself, you’ll never know.”

Barker believes that a lot of products and manufactured items in the United States need to be taken to the world market in part because of the necessity of creating jobs here: “We’re really good at technology, but we haven’t been good at purveying it. And, philosophically, we have to take that technology to the rest of the world. And that’s been one of the core principles in our success.”

ACTION

How can you start exporting to the world?

- **Get an export plan.** There are many good templates for creating simple, useful export plans. In particular, see Chapter 2, “Developing an Export Strategy.”
- **Contact your local Export Assistance Center.** See Appendix B, or call (800) USA-TRADE (800-872-8723).
- **Improve your manufacturing processes.** For advice and assistance, contact the National Manufacturing Partnership at (301) 975-5020, or visit www.mfg.nist.gov.
- **Learn about export financing.** A place to start is Chapter 15, “Financing Export Transactions.”



Pierce Barker (left), founder and chief executive of ProStuff LLC, with Team ProGate rider Mariana Pajón (right) at the 2009 UCI BMX World Championships in Adelaide, Australia. His company, which started exporting in 2005, now has customers in 41 countries.