Seven Steps to Export Success: Top Considerations Before Reaching Out to International Markets



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Introduction

It was only seven years ago when then-Commerce Secretary Gary Locke told an audience that fewer than 1 percent of all U.S. businesses were exporters, and of those that did, 60 percent sold just to a single country, usually Canada or Mexico. Flash forward to 2017, and thanks to eCommerce and technological innovation, the number of U.S. exporters is on the increase. According to eBay's *U.S. Small Business Global Growth Report*, more than 90 percent of businesses operate via the eBay platform export, with almost 80 percent selling to five or more countries. Further, the report found export-oriented firms grew almost 60 percent faster than companies focused only on sales within the United States.

Stories abound of small- to medium-sized companies that now find themselves thriving in the previously unthinkable world of international commerce:

- *The New York Times* profiled a Homer, Alaska, artist who used to rely solely on tourists to purchase his products and on local retailers to stock up on supplies. But thanks to Amazon.com, including the international network of consumers accessed via Amazon Marketplace, the artist's livelihood has changed dramatically. About 70 percent of his signature "art lamps," made from local beach stones, are now sold through Amazon to U.S. and international customers, the *Times* reported, a figure that was zero less than two years ago.
- Tennessee-based Heritage Glass reopened its 100-year-old manufacturing plant to take advantage of export opportunities. The company, which manufactures patterned glass used in a range of products including table tops and solar panels, was forced to close two years ago due to declining sales. But according to CNBC, the manufacturer "envisions 60 percent to 70 percent of sales eventually coming from such regions as the Philippines, Europe, and South America." Consumers are seeking "fresher experiences and applications in emerging categories, such as head-mounted displays, virtual personal assistant speakers, and wearables."
- Managers at Gelb Music of Redwood City, California, say that global markets "saved" their business, which has been operating since 1939. The retailer began listing its musical instruments and accessories on eBay nine years ago, and today, exports account for 30 percent of sales.

These success stories, however, are not just happenstance. Selling to an international market requires a strong commitment to spend the time and resources required to overcome hurdles, including market research, identifying a local partner, advertising, supply chain reconfiguration, language and cultural issues, and the border clearance process. "The path to exporting is very challenging – especially for small businesses," Jody Milanese, vice president of government affairs for the Small Business Exporters Association, told CNBC.

Gelb Music's eCommerce manager Mike Craig would seem to agree: "When you look at traditionally trying to ship overseas – we didn't understand the laws, and the costs were outrageous," he told CNBC, noting the cost of shipping a single guitar to Australia could exceed $300, before learning about trade programs that helped manage costs.

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"The path to exporting is very challenging – especially for small businesses." –Jody Milanese, vice president of government affairs, Small Business Exporters Association

Source: CNBC

Knowing about potential problems associated with exporting ahead of time and proactive planning are integral to any business's export success. The good news? Potential exporters will find an abundance of resources to help understand and navigate the process, and even help lock-in funding. This includes services available through the federal government, including the U.S. Commercial Service, the Small Business Administration, and trade offices maintained by each state.

As a starting point though, it's important to understand the "top issues" every exporter must address, regardless of size or industry. All exporters, for example, must contend with the customs process and must have a logistics strategy in place to ensure that products will arrive at their international destination on time, as promised to their customers.

The following discussion will highlight seven core issues a business must be prepared to address. Successful exporting is a difficult process, but a business can help itself by understanding the key challenges and having the proper resources in place to build positive and lasting international relationships.

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Do Your Homework: Identify Market Opportunities and Develop an Export Strategy

When Target Corp. announced in 2015 that it was pulling out of the Canadian market – a decision that cost the retailer more than $5.4 billion – Chairman and CEO Brian Cornell summarized the series of missteps that led to the decision: "We missed the mark from the beginning by taking on too much too fast," he said in the company's Bullseye View blog. "Our stores struggled with inventory issues and we were not as sharp on pricing as we should have been, which led to pricing perception issues. As a result, we delivered an experience that didn't meet our guests' expectations, or our own."

