PARKO

ALFA SANITATIONS
5 Municipal Bld., Hari Singh High St.,
Srinagar - 190 001.
Ph. : 477712

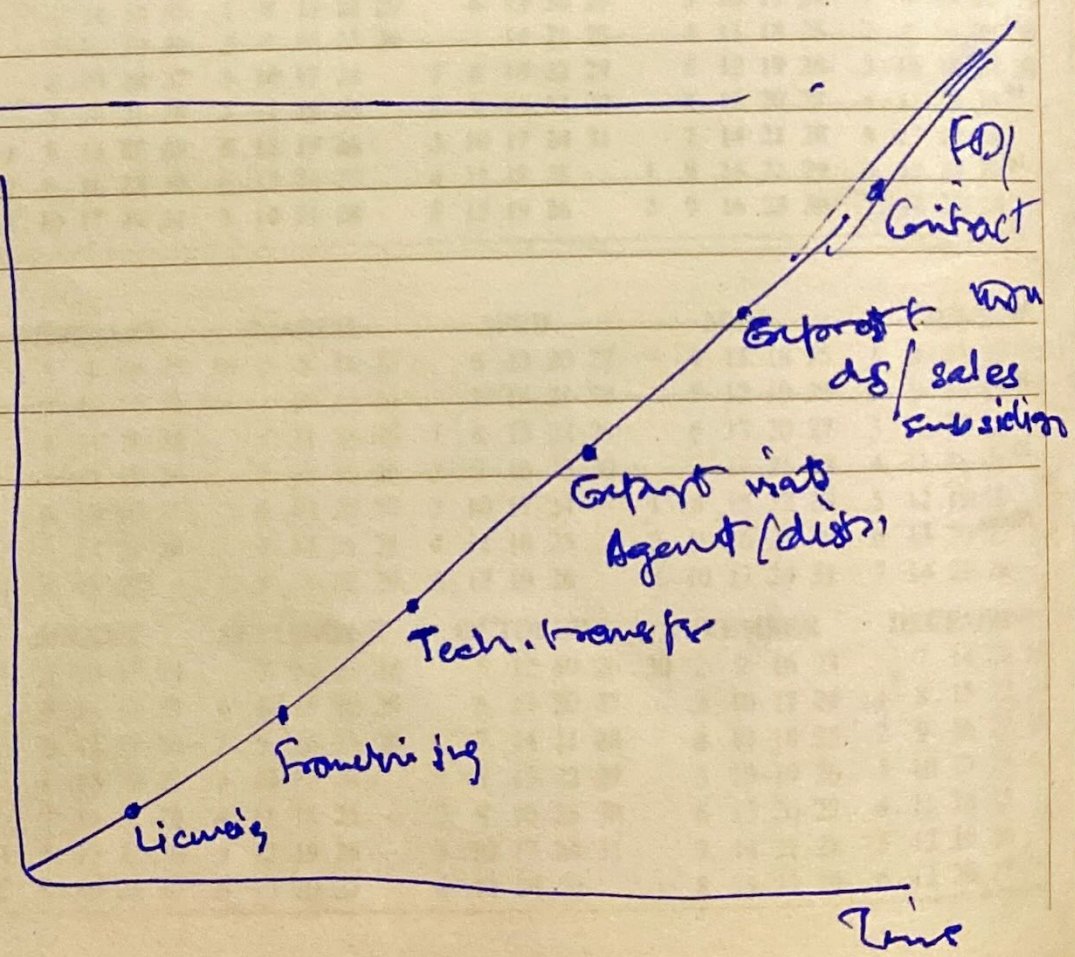
Business Research

Notebook.

IPLC.

0	1	2	3	4.
		Maturity		Reversal
Local innovation	Overseas innovation		World wide imitation	

Stage	Import	Export	TQM	Competition



MR.

Step 1: Research problem

2: Develop a research plan

- objective
- resources
- Job allocation
- Time Frame.

3: Data Collection

- Secondary
- Primary

4: Analysing research data.

- Demand, Analysis
- Elasticity, price, Inc, -
- M.

Notes

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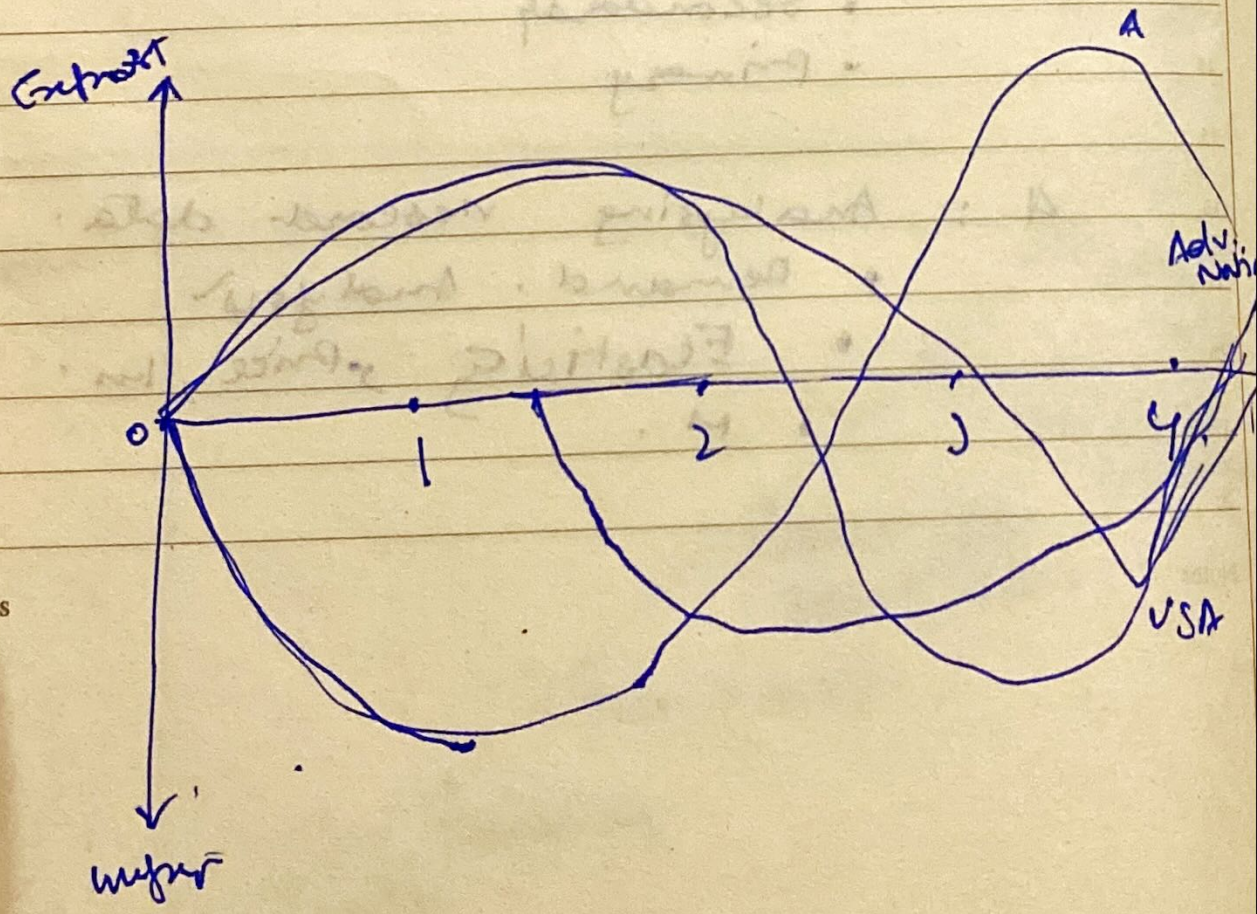
Trade Barriers

- T.
  - CVD.
  - Ad valorem duty
  - Specific duty
- N.T.
  - Trad.
    - Imp licence
    - Pro.
  - New Part.
    - Quota



