



PREPARING YOUR PRODUCT FOR EXPORT

In This Chapter

- **Adapting your product to meet government regulations, country conditions, or preferences**
- **Modifying your product labeling and packaging**
- **Planning for installation of your product overseas**

Selecting and preparing your product for export require not only product knowledge but also knowledge of the unique characteristics of each target market. Market research and contacts with foreign partners, buyers, customers, and others should give your company an idea of what products can be sold and where. However, before the sale can occur, your company may need to modify a particular product to satisfy buyer tastes, needs in foreign markets, or legal requirements for the foreign destination.

The extent to which your company will be willing to modify products sold for export markets is a key policy issue to be addressed by management. Some exporters believe that their domestic products can be exported without significant changes. Others seek to consciously develop uniform products that are acceptable in all markets. It is very important to do research and to be sure of the right strategy to pursue. For example, you may need to redesign an electrical product to run on a different level of voltage for a particular destination, or you may need to redesign packaging to meet labeling standards or cultural preferences.

If your company manufactures more than one product or offers many models of a single product, you should start by exporting the one best suited to the targeted market. Ideally, your company may choose one or two products that fit the target market without major design or engineering modifications. Doing so works best when your company

- Deals with international customers that have the same demographic characteristics or the same specifications for manufactured goods
- Supplies parts for U.S. goods that are exported to other countries without modifications
- Produces a unique product that is sold on the basis of its status or international appeal

- Produces a product that has few or no distinguishing features and that is sold almost exclusively on a commodity or price basis

QUESTIONS TO CONSIDER

You must consider several issues when you are thinking of selling overseas, including the following:

- What foreign needs does your product satisfy?
- What products should your company offer abroad?
- Should your company modify its domestic-market product for sale abroad? Should it develop a new product for the foreign market?
- What specific features, such as design, color, size, packaging, brand, labels, and warranty, should your product have? How important are language or cultural differences?
- What specific services are necessary abroad at the presale and postsale stages? Warranties? Spare parts?
- Are your firm's service and repair facilities adequate?

PRODUCT ADAPTATION

To enter a foreign market successfully, your company may have to modify its product to conform to government regulations, geographic and climatic conditions, buyer preferences, or standards of living. Your company may also need to modify its product to facilitate shipment or to compensate for possible differences in engineering and design standards. Foreign government product regulations are common in international trade and are expected to expand in the future. These regulations can take the form of high tariffs, or they can be non-tariff barriers, such as industrial regulations or product specifications. Governments impose these regulations

- To protect domestic industries from foreign competition
- To protect the health and safety of their citizens
- To force importers to comply with environmental controls
- To ensure that importers meet local requirements for electrical or measurement systems
- To restrict the flow of goods originating in or having components from certain countries
- To protect their citizens from cultural influences deemed inappropriate

Detailed information on regulations imposed by foreign countries is available from the Trade Information Center at (800) USA-TRADE (800-872-8723) or from your local Export Assistance Center. When a foreign government imposes particularly onerous or discriminatory barriers, your company may be able to obtain help from the U.S. government to press for their re-

moval. Your firm should contact an Export Assistance Center or the Office of the U.S. Trade Representative (USTR). The USTR office can be contacted at (202) 395-3230 or at www.ustr.gov.

Buyer preferences in a foreign market may also lead you to modify your product. Local customs, such as religious practices or the use of leisure time, often determine whether a product is marketable. The sensory impression made by a product, such as taste or visual effect, may also be a critical factor. For example, Japanese consumers tend to prefer certain kinds of packaging, leading many U.S. companies to redesign cartons and packages that are destined for the Japanese market.

Market potential must be large enough to justify the direct and indirect costs involved in product adaptation. Your firm should assess the costs to be incurred and, though it may be difficult, should determine the increased revenues expected from adaptation. The decision to adapt a product is based partly on the degree of commitment to the specific foreign market; a firm with short-term goals will probably have a different perspective than a firm with long-term goals.

ENGINEERING AND REDESIGN

In addition to adaptations related to cultural and consumer preference, your company should be aware that even fundamental aspects of products may require changing. For example, electrical standards in many foreign countries differ from U.S. electrical standards. It's not unusual to find phases, cycles, or voltages (for both residential and commercial use) that would damage or impair the operating efficiency of equipment designed for use in the United States. Electrical standards sometimes vary even within the same country. Knowing the requirements, the manufacturer can determine whether a special motor must be substituted or if a different drive ratio can be achieved to meet the desired operating revolutions per minute.

Similarly, many kinds of equipment must be engineered in the metric system for integration with other pieces of equipment or for compliance with the standards of a given country. The United States is virtually alone in its adherence to a non-metric system, and U.S. firms that compete successfully in the global market realize that conversion to metric measurement is an important detail in selling to overseas customers. Even instruction or maintenance manuals should take care to give dimensions in centimeters, weights in grams or kilos, and temperatures in degrees Celsius. Information on foreign standards and certification systems is available from the National Center for Standards and Certificates Information, National

FACT:

Language and cultural factors have played an important role in the success or failure of many exporting efforts.

