

## To Export or Not to Export?

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Exporting can be a great opportunity to branch into a new market, increase revenue, and grow your business. For many businesses, exporting may be daunting because they believe they are too small, however, size shouldn't necessarily factor into the decision. Nearly 97% of US exporters are small to medium-sized companies and the ability for small businesses to expand internationally is only increasing as individual economies grow more global over time.<sup>1</sup> However, exporting is not something that happens overnight, or even over the course of several months; it requires detailed planning and strategizing. A business owner should ask themselves some serious questions before venturing into a relatively unknown territory and putting the integrity of their business on the line, including:

- What will my company gain from exporting?
- Do I enjoy the sales part of the business? In other words, am I comfortable giving pitches, heading up marketing, being the face of the company? If I'm not, is there someone in the business who is?
- Is my business financially able to take on the risk of investment in pursuing a foreign market? How much money am I able to dedicate to the venture initially without bearing too much risk? Are such resources better used elsewhere?
- What is an acceptable timeline to see success? How do I measure success in the foreign market; using return on investment (ROI), market share, total revenues, profit margins, or other metrics?
- Will sharing resources with another market jeopardize my current operations? Financials aside, do I have the people, the know-how, and ability to spread my focus over additional markets? Does exporting align with company goals?

This is not an exhaustive list, but a good start to take an introspective look at your business. Once you can confidently answer the questions that are important to your business, you can pursue the next step of setting up the infrastructure to get your product into a foreign market. The next step will require determining details and finding partnerships to get your product into the foreign market. Now is the time to get down to business and hammer out some integral details.

### **You may need to know:**

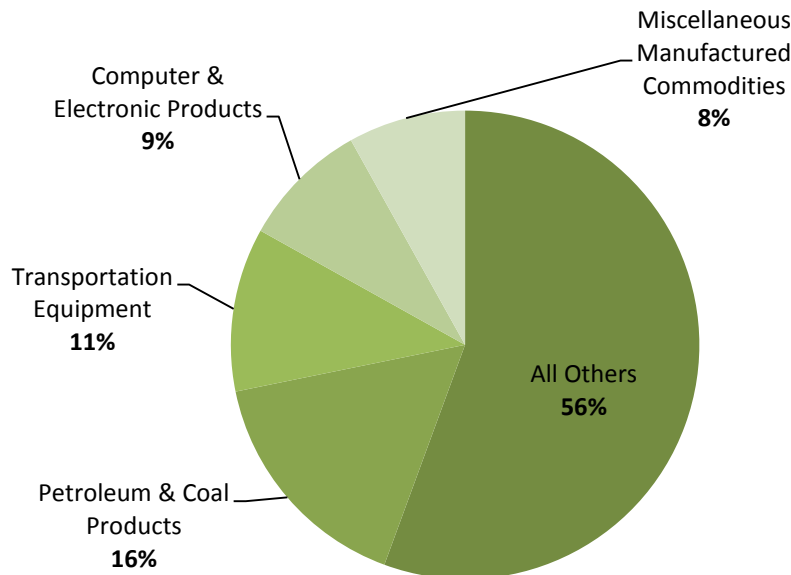
- Is a product similar to mine already available in the foreign market? What degree of competition do I expect to face from established products? What is my niche?
- What customers will I be targeting and how will I identify and reach out to them?
- How will I sell my product? Internet sales, retail locations, some other means?

- Who is going to ship/distribute my product?
- What are the border/tariff regulations of shipping goods into the foreign market?
- Are there regulations specific to my product in the foreign country that differs from the ones for my current market? Will I have to make modifications to meet these different regulations? Will these changes compromise my product or my business as a whole?
- Can my current production capacity support higher demand? What is the expected demand for the new market?
- What retail locations are a good match for my product and are these stores frequented by my target market? More importantly, will these stores carry my product?
- What price will I charge in the foreign currency and what prices are my competitors charging for similar products? What is my pricing strategy? Will I price based on quality and differentiation, or value?
- What are the legal and tax implications of receiving revenue from a foreign country? Are my current attorney and accountant able to handle this or am I going to need to find additional expertise?