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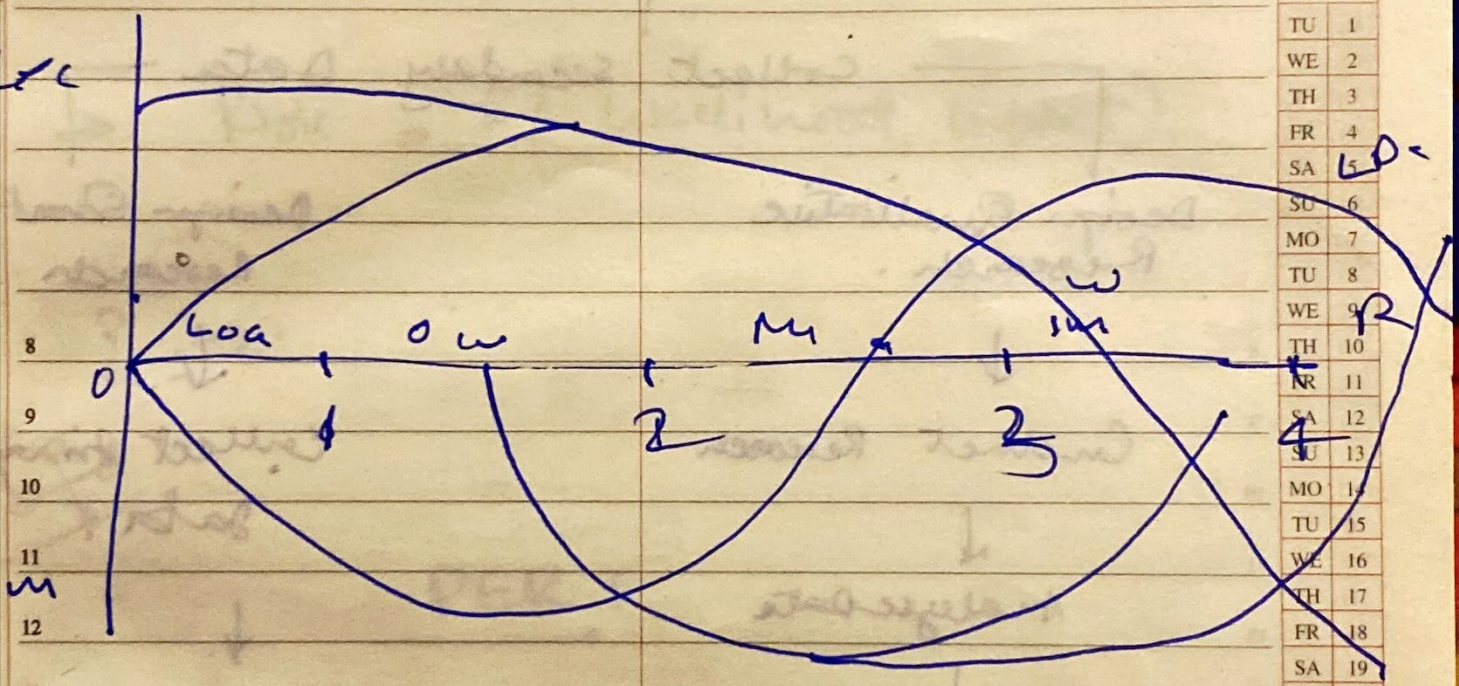

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January

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- Develop Objectives
- Collect secondary Data

Design Qualitative Research.
↓
Conduct Research
↓
Analyse Data
↓
Prepare Report.

Design Quant. Research
↓
Collect Primary Data.
↓
Analyse Data
↓
Prepare Report

Segmentation Strategies:
Micro - & behavioral targeting

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HARNEET.!.

Risk. Management:

→. Risk = f(likelihood, impact).

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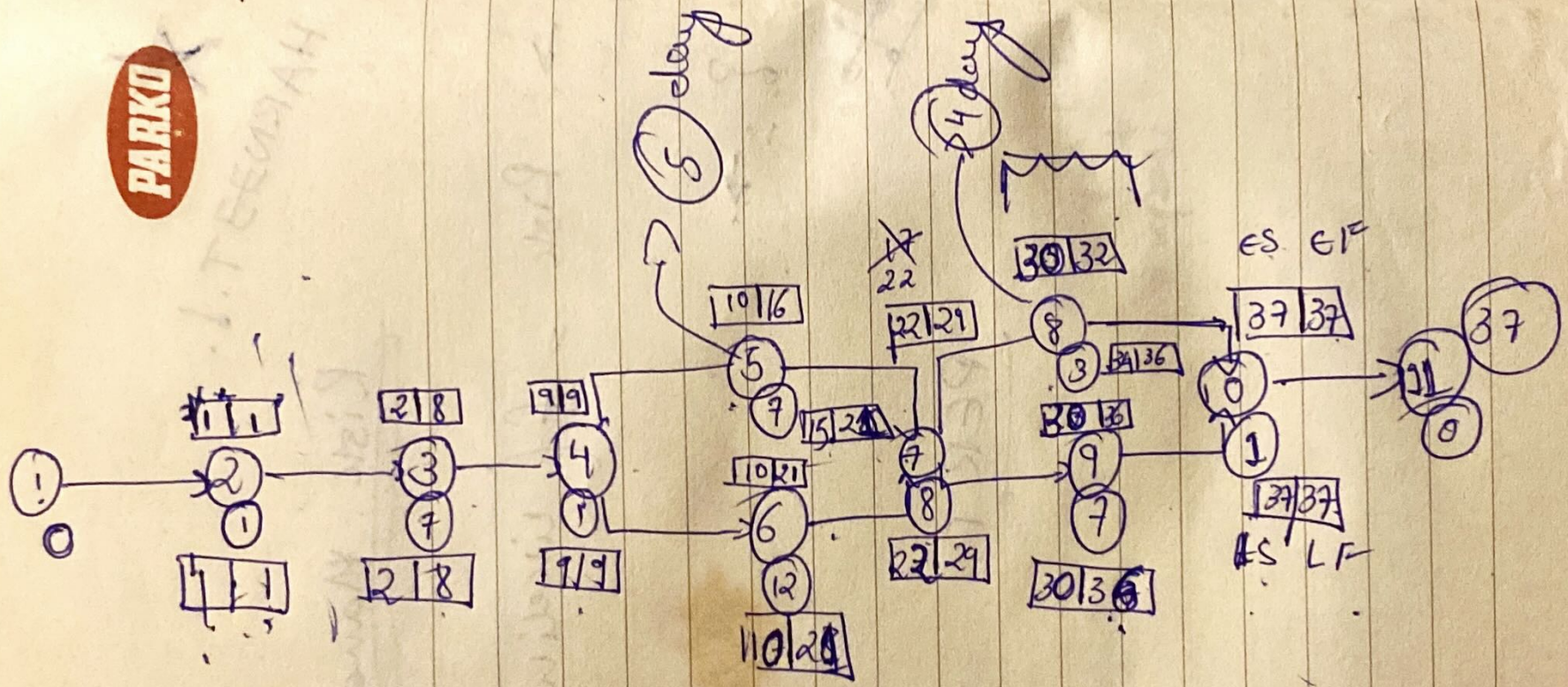