INSIGHT:

Be careful to look into the meanings that your company's (or product's) name may have in other markets. You don't want to discover too late that they are inappropriate in the local language or culture.

Institute of Standards and Technology, U.S. Department of Commerce, 100 Bureau Dr., M.S. 2150, Gaithersburg, MD 20899-2150. You may also contact the center by telephone at (301) 975-4040 or online at www.nist.gov.

BRANDING, LABELING, AND PACKAGING

Consumers are concerned with both the product itself and the product's secondary features, such as packaging, warranties, and service. Branding and labeling products in foreign markets raise new considerations for your company, such as the following:

- Are international brand names important to promote and distinguish a product? Conversely, should local brands or private labels be used to heighten local interest?
- Are the colors used on labels and packages offensive or attractive to the foreign buyer? For example, in some countries certain colors are associated with death.
- Can labels and instructions be produced in official or customary languages if required by law or practice?
- Does information on product content and country of origin have to be provided?
- Are weights and measures stated in the local unit? Even with consumer products, packaging and describing contents in metric measurements (e.g., kilograms, liters) can be important.
- Must each item be labeled individually? What is the language of the labeling? For example, "Made in U.S.A." may not be acceptable; the product may need to be labeled in the language spoken by the country's consumers. There may be special labeling requirements for foods, pharmaceuticals, and other products.
- Are local tastes and knowledge considered? A cereal box with the picture of a U.S. athlete on it may not be as attractive to overseas consumers as the picture of a local sports hero.

INSTALLATION

Another element of product preparation that your company should consider is the ease of installing the product overseas. If technicians or engineers are needed overseas to assist in



installation, your company should minimize their time in the field if possible. To do so, your company may wish to preassemble or pretest the product before shipping or to provide training for local service providers through the Web, training seminars, or DVDs.

Your company may consider disassembling the product for shipment and reassembling it abroad. This method can save your firm shipping costs, but it may delay payment if the sale is contingent on an assembled product. Your company should be careful to provide all product information, such as training manuals, installation instructions (even relatively simple instructions), and parts lists, in the local language.

WARRANTIES

Your company should consider carefully the terms of a warranty on the product (and be very specific as to the warranty's coverage), because the buyer will expect a specific level of performance and a guarantee that it will be achieved. Levels of expectation and rights for a warranty vary by country, depending on the country's level of development, its competitive practices, the activism of consumer groups, the local standards of production quality, and other factors. Product service guarantees are important because customers overseas typically have service expectations as high or greater than those of U.S. customers.

CASE STUDY:

Falcon Waterfree Technologies

“With a small team, you can accomplish great things.”

—Ditmar Gorges, executive vice president, Falcon Waterfree Technologies

THE COMPANY

A water shortage spurred the idea. Perhaps 5 percent of fresh water is literally flushed away in urinals around the world. There had to be a better way—so thought Ditmar Gorges, co-inventor of a water-free urinal. Now, thanks to his company, Falcon Waterfree Technologies, the little cartridges that absorb urine without the need for water are becoming a staple in male restrooms across the globe.

It took more than a good idea to build a successful business and a patented product, says Gorges, a mechanical engineer by training who went back to school for a master’s degree in economics. “We began,” says Gorges, “with the intent of retrofitting toilets and saving users a lot of money in water and sewer fees. Water is scarce and becoming scarcer in many parts of the world, and it’s too costly in economic and environmental terms to flush it down the drain.”

From these small beginnings, Falcon Waterfree now has offices in Grand Rapids, Michigan, and Los Angeles, California, where the research and

development are done, and its products sell in 48 countries worldwide.

THE CHALLENGE

Falcon Waterfree began selling in foreign countries in 1995. The company has two competitors in the United States, six in Europe, and so far none in Asia, where it is hurrying to take advantage of an open playing field: a 100 percent market share of retrofitted waterless urinals and infinite growth in public restrooms. Gorges said Falcon Waterfree’s number one position seems secure for the moment because “our technology is different than the competition’s, and customers tell us that ours is easier to use.” Falcon Waterfree’s sales worldwide are bubbling up smartly at about 140 percent per year.

But Gorges is far from complacent. “Our technology seems bullet proof at the moment, but we need to constantly improve. We are working to make the cartridges last longer and to be 100 percent recyclable. That’s the next innovation—within the next few years.”

THE SOLUTION

Gorges credits the U.S. Commercial Service with helping a small firm like

his enter and find buyers in multiple markets around the world. For example, when Gorges targeted the Philippines, he received word from the Commercial Service office in Manila that the McDonald’s franchiser there wanted to overhaul bathrooms in all the Manila restaurants. “Somehow, the Commercial Service got wind of this, knew our product, and called us with the lead,” says Gorges. “Meetings were arranged for us, introductions were made, and it wasn’t long before we had the contract.”