Target of course is not alone in having failed to ensure a seamless entry to a foreign market. Fashion retailer J. Crew also hit a few roadblocks when it first began its Canadian operations. Among other things, Canadian customers noticed almost immediately that inventory in its Canadian stores was different from what was available in the U.S., and website offerings were different too. Further, prices for identical items were much steeper in Canada, and Canadian online shoppers were assessed customs charges, which the *Globe and Mail* noted raised final prices to "as much as 50 percent above those at its U.S. stores and on its website." The company eventually apologized to its customers and halted the imposition of customs fees, but a very expensive lesson was learned.

J. Crew's highly anticipated arrival in Canada was met with some initial snags, as Canadian consumers reacted to higher prices and limited inventory offerings.



A third example demonstrates the need to enter into new markets with "eyes wide open" and confidence in international business partners. Caterpillar Inc. learned this the hard way when, in 2013, the maker of industrial equipment attempted to improve its viability in the lucrative Chinese market by entering into a purchase agreement with a Chinese-owned manufacturing partner. It turns out though, unbeknownst to Caterpillar, that the Chinese company was under investigation for multiple accounting issues. As reported by *Forbes India*, "just seven months after closing, Caterpillar announced a stunning $580 million write-down of its asset."

These examples illustrate the critical importance of doing your homework and developing a comprehensive strategy for entering a new market – before launching any initiatives in that market. Failure to do so, in fact, is cited by the U.S. Commercial Service as a top reason U.S. businesses do not succeed in their exporting endeavors.

The U.S. Department of Commerce's *A Basic Guide to Exporting* offers comprehensive information about the export process.



Fortunately, the Commercial Service, which is a division of the U.S. Department of Commerce, makes available numerous resources to potential exporters, including its *A Basic Guide to Exporting* handbook. This publication, which was first published more than 70 years ago, offers step-

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by-step instructions for preparing an export plan. Among other things, the guide suggests an export plan should include "specific objectives, set forth time schedules for implementation, and mark milestones so that the degree of success can be measured and can motivate personnel." Further, the guide suggests, businesses must address a series of questions:

- Which products are selected for export development, and what modifications, if any, must be made to adapt them for overseas markets?
- Is an export license needed?
- Which countries are targeted for sales development?
- In each country, what are the basic customer profiles, and what marketing and distribution channels should be used to reach customers?
- What special challenges pertain to each market (for example, competition, cultural differences, and import and export controls), and what strategy will be used to address them?
- How will your product's export sales price be determined?
- What specific operational steps must be taken and when?
- What will be the time frame for implementing each element of the plan?
- What personnel and company resources will be dedicated to exporting?
- What will be the cost in time and money for each element?
- How will results be evaluated and used to modify the plan?

A similar publication, *Export Business Planner for Your Small Business* is available through the U.S. Small Business Administration. Users can download the document, which includes a series of worksheets that business owners can use to help plan their export strategy.

The Small Business Administration offers an interactive export business planner designed to help businesses create their export strategies.



Regardless of which resources a business chooses to rely upon, a carefully developed plan is essential to any export strategy. Otherwise, a business runs the risk of wasting valuable time and resources reaching out to markets that are ill-suited for its products – or worse, sullying its good reputation with a poorly executed export strategy. As the Target, J. Crew, and Caterpillar examples make clear, when it comes to a smart export strategy, no business is "too big to fail."

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Take Advantage of Federal and State Assistance

With exports of goods contributing $1.5 trillion to the U.S. economy during 2016, and supporting almost 11 million jobs, federal and state governments have a strong interest in helping businesses succeed in international commerce. Trade professionals are available to offer guidance throughout every step of the planning and execution process, including helping to secure necessary funding, opening doors to potential partners and customers, and helping with international regulatory and customs requirements.