Slack = LS − ES = 0 (critical act.)
LF − EF

1, 2, 3, 4, 6, 7, 9, 10, 11 = 1 + 7 + 1 + 12 + 8 + 7 + 1 = 37

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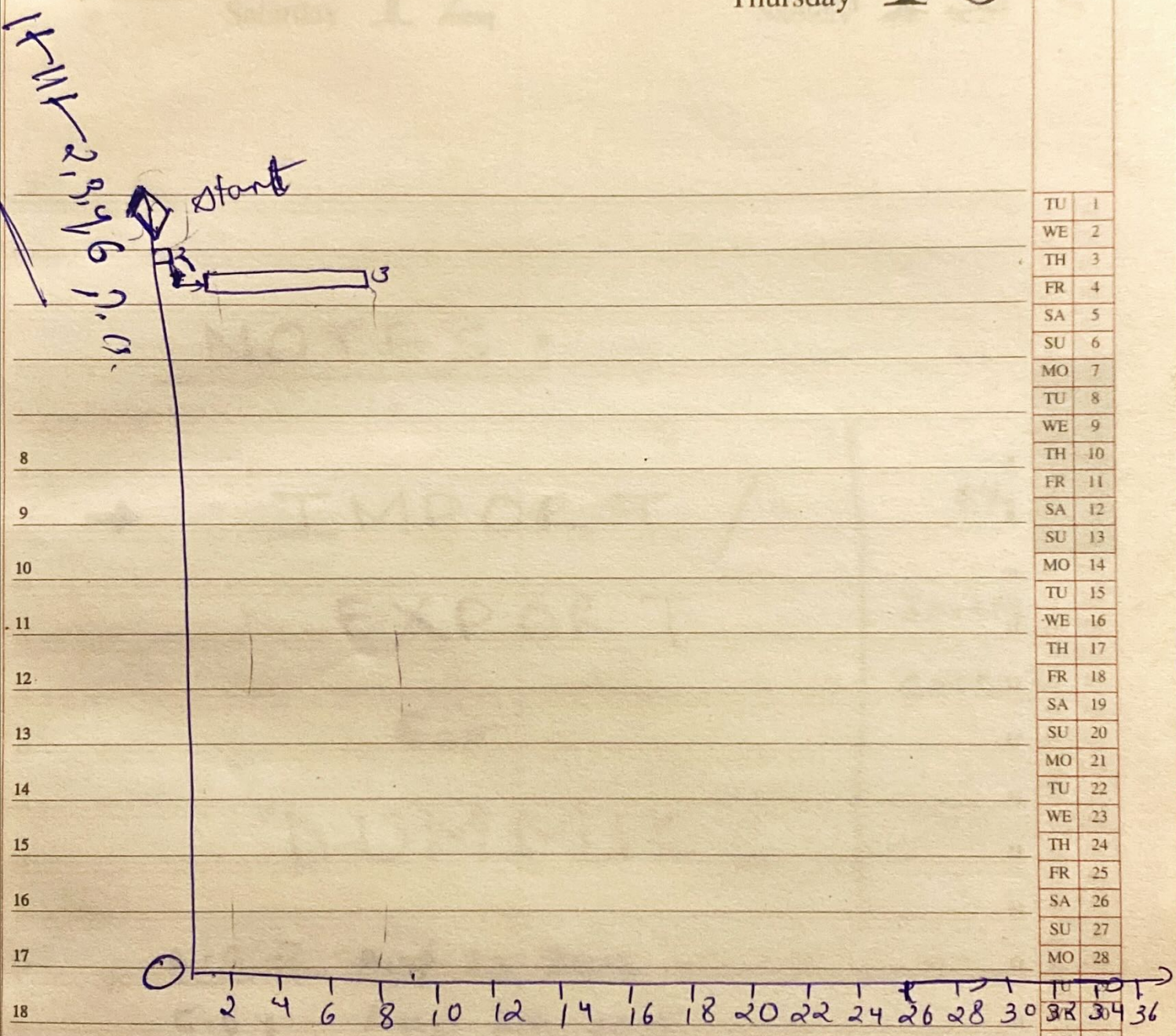

January

Saturday 12 | Sunday 13

January

NOTES:

→ IMPORT / EXPORT for DUMMIES

BY: JOHN CAPELLA

S.G: Aug 23, 2015.

E.D: Aug 27, 2015.

Notes

January

- ABOUT THE BOOK :

i, Explore how to set up an office for international trade.

ii, Find products to import & export.

iii, Identify target markets & find customers.

iv, Make sense of applicable rules & regulations.

v, Find out how to complete the necessary licensing applications & shipping documents.

Notes

* 1) Part - I : Breaking into Import/Export Business.

2) Part - II : Selecting Products & Suppliers.

3) Part III : Identifying your Target Market & finding Customers.

4) Part IV : Completing the Transaction : International Trade Procedures etc.

5) Part V : The Part of Tens

6) Part VI : Appendices.

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PART - I

A) **Direct Exporting**: a business activity occurring b/w an exporter and an importer without the intervention of the third party.

B) **Indirect Exporting**: involves exporting goods through various intermediaries in the producer's country. (Used by companies that are new to exporting) this can be done using an export management company or something called piggybank exporting.

B: i. Export Management Companies (EMC)

An export management company (EMC) is a private company based in the USA that serves as the export department for several manufacturers, soliciting and transacting export business on behalf of its clients. To become an EMC, contact ~~local~~ manufacturers who aren't actively involved in

exporting and offer your services.

ii, Piggybank Exporting: is a foreign distribution operation where your products are sold along with those of another manufacturer. This form of exporting is used by companies that have related or complimentary but uncompetitive products.

A: i, Using an Agent: An agent is a company that acts as an intermediary, but unlike an EMC it does not take 'title to goods'. One can appoint an agent in each market (or country) and the agent solicits orders, with goods and payment for the goods happening directly between you and the customer in the other country.

ii, Appoint a distributor: You can appoint a distributor in another country who will purchase goods, take title, service the customers on your behalf.

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iii, Set up an Overseas Sales Office: You can go over to another country, perhaps rent a warehouse, set up an office, and distribute the goods to customers. In practice, you are exporting to yourself overseas.

→ Businesses are impacted by External and Internal forces. Internal forces are the one's which are in one's control (e.g, capital, raw material, personnel) and external forces are the one's which are outside one's control (Economic-Socio-Cultural conditions, exchange rates, inflation, interest rates, physical conditions - location, geography, topography, climate; Political and legal conditions, cultural conditions - Aesthetics, Religion, Attitude & beliefs, Language, material culture etc)

- www.stat-usa.gov
- www.export.gov
- www.cyberlink.com
- www.executiveplanet.com

Notes

- China, Mexico, Malaysia, Thialand & Brazil ≅ largest exporters to USA.
- China, Mexico, Malaysia, Thialand, India & Turkey ≅ largest importers from USA.
- Before choosing a product, take into consideration the trade agreements b/w involved countries (markets).
  - www.export.gov/fta/index.asp.

Importing or Exporting? or Both?

- Importing makes sense when:
  - The value of the local currency is strong, the stronger the currency the cheaper it will be to purchase goods overseas.
- You are faced with increased competition, and the only way to remain competitive is to source goods at lower costs for suppliers overseas.
- You want to find new products or expand your additional product offerings.

- You can't access products or technology from domestic suppliers.
- Another country can produce a product more efficiently because of available resources.
- You are a good negotiator and enjoy selling.

→ Exporting makes sense when:

- The value of the local currency ~~will be~~ is weak; the weaker the currency the cheaper your locally manufactured goods will be.
- You want to serve a market that either doesn't have, or has limited, production facilities
- Your existing business wants to test a foreign market to see if a product is accepted before you consider investing in a local production facility.
- You want to use your excess production ~~facility~~ capacity to lower per-unit fixed costs.

- You want to extend your product's life cycle by exporting to markets that are currently not being served.
- When you enjoy selling and dealing with people from other countries and cultures.

Becoming both an importer and an exporter makes sense when:

- Countries negotiate preferential trade agreements.
- You want to remain price-competitive at home — many businesses import labor-intensive components produced in foreign countries, or export components for assembly in countries where labor is less expensive and then import the finished product
- You enjoy buying and selling dealing with people from different cultures & travelling.

~~*makes sense~~

~~→ Being both an Importer & Exporter:*~~

~~• Committee negotiate preferential trading agreements.~~

→ Analysing Start-up Costs: Capital is the money that one needs to start and run import/export business. There are three types of capital:

- Initial/Fixed Capital: This is the money you use to purchase fixed (permanent) assets (such as office space, equipment, machinery, furniture and so on), and any money needed to start business. Additionally, you need funds to cover initial legal fees, deposits with public utility companies, licenses, permits, office equipments, advances for rental of premises, and so on. Finally, you need to allocate funds for your opening

promotion, which is sometimes called promotional capital.

- Operating / Working Capital: This is your business's temporary funds, It is the money you use to support the businesses day to day operations, such as salaries, office supplies, utility expenses and so on.

- Growth / Reserve Capital: This is the money you need, as an existing business, in order to expand or change the primary direction of the business, as well as to cover your own personal living expenses.

Notes

When you are trying to figure out how much money you need to get started, you need to forecast the sales volume you expect to reach during your initial year

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of doing business. This forecast will help you determine your overall capital requirements. Make your forecast as accurate as possible and make sure its a fair appraisal of what you anticipate sales will actually total.

* Forecasting is not a science. Its a guess/projection.

* Projected sales volume and any information you can secure from trade associations and competitors (such as market potential and market factors), you can project other information, such as operating expenses, size of the facility required, and miscellaneous overhead expenses.

- Market Potential is the total sales volume that all companies can project to sell during a period of time

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in an industry under normal situations. Market factors are in some way related to demand for the product (e.g., birth rate could be related to the demand for baby cribs.).