Other benefits followed. The McDonald’s put a sign over the urinals touting their environmental friendliness. The owner of a five-star hotel in Manila was so impressed that he ordered them installed in the hotel’s public restrooms.

And that wasn’t all. The McDonald’s chain asked if Falcon Waterfree could put the gold arches logo on the urinal ceramic bowl. Gorges said, “Why not?” And soon male customers were asking if they could buy the golden arches waterless urinal at the counter along with their Big Macs. They couldn’t, but the importance of word of mouth and the market intelligence capabilities

of the Commercial Service were not lost on Gorges.

Gorges signed up with the Commercial Service office in Japan for long-term technical assistance that included research on building codes, meetings with government officials, and introductions to the best people to talk to in companies that could make suitable business partners. “Companies in Asia and elsewhere in the world seem to respect the U.S. government presence in our meetings. You get the sense that they are on their best behavior,” says Gorges.

A Commercial Service representative attended 24 meetings between Falcon Waterfree and a Japanese urinal manufacturer that became the leading suitor. In the end, a deal was signed, and Falcon Waterfree now has a strong foothold in this important market. Says Gorges, “The Commercial Service was invaluable to us. They gave us insight on the business culture and how the Japanese viewed the terms of the contract. They had unbelievable market intelligence. In market after market, they knew. No one else did.”

Gorges was particularly pleased when his Japanese partners told him later, “The Japanese government doesn’t provide us this level of assistance. When we go to places like China, we are on our own. You Americans have the edge. You are lucky.”

But Gorges knows that he has the edge only if he uses it, and he aims to—everywhere he can. His product seems to be cleaning up in some surprising places, including India’s Taj Mahal, where a solution was needed that didn’t require installing piping in ancient walls, and the Austrian Alps, where he had

the distinction of outfitting the highest restroom in the world.

LESSONS LEARNED

Gorges finds that adapting his product to new markets has been among the most useful lessons he’s learned. Different cultures have different “bathroom cultures,” and recognizing these differences was key to adapting the product. Gorges explains that urinals are round in European countries and square in Asian countries. Also, different cultures clean toilets differently. Europeans use sponges and cloth wipes, but Japanese prefer to keep their distance from the cleaning surfaces and tend to use brushes. These differences are important when writing instruction manuals for use of the products.

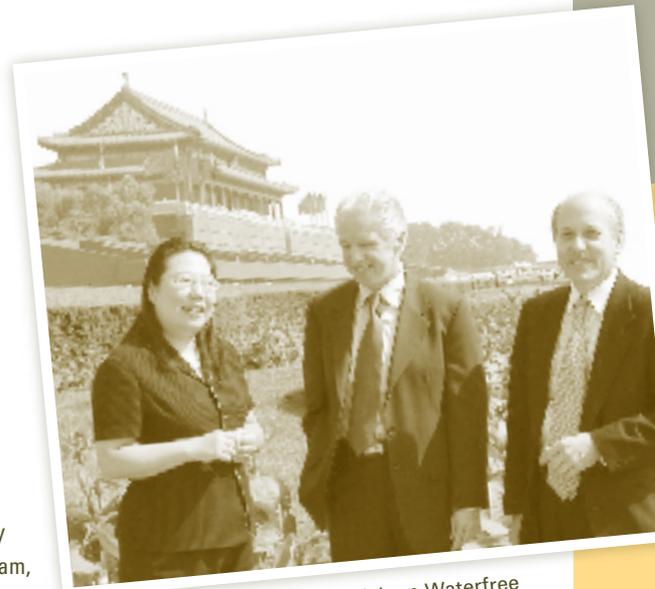
He also learned that different cultures have shorter time horizons for getting to know you and deciding to buy. In Europe and some Asian countries, this process can happen quickly. But other places take more time. In Japan, for example, it took Falcon Waterfree five years to make its first major sale.

A final lesson is how quickly and profitably a small company, which has grown to 167 employees, was able to generate sales in international markets. Gorges says of his company’s many accomplishments, “With a small team, you can accomplish great things.”

ACTION

How can your company accomplish great things? Here are some ideas:

- **Let the Commercial Service help you find international partners.** Visit www.export.gov/tradeleads.
- **Research the countries.** For more information about best prospects in Austria, China, India, Japan, and the Philippines, consult the Country Commercial Guides in the Market Research Library at www.export.gov/mrktresearch. In addition, you can link to the Commercial Service Web sites in these and more than 80 other countries at www.export.gov.



China is a growing market for Falcon Waterfree Technologies, which manufactures waterless urinals. Ditmar Gorges (center), executive vice president, is pictured along with Wang Yi (left) and David Gossack (right) of the U.S. Commercial Service in China.