Federal Export Resources

In fact, so much government assistance is available – no fewer than 19 federal agencies offer trade-related expertise and assistance – that it can be difficult for a business to know where to start. Following is a brief overview of federal programs that offer the most comprehensive services (keep in mind that this is not a comprehensive list and that additional information about industry-specific assistance is available through the Export.gov website):

export.gov
Helping U.S. Companies Export

Export.gov

Export.gov is the gateway to the trade promotion and export finance programs of the federal government. Administered by the International Trade Administration, businesses can use Export.gov to determine which of the 19 federal agencies involved with exporting can best help with their particular need. In addition, Export.gov offers a wide range of materials and services, including:

- Export basics
- Access to webinars
- Access to country commercial guides, which include detailed market overviews for more than 125 different countries
- Information about export finance programs
- Access to local trade specialists
- Information about trade missions

U.S. COMMERCIAL SERVICE

U.S. Commercial Service

As defined by the government's website, the U.S. Commercial Service (USCS) is the trade promotion arm of the International Trade Administration within the Department of Commerce. "The mission of the USCS is to promote the export of goods and services from the United States, particularly by small- and medium-sized businesses; to represent U.S. business interests internationally; and to help U.S. businesses find qualified international partners." Key services include:

- Online and customized market research
- Assistance in finding qualified international partners by participating in agency trade missions or via its International Buyer Program
- Participation in overseas and domestic trade shows
- Individualized counseling and advocacy
- Personalized services, available for a fee, such as the Gold Key Service, through which Commercial Service specialists

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provide an array of services, including face-to-face meetings between U.S. businesses and potential foreign partners
- Training programs and webinars on subjects including export basics and documentation

The core of the USCS is a network of Export Assistance Centers located across the United States and in more than 80 countries worldwide. Each Export Assistance Center is staffed by professionals from one or more of the following: Small Business Administration, Department of Commerce, Export-Import Bank, and other public and private organizations.



Small Business Administration

The Small Business Administration (SBA) is charged with helping small businesses to grow and succeed, and export promotion is integral to its mission. SBA assistance is available in several ways, including counseling and training, finding international buyers, and exporting finance programs.

In fact, several loan and financing programs are available to qualified businesses, including:

- **Export Express Loan Program:** Offers streamlined financing up to $500,000. It is the simplest export loan product offered by the SBA, with approval typically granted within 36 hours. Any business in operation at least one year that can demonstrate loan proceeds will support export activity is eligible.
- **Export Working Capital Program:** Offers financing up to $5 million as a credit enhancement. This program is delivered through SBA Senior International Credit Officers located in U.S. Export Assistance Centers.
- **International Trade Loan Program:** Offers loan financing for fixed assets and working capital to businesses that plan to start or continue exporting, or that have been adversely affected by competition from imports.

State Export Resources

In addition to extensive assistance available at the federal level, businesses can take advantage of export resources offered through their state government. Most states maintain international trade promotion offices, staffed by experienced trade professionals, that can help businesses navigate the export process.

For example, the state of South Carolina, which exported more than $31 billion worth of goods during 2016, offers extensive assistance to potential exporters, including:

- Trade Missions in which approved companies travel to a specific international market with members of the South Carolina Department of Commerce to meet with prospective distributors, agents, and partners.
- Trade Exhibitions, such as the Paris Air Show, where state businesses involved with a particular industry have an opportunity to promote their company at trade shows.
- **South Carolina Export Development Services.** A division of the state Department of Commerce, Export Development Services works with companies of all sizes to assist in identifying export opportunities throughout the world.

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- **South Carolina District Export Council.** Assists South Carolina businesses interested in exporting, with particular emphasis on small- and medium-sized exporters. The Council is a private sector organization, although Council members are appointed by the U.S. Secretary of Commerce.
- **South Carolina Department of Agriculture.** The department's Marketing and Promotion Division works to help identify customers – both U.S.-based and international – for South Carolina's important agriculture industry.
- **South Carolina Forestry Commission.** The department's Economic Development division offers assistance in promoting trade opportunities for South Carolina's wood products industry.
- **World Trade Center South Carolina.** Business-led and business-financed group that works to assist businesses in identifying import and/or export opportunities.