RULES AND REGULATIONS:

a) Export licensing: An export is any item that is sent from one country to a foreign destination. Export licensing is a basic and important first step in the exporting process. Initially, it may appear complex & confusing, but in the vast majority of cases its very simple and straightforward process. There are two catagories a product can fall into (USA):

- No License Required: The vast majority of items exported from the US do not require a validated export license.
- Validated export license required

- www.bis.doc
- www.gpo.gov/bis.
- www.export.gov
- www.epa.gov

⇒ CUSTOMS BENEFITS AVAILABLE :

- Drawback of customs duties :

Drawback is a form of tax reduction in which duties collected on imported goods are refunded to the importer, if these goods are exported from the USA. The refund is on all duties paid on the imported goods, less 1 percent to cover customs costs.

- US Foreign Trade Zones (FTZ's) :

FTZ's are sites in the USA that are considered outside the US for customs purposes. As long as the goods remain in the FTZ, they are subject to payment of any customs duties. While in the zone, the goods may or may

not be processed; after the goods leave the zone; they are subject to duties. If the goods are exported out of the country, no duty payments are reqd.

- www.ia.ita.doc.gov/FTZPAGE/letters/ftzlist.html.

- <u>Bonded warehouses</u>: These are public warehouses, under the supervision of the US Customs service, which are located in many different places around the US. Goods can be stored in them with no assessment of duties, but after the goods are released, they are subject to Customs duties.

Notes

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The difference between a bonded warehouse and an FTZ is that bonded ~~wareh~~ warehouses are simply used to store goods prior to exporting them, whereas an FTZ is a place where the goods not only can be stored but also can undergo some manufacturing process. Bonded ~~wareh~~ warehouses are privately owned.

- www.cbp.gov/linkhandler/cgov/toolbox/publications/trade/bond_warehouses.ctt/bonded_20wh2.doc

- www.usitc.gov/tata/hts/bychapter/index.htm.

Notes

ORGANISING FOR IMPORT/EXPORT OPERATIONS:

A) Selecting a Company Name:

When deciding on a business name, focus on the product or service that you will be selling and your intended customer. You may want to include words like international, trading, import export, or global in your name.

i) The name should suggest something about the company, its products or services.

ii) The name should be easy to spell and pronounce.

iii) The name should be capable of registration. (USPTO).

Notes

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B) Choosing a Form of Organisation:

a) Sole Proprietorship:

b) Partnership: ~~As~~ A standard partnership agreement should include the following:

- The name of the partnership
- The purpose of the business
- The domicile of the business (where the business will be located)
- The duration of the partnership (how long the agreement will be in effect)
- Names of all partners & their legal addresses.
- Performance requirements of the partners (a statement of each partner's individual management role and duty).
- Contributions of each partner to the business: this includes each partner's investment in

the business. You may also want to include ~~each~~ contributions such as experience and sales contact.

- An agreement as to how the profits or losses of the partnership will be distributed.
- An agreement on how the salaries or drawing rights against profits for each partner (how much money each partner will take from the business as a salary).
- An agreement as to how the partnership ~~wo~~ might expand through the addition of a new partner.
- How the assets of the partnership will be distributed if the partners agree to dissolve the partnership.
- what steps would be reqd. if a partner wanted to sell his interest in the partnership

Notes

- what happens if one of the partners is absent or disabled.
- what ~~prod~~ procedures ~~to~~ will be necessary to alter or modify the partnership agreement.

In a partnership ~~each~~ a person can be classified as either a general partner or a limited partner. Each partnership agreement must have at least one general partner who has ~~un~~ unlimited personal liability and plays an active role in the management of the business. A limited partner has limited liability and can only lose the amount of money she ~~said~~ has invested

Notes There is no restriction as to the number of limited partners, but they cannot play an active role in the management of the business.

c) Corporations :

www.statelocalgov.net/50states-secretary-state.com

d) S Corporation : An S corporation is a special form of corporation that allows the earnings of the corporation to be taxed only as individual income rather than as the corporation itself. Additionally, it also preserves the right of owness to enjoy the advantage of limited liability.

e) Limited Liability Companies :

A limited liability company (LLC) brings together two benefits that can be valuable to many business owness.

i) Limited Liability : The members of an LLC enjoy the same limits on their personal liability as a

corporate shareholder does. They aren't personally liable for the company's debts.

vi, Pass through taxations: The business entity itself pays no federal income tax. Instead, just like a partner or sole proprietorship each member of an LLC simply pays tax on his share of the profits or uses his share of the losses to offset other income.

An LLC is very similar to an S corporation. The significant advantage of an LLC is flexibility. An LLC permits its members to divide income (or losses) as they see fit, and the allocations don't have to be based on percentages of ownerships as they are with an Scorporation.

→ SETTING UP YOUR BUSINESS:

i, Registering your business.
ii, Opening a bank account.
iii, Selecting an Office Location.
- try securing a P.O. Box No. which provides a professional image for your business.
iv, Getting Connected.
a) Telephone. (You can use a distinctive ringing service provided by many telephone companies. In the latter, you have one phone line, but the phone company provides you with two phone numbers, each of which has a different ringing pattern so you can tell which phone line is ringing before you answer the call.

Notes

b) Internet & E-mail:

c) Website * (optional): things to consider:

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i, What is the purpose of the site? To make a sale? To inform someone about your business?

ii, What information ~~with~~ will you provide to gain visitor's attention? The information must be something that they want, and ~~as~~ it must be provided in a manner that's easy for them to follow.

iii, What is the message of the site? You may want to show the visitor that you have the experience and knowledge to be able to sell or represent his products. Or you may want to show off a product or service that you are trying to sell.

iv, Who are you attempting to reach out with your message? You have to know your

Saturday 9 | Sunday 10

target audience so that you can design the site to meet their ~~meets~~. needs.

- www.commarts.com
- www.coolhomepages.com
- www.pageresource.com
- www.webpagesthatsuck.com
- www.webstyleguide.com.

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→ PART-II

- Choosing whether to be a generalist or a specialist:

The key to success is to identify your niche or area of specialisation. Most individuals starting an import/export business stand a better chance of succeeding if they specialize in a particular area instead of trying to make it as a generalist.

* Say you are interested in being an exporter, and you have a contact in another country. You call the contact and say one of the following:

Notes

- Three E's of Product Selection:

when you're selecting a product you need to be personally and emotionally committed to its success. Begin the selection process by asking yourself the following questions:

i) Do you like the product that you are planning to offer for sale? If you don't like it you'll have a hard time selling it.

ii) Can you see yourself getting excited about it?

iii) would you buy and use it yourself?

iv) would you sell this product to your immediate family member or friend?

v) Who would you be selling this product to? who would be your target market?

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vi, what are the product's advantages and disadvantages as compared to similar product in the market?

- Identifying Countries that have what you need:
  - www.state.gov/r/pa/ei/bgn.
  - www.buyusainfo.net/adsearch.cfm?search_type=int&loadnav=no.

As you make and narrow down your list of countries that have the product you are importing, consider the following:

a) Labor Costs: Wage rates in many developing countries are lower, which means you will be able to sources goods at lower costs.

b) Exchange Rates: ~~Exp~~ Exchange rates fluctuate ~~by~~ but importing is most favorable when a currency is strong.

c) Transportation Costs: These costs include shipment of the cargo from the overseas factory to the point of shipment, loading costs onto the vessel, overseas shipping unloading, customs, and inland freight to the destination.

d) whether the country has a preferential trade agreement with the US.

e) whether the country places any restriction ~~with~~ on the import from that country.

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f) Your familiarity with the country.
g) Your understanding of the local language.
h) level of development
i) location of the supplier.
j) Existing trade with the US.

If the govt. is ~~so~~ more interested in promoting exports, information on imports is not readily available, and you have to rely on direct contact with foreign governments or go through embassies, consulates, foreign chamber of commerce and foreign trade commission offices.

Finding Overseas Suppliers:

Notes

Suppliers have the power to make or break you.

Before finalizing an agreement to purchase, spend time evaluating the potential supplier. Check the supplier's reputation, reliability and financial status. Ask for references of other companies that the supplier has done business with in the US. and contact them to confirm quality and reliability.

- Subscribing to trade publications:

i) Global Sources: If you're interested in finding suppliers from the far east - Burma, Cambodia, China, Hong Kong, Indonesia, Japan, Laos, Macau, Malaysia, philippines, Singapore, South Korea, Taiwan, Thailand, or Vietnam.