Once again, there are more questions that may need to be answered, but these cover a broad range of issues that may arise. The most important part of expanding into a foreign market is being prepared and having enough knowledge to be reasonably comfortable making decisions. You cannot know everything about your new market so there will be some uncertainty, but you should reduce as much ambiguity as possible and be able to justify your decisions. A great resource for understanding exporting is [www.export.gov](http://www.export.gov). More information specific to Washington State can be found at [www.choosewashington.com](http://www.choosewashington.com).

With Washington State’s proximity to Canada it is no surprise that our neighbors to the north are a major importer of Washington State goods. The following graph depicts the industries in all of Washington State that are exporting into all of Canada, totaling about US \$6.9 billion in 2010:<sup>ii</sup>

### 2010 Merchandise Exports from Washington to Canada



Additionally, the table on the next page shows the top 10 merchandise categories contained within the “All Others” segment seen in the pie chart above. The segment represents 56% of Washington’s exports to Canada, for a total of roughly US \$3.8 Billion. <sup>iii</sup>

Washington’s “All Others” Canadian Exports Break Down		
Merchandise Category	Value (US\$)	Percent of Total
Machinery (Except Electrical)	493,343,273	12.9%
Food Manufacturers	470,170,822	12.3%
Agricultural Products	418,704,251	11.0%
Primary Metal Manufacturing	369,048,867	9.7%
Paper	297,775,112	7.8%
Wood Products	274,629,803	7.2%
Chemicals	255,930,481	6.7%
Fish & Other Marine Products	204,046,218	5.4%
Plastic & Rubber Products	195,188,141	5.1%
All Others	831,055,943	21.8%
<b>TOTAL</b>	<b>\$3,809,892,911</b>	<b>100%</b>

When looking just at non-aerospace and non-agricultural exports (NANA), Washington State exported US \$1.3 billion to Canada in the third quarter of 2010, with Canada being Washington’s largest market for NANA exports. These exports to Canada made up approximately 48% of total state NANA exports in the third quarter of 2010. Also in the same quarter, total NANA exports to Canada were more than the NANA exports into China, Japan, and Korea combined.<sup>iv</sup> It is important to note that this data is exclusive to just goods; services are not included in the numbers.

There can be many advantages to exporting for the right business in the right industry. On the other hand, some industries may not be well suited for expansion into foreign markets. If you are a business highly focused on proximity to and personal contact with your customer base, it will obviously be difficult to provide the same kind of service to customers who are physically out of reach. Businesses in the service industry typically have a more difficult time exporting their offerings to foreign markets for this very reason. Additionally, industries that are highly specific to regional laws and regulations may have a difficult time adapting to foreign markets where laws and regulations differ greatly. For example, accounting and law firms are highly regulated by regional laws and standards of practice. It is important to identify what factors may limit your success in the foreign market.

Exporting is an option for many small businesses. Viable for some but not for others, however, you won’t know where you stand until properly researching the opportunity. If your business would like help looking into the potential to export into foreign markets, the Center for Economic Vitality may be able to assist you in this process. Our team of Business Strategists and Research Analysts are available to assist businesses across Washington State. Information can be found at [www.cevforbusiness.com](http://www.cevforbusiness.com) or through your local Small Business Development Center or Economic Development Council.

## References and Additional Resources

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- <sup>i</sup> *A Basic Guide to Exporting*. Washington, D.C.: US Department of Commerce, International Trade Administration, 2008.
- <sup>ii</sup> *TradeStats Express*. International Trade Administration. (Accessed April 1, 2011).  
<http://tse.export.gov/TSE/TSEHome.aspx>.
- <sup>iii</sup> Ibid.
- <sup>iv</sup> *Commerce Quarterly Trade Bulletin, Vol.2, No 4*. Department of Commerce. Jan 2011.  
<http://www.choosewashington.com/SiteCollectionDocuments/News%20Publications/International%20Trade%20Bulletins/Commerce%20Quarterly%20Trade%20Bulletin%20Jan%202011.pdf>.