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Similar resources are offered by other state governments. Important to note is that the overwhelming majority of businesses that make up any given state's export base are small- and medium-sized enterprises (SMEs). In South Carolina, for example, 85 percent of exporting businesses are SMEs.

The bottom line is that regardless of where a business is located, what product it manufactures, or how big or small it might be, there is assistance available. Government at both the federal and state level has a stake in growing U.S. export volume and in providing the tools to help make that happen. The assistance is there for the taking, a business only need ask.

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It's Still All About the Customer Experience

U.S. retailers – especially those that sell directly to consumers via eCommerce – are keenly aware of the critical need to deliver a top-notch "customer experience." This means accommodating consumers' exacting demands for every aspect of the shopping experience, including website functionality, product selection, price, terms of delivery, premium customer service, and a hassle-free returns policy. In today's omnichannel marketplace, customers are firmly in charge and expect a say in virtually all aspects of the retail transaction, and savvy retailers are paying attention.

Well guess what? International consumers share many of those same expectations, even if a shipment needs to cross an international border before arriving at its final destination.

International consumers have similar expectations as U.S. consumers for fast, on-time deliveries.



Research conducted by the International Post Corporation (IPC), comprised of national postal services from North America (including the United States and Canada), Europe, and the Asia-Pacific region, found strong demand among consumers for free shipping and returns, order tracking, and the ability to choose a specific delivery date.

"In comparison to the previous year, consumer expectations have changed," IPC Chief Executive Officer Holger Winklbauer wrote in the survey's executive summary. "They are increasingly demanding greater visibility, increased reliability, more delivery options and all of these for a reduced delivery cost." Among the key findings of the survey, which included 24,000 consumers across 26 countries:

- **Payment Options.** PayPal, or an equivalent service, was the preferred payment option of 41 percent of overall consumers, followed by credit cards, preferred by 33 percent of consumers. PayPal was most popular in Germany (68%), Australia (64%), Spain (62%), and Italy (61%), and least popular in Japan (5%).

- **Delivery Choices.** The survey asked respondents about delivery-related expectations when shopping with an online retailer and also with regard to expectations for the online retailer's delivery company.

  - Most important expectations of an online retailer include:
    - Clear information about delivery charges – 92 percent
    - Simple and reliable returns process – 88 percent
    - Free delivery on purchases over a set value – 86 percent
    - Free returns – 86 percent
    - Rapid response customer service – 83 percent
    - Landed cost calculator at checkout – 79 percent
  - And with regard to expectations for a delivery company:
    - Receiving delivery on time – 82 percent

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- Full visibility into delivery process – 82 percent
- Electronic notification of delivery – 82 percent
- Possibility to select delivery location – 79 percent

- **Delivery Speed.** Retailers understand consumer expectations for rapid deliveries to consumers located in the same country, but what about expectations for shipments that need to cross an international border, including possibly an ocean? The IPC research found limited patience for the added hurdles an international shipment must clear.
  - **U.S. and Canada.** Almost half of the survey respondents expect to have their cross-border shipment within 4-5 days.
  - **Intra-European shipments.** Almost 60 percent of European consumers expect delivery from another European country within 2-3 days. But for shipments coming from Asia, consumers would wait a maximum of 6-7 days.
  - **Australia/New Zealand.** Half of the consumers in Australia and New Zealand expect shipments traveling between the two countries to arrive within 4-5 days.
  - **China/Japan.** Almost 40 percent of consumers expect shipments traveling between China and Japan to arrive within 4-5 days, with an additional 30 percent willing to wait 6-7 days.
- **Last-Mile Services.** U.S. retailers and businesses commit roughly 28 percent of all transportation spending to last-mile services. Last mile refers to the final leg of a transit journey, when the delivery is actually made. In recent years, last mile has become a critical battleground, as retailers seek to differentiate themselves with better, faster, and more innovative last-mile options.