This is a monthly publication.
— www.globalsources.com

(ii) Asian Products.com : offers a group of catalogs providing information on where to buy a wide selection of industry-specific products.

— www.asianproducts.com/service/printing_media.php.

(iii) Trade Channel Online and Trade Channel Consumer Products International magazine :
www.tradechannel.com

(iv) Exim Info.org.

(v) kompass.com. (B2B search engine)

(vi) Made-in.com

(vii) Alibaba.com

(viii) Hong kong Trade Development Council
www.sourcing.tdctrade.com

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(ix) UPS and WAND:

www.ups.com/content/us/en/resources/advisor/expand/customers_suppliers.html

www.wand.com.

(x) World Network of Chambers of Commerce:

www.worldchambers.com.

(xi) Attending a trade show:

www.foreign-trade.com/exhibit.htm

(xii) Contacting Foreign Governments:

International trade is complicated by numerous restrictions, licensing requirements, trade barriers, and regulations of other countries. Because these regulations can affect trade with these countries, "consular offices" (where representatives of a foreign government represent the legal interests of their nationals) are responsible for providing information on entering

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the country and consignment or shipment of goods. They can even give you suggestions on consumer needs and preferences.

The office of the Chief of Protocol publishes a complete listing of the foreign consular offices in the United States.

- www.state.gov/s/cpr/rls.

Requesting Product Samples:

After you've identified potential suppliers and specific products, you may feel like your work is done. But before you buy anything, you need to request product samples. You can use these samples to verify the product's quality, as well as to make presentations to prospective customers. Product samples can also be used ~~to~~ in identifying the

designated Harmonized Tariff Classification code and are reqd. in a request for a binding ruling.

Finally, if you ~~need~~ decide to make a purchase, and you decide that you want to have the product inspected by an independent inspection company (because you can't visit the country and inspect the goods yourself).. ~~and~~

- www.sgs.com (world's leading inspection company).

SGS inspects and verifies the quantity, weight, and quality of traded goods.

Notes

- Agreement with your Overseas Supplier: Your contract should make all aspects of the trading process - what will happen, when it will happen, and exactly what each party is responsible for at each stage - as clear as possible. Take note of the following:

i) The products: You must specify what goods you're buying being sure to note the exact specifications with which the products must comply.

ii) Sales Targets: This includes how much you're ordering and the frequency of shipments.

iii) Territory : You need to spell out the territory in which the distributor (importer) may sell and whether the distributor (importer) will have exclusivity there.

iv) Price : How much will you pay? In which currency? At what exchange rate?

v) Payment Terms: You need to specify when and how payments will be made. e.g., will the terms be letter of credit, sight draft, open account, 30 days or consignment.

vi) Shipping Terms : Specify who is exactly responsible for shipping costs, duties, and customs-related formalities. Use

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internationally accepted INCOTERMS such as FOB, FAS, C&F, CIF, and so on.

viii, Level of Effort Reqd. of the Importer: How hard must you work to sell ~~the~~ products? This entails a minimum order committment and long-term order committements. Basically, the supplier wants to make sure you're not going to place one order and then bail on his product if it doesn't work out.

ix) Delivery: How will the goods be transported to you?

x) Insurance: Be clear about who bears what risks — for example, loss or damage — at each stage of the process.

xi) Sales promotion & Advertising: Who will do it? Who will pay for it? How much will be invested in it?

xii) Warranties & Service: How will defective or unsold products be handled?

xiii) Order Lead Time: Include the procedures that would be implemented if a dispute were to arise — for example if one party's error causes delays or losses for the other.

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(xiv) Trademarks, Copyrights and Patents:
If applicable, who will register and in whose name will it be?

(xv) Provision for settlement of disputes:
If there is a dispute, ~~those~~ where will legal proceedings be heard?

(xvi) Provision for termination of the agreement: If you negotiated an agreement for a particular territory, and you aren't happy with the product and want to discontinue that ~~relationshi~~ relationship and find a new supplier, you need to know how to get out of the agreement.
(Appendix C for agreement samples)

Notes

(xvii) Finding U.S. suppliers for your Exports:

a) Thomas Register: Comprehensive directory of American manufacturers and distributors.

- www.thomasnet.com
- www.wand.com

b) Industry Trade Directories:

i) Encyclopaedia of Business Information Sources. (GALE Research Company)

ii) Business Reference Service, Library of Congress.

- www.loc.gov/rr/business (click on Internet Resources)
- www.loc.gov/rr/business/beonline/subjectlist.php.

(iii) The Directory of the US Exporters & Importers:

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Drafting an International Sales Agreement:

(1) Distributor or Sales Agent.

For Distributor:

a) Territory and Exclusivity: The agreement should specify the countries in which you will be allowed to sell the goods. The supplier can set limits on where you may be able to sell.

b) Pricing: What price the supplier will charge? The terms and conditions of sale and what the method of payment will be.

c) Minimum Purchase Quantities:

In most distributor agreements, the supplier will expect a committment for a

significant quantity to be purchased, so prior to a distributor providing an exclusive arrangement in a territory, a provision for minimum purchase quantities will be included in the distributor agreement.

d) <u>Restrictions on handling competing products</u>: Normally, a supplier in a distributor agreement will want to include a provision where the appointed distributor will not handle competing products. This is especially true if the supplier grants an exclusive right of distribution.

e) <u>Effective date</u>: The agreement should specify the date it will become effective, as well as the expected duration of the agreement and the procedures for ~~modify~~ modifying, extending or terminating

the agreement.

(f) Use of Trade names, trademarks and copyrights, including registration

(g) ~~warranties and product liability~~ the agreement should specify how defective or unsold products will be handled. It should also clarify the responsibilities concerning product liability insurance.

- For Sales Agent:

(i) Commissions: A sales agent is paid a commission for his efforts in soliciting orders that are accepted by the supplier. Generally, commissions are paid only when the supplier receives payment from the ultimate customer.

(ii) Prices: Because there is no sale directly between the supplier and the agent, the supplier usually requires that

Tuesday 5 March

the agent quote only agreed-upon prices.
(Check Appendix C for draft).

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March

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PART - III

Identify your Target Market & Finding Customers :-

- CH - 08 : Looking at Marketing

• **Market :** A market is a particular group of people who have a need for a product, along with the authority, willingness and desire to spend money on the product.

- Consumer Market
- B2B Market

• **Marketing :** Steps -

i, Transform the idea into product.
ii, Price the product.
iii, Promote the product.
iv, Select the place where you're going to put the product so that it can end up in the hands of the end user.

Notes

→ Identifying your Target Market:
more specific group of customers than those found in the market as a whole.

i, Research the market: Identifying the market followed by the needs of the market, and customer expectations, as well as finding out what current and potential customers are doing.

ii, Segment the Market: Identifying groups within groups. You need to find groups of customers within a general market who have different wants and needs, identify the characteristics that distinguish one segment from another. and identify how current suppliers are satisfying the needs of these segments.

Notes

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iii, Explore Buyer Behavior: This involves determining what factors influence the way the market behaves when making decisions about what, where, when, from whom, how often, & most important why to buy the product.

- www.gallup.com
- www.~~acnc~~acnielsen.com
- www.fuld.com/fuld-bin/fowk?fuld.i3.home)
- www.house.gov/govsites.html.

CH-9: Researching Export Markets

→ A step-by-step approach to export Market Research:

Notes

d, Screening your potential markets:

A) Step 1 : Focus on needs. A logical first step is to conduct an initial screening based on need. A need is a lack of something. If a market doesn't need your product, no effort on your part will allow you to successfully market goods in that country. Try locating statistics on current products exports to the countries you're considering. To get export statistics, check out the following:

a) International Trade Administration:
www.ita.doc.gov

b) US exports of Merchandise Reports:
www.stat-usa.gov

c) US international Trade in Goods & Services Report
www.census.gov/foreign-trade/www/press.html.

d) Foreign Trade Report:
www.commerce.gov/services/index.htm

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~~www.~~

e) USA Trade Online :
www.usatradeonline.gov
www.gpoaccess.gov/libraries.html.

Step-2

B) Narrow the list of Countries :
Narrow the list of countries by identifying five or so of the fastest growing markets for your product. Determine whether this growth has been consistent over the past few years.

Step-3

c) Develop a Secondary List : Not as large as your top-five but they may provide opportunities for future growth. If an emerging market is beginning to open up, you may find the number of competitors less than you may find in established countries.

Step-4

D) Narrow the list to the most promising markets: Narrow the list to what you consider the most promising markets.

(2) Assessing your Target Markets:

A) Step-1: Focus on financial and Economic forces - Your first step is to look at factors such as trends in inflation rates, exchange rates, balance of payments, and interest rates. Credit availability and the paying habits of customers are other factors to consider.

Step-2

B) Pay attention to Political & Legal forces: Next you need to look at elements such as entry barriers to the market, exchange rate controls, & other

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barriers such as political instability, tax laws, safety standards price controls & so on.

- www.export.~~info~~ gov / logistics / country_tariff_info

- www.export.customsinfo.com

For information on political stability, check out the following

- Political Risk Services
  . www.prsgroup.com

- Business environment Risk Intelligence
  - www.beri.com

c) Step-3: Suss out Socio-Cultural forces.

- www.countryreports.org

D) Step-4: Consider Competitive Forces -

- The number and size of Competitors
- Competitor's marketing strategies relating to promotion, pricing and distribution
- The quality levels of competitors products
- Whether competitors products are imported or locally produced.
- The extent to which competitor's cover the market.

• www.export.gov/tradedata/exp_tda_trade_analysis.asp

- www.buyusa.gov/home/us.html

Notes

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3) Online Research Sources:

- www.export.gov
- www.stat-usa.gov
- www.gpoaccess.gov/libraries.html
- www.ntis.gov

CH-10: Researching Import Markets

If you want to succeed as an importer, you need to understand the characteristics of the buyers and the strengths and weaknesses of your competition.

When you're researching the competition, follow these steps:

i) List your key competitors

ii) Rank the competitors according to their overall strength

iii) Identify which of the companies from step 1 is your most vulnerable competitor.

iv) List the competitive changes you anticipate in the future.

v) For each competitor in step 1. identify the following:

a) Its principal competitive strength.

b) Its overall marketing strategies

c) The products it offers and the strengths and weaknesses of those products.

d) How it is selling its products (Is it using its own sales ~~agents~~ force, or ~~empty~~ employing the services of manufacturer's agents?)

e) The market segments its selling to.

f) The form type and amount of advertising or sales promotion it uses.

g) Its pricing approach.

h) Any reason for customer preferences of products from a specific company.

i) whether the competitor poses any specific opportunities or Threats

- www.srds.com
- www.marketresearch.com
- www.tradeshow.globalsources.com
- www.javitscenter.com
- www.biztradeshows.com
- www.tsnn.com
- www.yellowpages.aol.com/merchandise-marts
- www.americasmart.com
- www.californiamarketcenter.com
- www.carolinasmart.com
- www.merchandisemart.com
- www.thecolumbusmarketplace.com
- www.dallasmarketcenter.com
- www.denvermart.com
- www.kcgiftmart.com
- www.lamart.com
- www.miamimart.com
- www.mplsgiftmart.com
- www.newmart.com
- www.230fifthave.com
- www.41madison.com

- www.northeastmarketcenter.com
- www.pacificdesigncenter.com
- www.pacificmarketcenter.com
- www.pghexpomart.com
- www.gcjm.com
- www.225-fifth.com.

CH-11: Making Export Contacts and Finding Customers:

- www.think global.us
- www.export.gov/tradeleads
- www.myexports.com
- www.sba.gov/oit
- www.sidoamerica.org/directory/directory.aspx.

CH-12: Locating Customers for your Imports:

- www.gale.com
- www.forum123.com
- www.csgis.com
- www.maraonline.org
- www.mafsi.org

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PART - IV

COMPLETING THE TRANSACTION: International Trade Procedures and Regulations:

CH-13: Making the Sale: Pricing, Quotes, and Shipping Terms:

- **Pricing Your Exports:** i, When you're trying to penetrate a market for long-term growth, or are you looking for an outlet for excess inventory or outdated products?

- ii, If you're also selling the products locally, what relation will the export price have in relation to the domestic price?

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iii, You need to decide what image you want your product to have relative to your competitors. You can decide to present a high-quality image (which would be reflected in a higher price) or you may want to be seen as a lower-cost alternative (which would be reflected with a lower price.).

iv, Is the price competitive.

v, Will you place a greater emphasis on the profit or the sales volume?

vi, To what extent will changes in prices affect the demand for the product?

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→ Setting the Terms of Sale :

In any sales agreement, you need to provide not only the price but also a corresponding Term of sale. Terms of sale are the conditions of sale that clarify who is responsible for what expenses as the goods move from the seller to the buyer.

As an exporter you need to become familiar with Incoterms, the universal trade terminology developed by the International Chamber of Commerce.

- www.iccbookusa.com

Confusion over terms of sale can often result in either a loss of a sale or a loss on a sale. So make sure you know the meaning of the terms you are using ;

(C&F)

i, Cost & Freight: means that the exporter is responsible for all costs and freight expenses necessary to bring the cargo to the destination named in the shipping term. The importer would then be simply be responsible for any unloading charges, customs clearance fees and inland freight expenses as the cargo moves from the pier to the importer's warehouse. Title (risk of loss or damage) transferred from the exporter to the importer as the goods pass the ships rail in the port of shipment.

ii, Cost, Insurance & Freight: (CIF) is similar to C&F with the exception that the exporter is responsible for procuring marine

cargo insurance against loss or damage as the goods are transported from the point of origin to the point of destination.

iii) Delivery Duty Paid (DDP):

Delivery duty paid, followed by the words naming the importers premises, means that the price includes all expenses as the cargo moves from the seller's factory to the buyer's warehouse. With this term, the exporter bears the full cost and risk involved in moving the cargo from the factory to the destination. This term represents maximum obligation for the exporter.

iv) Exquay: Ex-quay means that the exporter is required to make the goods available

to the importer on the quay (wharf or pier) at the destination named in the sales contract. At that point, title transfers from the exporter to the importer.

V. Ex-works (EXW): The term ex-works means that the exporter's only responsibility is to make the good available at the edge of the loading dock of its facility. For a price quoted using this term, the exporter is not responsible for the loading of the good into a truck provided by the importer, unless doing so is otherwise agreed to. The importer bears the full cost and risk involved in moving the cargo from the

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factory to the destination.
EXW represents the minimum obligation for the exporter.
whenever you provide the EXW term of sales, all expenses in moving the cargo from the point of origin to the destination is the responsibility of the importer. The additional costs could include transportation of the cargo to the point of shipment, loading charges, ocean or air freight charges, unloading at the destination. Customs fees, & inland transportation expenses to the destination. These charges will either go forward and be collected by the carrier at the destination, or they can be additional charges added to the invoice.

vi, Free Alongside Ship: (FAS) Free alongside ship is the term used to indicate that the exporter is responsible for all expenses as the goods are transported from the factory to edge of the ships loading dock. Any expenses beyond that point are the responsibility of the importer.

vii, Free On Board: Under Free Onboard Airport, the exporter is responsible for all expenses in transporting the cargo from the factory to the carrier at the ~~air~~ airport of departure, and risk of loss or damage is transferred from the exporter to the importer when the goods have been delivered to the carrier. Any additional expenses from the airport to the destination