Prioritization of last-mile services is not unique to U.S. consumers. As a result, exporters must take care to understand customer preferences in each country and find ways to meet those expectations. Critical last-mile considerations include:

- **Delivery Locations.** While the IPC research found an overwhelming preference across all countries for delivery to consumers' homes, there were some notable exceptions:
  - Post office was the preferred delivery location in Norway (50 percent), Iceland (41 percent), and Sweden and Finland (both 35 percent).
  - Delivery to the workplace was preferred by 14% of Portuguese consumers.
  - Parcel locker deliveries were mentioned most by consumers in Finland and Denmark.
  - Retail outlet deliveries were preferred by 11 percent of French consumers and 10 percent of Belgium consumers.
- **Cultural Considerations.** U.S. exporters must also be aware of cultural factors when shipping to international customers, including:
  - **Language.** Care must be exercised to ensure that labels and packaging are written in the end-consumer's local language. A package arriving in Germany addressed in English will undoubtedly be delayed until a proper translation can be made.
  - **Labeling Requirements.** Similarly, a retailer must ensure its product meets all local labeling and packaging requirements. In Québec, for example, where French is the official language, a retailer must follow the "Charter of the French Language," which mandates that all product containers and wrappings, and all documents accompanying a product (directions, warranties), must be in French, with accompanying translations in other languages permitted.
  - **Currency/Weight Standards.** Consideration must also be given to currency conversions and standards of measurement. Most of the world uses the metric system, so a U.S. business will need to ensure that all weights and package specifications are listed in metric measurements. Similarly, a website must list all pricing in local currency and accept local currency payment.
- **Landed Price.** Few things will outrage an international consumer more than being presented with an unexpected invoice at the time of delivery for customs fees and taxes. Consumers assume these charges are included at the time of sale, and in many instances, they will either refuse to accept delivery of the shipment or will pay the extra costs but never return to the offending retailer again. A retailer must take steps to ensure that, for every country in which it operates, a

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process is in place so the retailer can charge a landed price – inclusive of all duties, taxes, and brokerage fees – at time of payment.

In Canada, for example, a U.S. business can register with the Revenue Canada agency as a "non-resident importer (NRI)." Having NRI status allows a U.S. business to act as an importer of record, meaning the U.S. business can clear goods into Canada and collect all taxes at time of purchase.

- **Consumer Returns.** Retailers selling to international markets must prepare for the inevitable flow of product returns with a hassle-free and efficient returns policy. This includes a process for allowing consumers to easily send back a product or, if possible, return it to a brick-and-mortar store. In addition, a process must be in place to quickly resolve the reason for the return, including issuance of a replacement or credit, and a way for consumers to track the status of their return throughout the entire process.

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Don't Underestimate the Customs Process

Every international shipment must meet U.S. export requirements as well as the import mandates of the country to which it is headed. The customs clearance process is unavoidable and, if not handled properly, can result in significant delays, fines, and even clearance denials.

The clearance process is also time-consuming and confusing, which is why most businesses choose to enlist a customs broker or experienced logistics provider to manage the process on their behalf. An experienced third party will know precisely what paperwork and documents will be required, including necessary invoices, shipping manifests, and certificates of origin. In addition, a third party will understand all filing processes, including new requirements for all data to be provided electronically and in advance of a shipment's arrival.

An experienced third party can manage the customs clearance process on an exporter's behalf.



An experienced third party can manage the process on a business's behalf, ensuring compliance and alleviating the need to dedicate personnel to this highly technical function.