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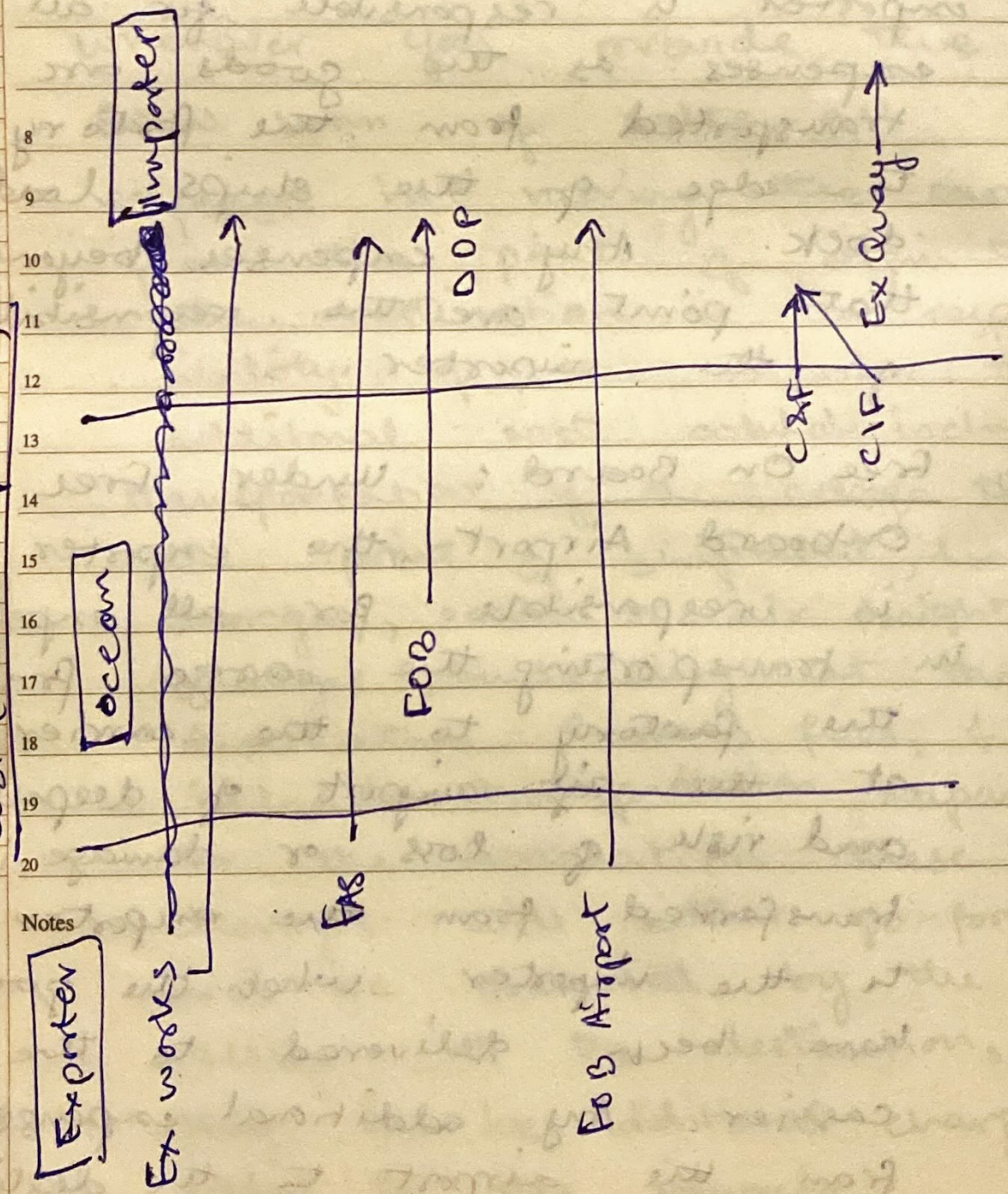
are the responsibility of the importer.



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when quoting a price, make the term meaningful to the importer. e.g., don't quote your price on a product as "Ex ~~Stock~~ Smithtown, New York" which may be meaningless to a prospective foreign buyer. The prospective buyer would ~~pro~~ probably find it difficult to compute the total costs and then may hesitate in placing the order. Whenever possible, quote C&F, because it shows the buyer the cost of getting the product near the destination. To compute the C&F price, you need to know the specific quantities that will be purchased. If that information isn't available, then you should quote using the term FAS or FOB.

* A freight forwarder can provide assistance in computing freight expenses.

- Filling Out the Paperwork: Quotations and pro forma Invoices: Many international inquiries begin with a request for quotation, and the preferred form that an exporter uses to submit a quotation is referred to as a pro-forma invoice. which is a quotation in invoice format. You can see a sample of this invoice at:

- www.unzo.com/basicguide/figure11.html.

Pro forma invoices are used by importers when applying for an import license, arranging for financing, or applying for a letter of credit.

The quotation ~~for~~ on the pro-forma invoice form should include the following:

- Names and Addresses of the exporter (seller) and importer (buyer)
- Any reference numbers
- Listing and description of products.
- Itemized list of prices for each individual item being sold.
- Net and gross shipping weights (using metrics units ~~or~~ when appropriate)
- Any potential discounts
- Destination delivery points
- Terms of Sale
- Terms of Payment

Notes

- Shipping and insurance costs (if reqd)
- Expiration date ~~for~~ the quotation
- Total to be paid by the importer

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- Estimated shipping Date
- Currency of Sale
- Statement certifying that the information found on this pro forma invoice is true and correct
- Statement that provides the country of origin ~~of~~ of the goods.

The proforma invoice must be clearly marked pro forma invoice. If a specific price is being guaranteed, the period during which the offer remains valid must be clearly stated.

* Also, the quotation must clearly state that prices are subject to change without notice.

Notes

CH-14 : Methods of Payment :

- Looking at the main forms of payment and Analysing their risks.

i) **Cash in Advance:** This means that the exporter will receive his money in advance of making the shipment.

ii) **Letter of Credit drawn at sight:** This is a document issued by the importer's bank guaranteeing that the exporter will get paid, just as long as he presents required documents to the bank before an expiration date.

iii) **Time letter of Credit:** This is same as the letter of credit drawn at sight except that the exporter will get the money a certain number of days after the documents have been presented & accepted.

Notes

iv, Bill of Exchange (documentary collections): This is like buying something using cash on delivery (COD) except the importer makes the payment when the reqd. documents are presented, ~~but~~ instead of when the goods are received. There are two types of ~~good~~ bills of exchange:

i, Sight draft documents against payment: The importer pays when the documents are presented.

ii, Sight draft documents against acceptance: The importer makes the payment a certain number of days after he has accepted ~~to~~ documents.

Note, Open Account: With this method, no bank is involved in the transaction. The exporter sends the documents to the importer

and trusts that the importer will send him the money.

v) Consignment: The exporter ships the goods, and the importer only has to remit payment for them after the goods have been sold and the importer gets paid from this customer.

(For details on each type and refer to ebook (P-195 – 211))

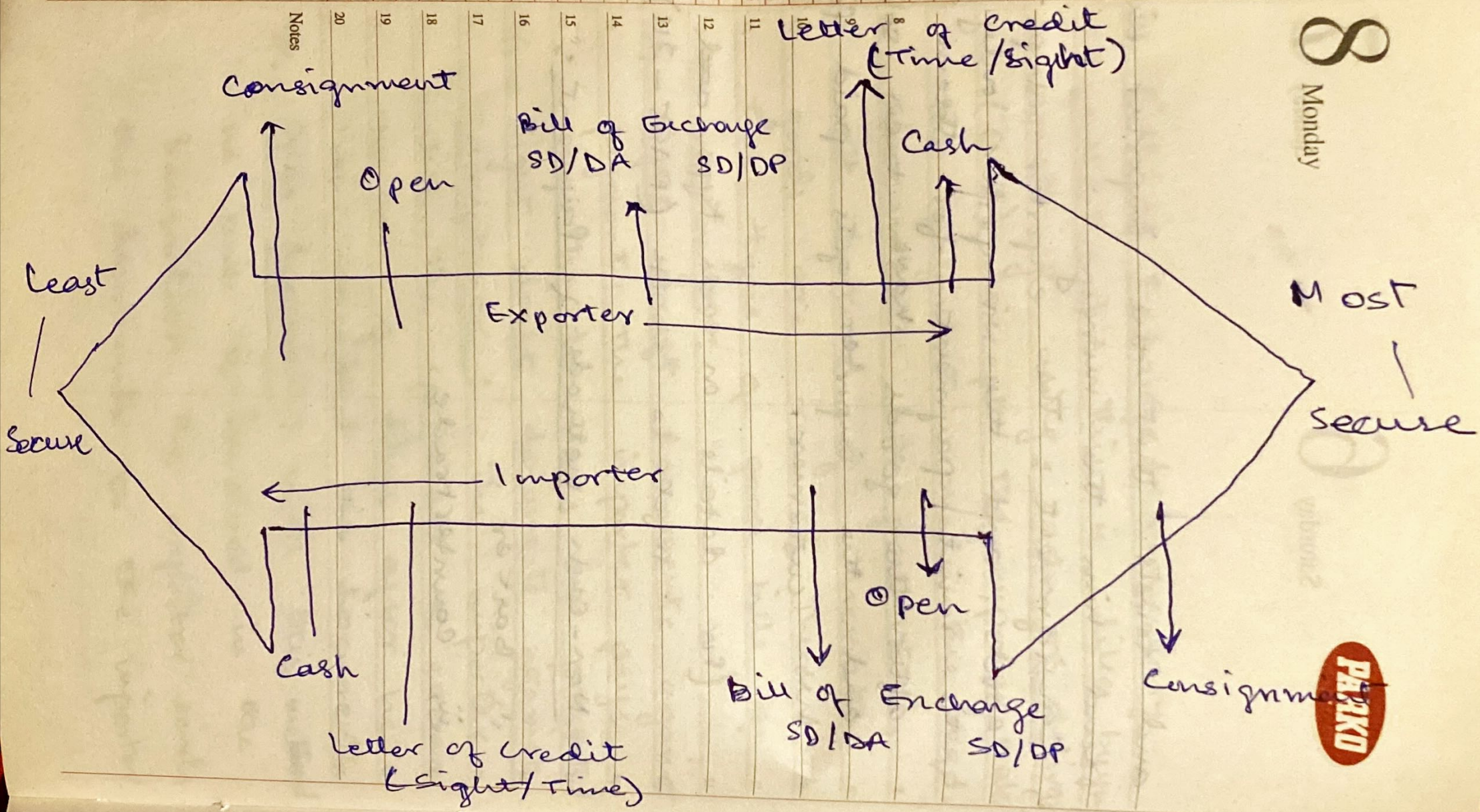
- Non-Cash Methods of Payment:

i) Barter.

ii) Countertrade.

Notes

Relative risk for the main methods of payment



CH-15 : Packing and shipping - with the Right Documentation

- **Recognizing the Benefits of a freight forwarder** : A freight forwarder is an independent company that acts as your agent in moving the cargo from its point of origin (in the US) to its overseas destination. They coordinate the shipment of the goods from the factory, arrange to have the cargo loaded onto the vessel, and process the documentation on the shipment. Especially when you're new to exporting, having a freight forwarder you can trust, helps ease the stress of sending your first shipments overseas.

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- www.iata.org
- www.fmc.gov
- www.export.gov
- www.nvocfaa.org
- www.forwarders.com
- www.freightgate.com/directories/directories.tet
- www.freightnet.com
- www.1800witi.com/links/warehouse/logistics/usa_dis_log.html.

→ Ask your attorney to review the agreement and make any appropriate modifications before you sign it.

Packing and labelling your Shipment:

a) Pack goods in a strong, sealed and filled package when possible

b) If you can, pack and put your goods on pallets to ensure ease of handling

c) Make sure that packages and packing filler are made of moisture resistant materials.

d) Don't list the contents or brand names on the packages - you want to avoid possible pilferage

— The following appear on each carton you ship:

i) Your shipper's mark

ii) Country of origin

iii) Weight Marking

iv) The no. of packages and size of cases.

v) Precaution Markings

vi) Port of Entry.

vii) Labels for hazardous materials

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- Commercial Invoice : A commercial invoice is the first international document that you'll prepare as an exporter.
(sample - Page 221)

- Consular Invoice for Exports :
Consular invoices are normally purchased from the consulate of the country to which the goods are being shipped and usually have to be prepared in the language of that country.

- Shipper's letter of Instructions :

- Bill of lading : A bill of lading is a contract between the owner of the goods (formally the exporter) and the carrier of the goods.

There are two types of bills of lading:

a) A non-negotiable straight bill of lading.

- www.nebs.com

b) A negotiable shipper's order bill of lading.

- Air waybill: The air waybill is a bill of lading for cargo being shipped by air.

- Certificate of Origin:
- Inspection Certificate.
- Dock and warehouse receipt for exports
- Destination control statement for exports.
- Insurance Certificate

- Shipper's export declaration for exports.
- ~~E~~ export license
- Packing list

CH-16: Customs Requirements and the Entry Process.

The bill of lading is reqd. as evidence of ownership of the goods in order to enter them into the US shipments arriving by air use an air waybill instead of a bill of lading.

- Working with a Customs Broker

The fees charged for these services vary according to the Customs broker and the extent of services performed but a general price range would be $75 to $100

- Deciphering the different types of entry:

a) Immediate delivery
b) warehouse entry
c) Foreign Trade Zones
d) Mail Entry

- www.treas.gov/auctions/treasury/qp/

- Entry on Goods:

a) Ad Valorem: An ad valorem rate which is the type of rate most often applied is a percentage of the value of merchandise.

b) Specific: A specific rate is a specified amount per unit of weight or other quantity such as 5.9 ¢ per dozen

c) Compound: A compound rate is a combination of the above two e.g., 0.7 ¢ per kilo plus 10% ad valorem.

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- **Generalized Systems of Preferences:**
  The GSP is a program providing for duty-free status for certain merchandise from less than developed independent and dependent countries and territories.

  - www.usitc.gov/tata/hts/bychapter/index.htm.

- **Identifying Import Quotas:** An import quota is a limit on the amount of merchandise that can be imported (into the US) for a certain period of time.

  Notes (i) Absolute Quotas
  (ii) Tariff Rate Quotas.

- Being Aware of Anti Dumping and Countervailing Duties :

Notes

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PART - V

CH-17 : Ten Keys to becoming a successful Importer (covered mostly in previous sections)

1) Familiarizing Yourself with Import Control and Regulatory Requirements
2) Knowing how to classify your products for Tariffs.
3) Checking to see whether you qualify for Preferential Duty Programs.
4) Researching quota Requirements
5) Checking the reputation of your Foreign Seller
6) Understanding INCOTERMS
7) Analysing your Insurance coverage
8) Knowing what's in the Purchase Contract.
9) Hiring a Customs Broker
10) Staying on top of Recordkeeping

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CH-18: Ten keys to becoming a successful Exporter (covered in previous sections)

(1) Identifying your market

(2) Assessing product potential (www.ts.nist.com/standards/information)

3) Familiarizing yourself with export controls and licensing requirements.

4) ~~Investing~~ Investigating Import controls

5) Understanding U.S. Export laws

6) Making sense of INCOTERMS.

7) Making sure you have the right Insurance Coverage

8) Focusing on Foreign market risk & methods of payments.

9) keeping track of documentation

10) Hiring a freight forwarder

Notes

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PART- VI - Appendices

Appendix - A : Terminology

Appendix - B : Resources

- International Trade Commission Offices (Addresses)

Appendix - C : - Distributor & Agency Agreement Outlines

- International Agency Agreement Outlines

Notes

NOTES ON:

BUILDING AN IMPORT/EXPORT BUSINESS

BY: KENNETH. D. WEISS.

(4th EDITION)

B.G: AUG 27, 2015

E.D: AUG 28, 2015

Notes

CH-01 : YOUR BIG IDEA : Is it any good?

- www.netmba.com
- www.knowthis.com/tutorials/

CH02 : IS THIS BUSINESS FOR YOU?

CH03 : SETTING UP YOUR BUSINESS

a) form of organization
b) Trade Name & Logo
c) Opening a Bank Account
d) setting up your Office space
e) Stationary & Printing
f) Accounting & Taxation
g) Obtaining Financing
- microloans (www.accion.org)
- Bank
- Equity

Notes

CH: 04 – BEGINNIG WITH A BUYER

A small business owner does many things, but usually just one that brings in money: selling. Assuming that the buyer

is honest and financially solvent and wants a product that is available, legal and not too hard to ship, you will be in business.

Everywhere in the world, buyers are more likely to do business with people whom they know and trust. This means the quickest way to be successful is to find someone, in your country or abroad, who will invite you to supply a specific item.

- <u>Finding Buyers as Importers</u>: In business most people start with a product, look to see who might buy it, and then adapt it as necessary to the buyers specifications. I am trying to suggest that you try to work the other way. Find a buyer,

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get his or her specifications, and then look for a product that will meet the buyer's need

- whom do you know technique helps ~~you~~ you find potential customers by guiding you as you think of someone in the US or abroad who could need imported finished goods, parts or ingredients.
- Another technique that can pay off is informal brain-storming with friends.
- You can also visit flea markets, stores and trade show exhibits to get an idea of what kinds of people shop there and the products in which they are interested
- ~~Suppose~~ Visit super markets, shops etc and look to see which items are imported

Notes