However, ultimate responsibility for the customs process rests with the shipper. This means an exporter will still need a basic understanding of the clearance process, especially regarding the mistakes most commonly made, which include:

Failure to Determine Eligibility for Export. For some U.S. businesses, problems with the customs process begin with a failure to determine if goods are even eligible for export. Most goods are, but a business needs to be certain that its products do not require an export license or permit and are not subject to special compliance procedures or an outright export prohibition.

The most expedient way to determine eligibility is to check with the U.S. government agency that has export control over the product in question. These agencies – known as "other government departments (OGD)" – include the U.S. Fish and Wildlife Service; Department of State; Bureau of Industry and Security; Bureau of Alcohol, Tobacco and Firearms; and the Nuclear Regulatory Commission; among several others. The U.S. Customs and Border Protection agency (CBP) enforces export regulations on their behalf, and an exporter has responsibility for determining if its product falls under the regulatory control of any OGD and to take steps – usually by obtaining a permit – to ensure compliance.

Similarly, a business needs to determine if its product is included on the Commerce Control List (CCL). Maintained by the Department of Commerce, the Commerce Control List includes products that require a special export license or that may be banned from exportation.In general, items on the CCL are considered "dual-use goods," which have both military and civilian purposes. This can include computers, software, vehicles, aircraft parts, and even pathogens.

Again, while the vast majority of exports do not require additional scrutiny by the U.S. government, an exporter must err on the side of caution and take steps to ensure that its products are eligible for exportation and that all necessary permits and documentation are in order.

Incomplete Documentation and Missing Paperwork. CResearch by Peerless Media found that 63 percent of respondents have had shipments delayed at the border, and

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47 percent of the time, the delay was due to incomplete or missing paperwork. Further, delays are taking a toll, with one survey respondent noting: "Delays at the border have increased our costs by driving up man-hours and payroll due to service disruptions."

Most paperwork and documentation delays can be avoided. Common sense says that a customs form should be completed in full, so the question then is why would anyone submit a form with missing information? In some instances, information is omitted simply because of an oversight. Other times, the individual completing the form may not have the required information or understand what is being requested.

The bottom line is incomplete documentation and missing paperwork are top reasons for shipment delays, which is why most businesses entrust the compliance process to an experienced third party.

Improper Tariff Classification. Every product crossing an international border must bear a tariff classification code, based on a "library" of international codes known as the Harmonized Commodity Description and Coding System (HS). Tariff classifications are used to assess tariff rates as well as eligibility for free trade agreement benefits. With the HS system in place, international traders all use the same codes, which ensures uniformity, regardless of the countries involved. In other words, a shipment of steering wheels arriving in the United States would bear the same HS code as a similar shipment arriving in Germany, China, or anywhere else.

The HS system provides a listing of six-digit identification codes for each product category. Countries have the flexibility to add additional coding numbers, based on their specific purposes. In the U.S., for example, imports must bear a 10-digit code as found in the Harmonized Tariff Schedule of the United States (HTS), which is maintained by the U.S. International Trade Commission. In Canada, products must also bear a 10-digit Customs Tariff code.

Selecting the proper code can be tricky, though, since code determinations can vary based on slight product variations. But, since each code carries a different tariff rate, it is very important for the right subheading to be assigned.

For exporters, a 10-digit code must also be assigned, but that code must come from the U.S. Census Bureau's "Schedule B." Schedule B codes are rooted in the HTS but are intended to capture different information and therefore are not identical.

In summary, an exporter is responsible for applying two codes to an international shipment:

- A Schedule B export code, as required by the U.S. Census Bureau
- A tariff classification code, as determined by the country to which the product is being imported

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Agree on Shipping Terms Ahead of Time

International shipping can be exacerbated when the parties involved in the transaction fail to agree on established terms of service. This can be a confusing exercise but is critically important.

Incoterms 2010 is the most recent version of the internationally recognized set of shipping terms, as maintained by the International Chamber of Commerce.



International shipping operates under a uniform set of standards – known as Incoterms – that establish clear expectations and responsibilities between buyers and sellers. "Incoterms" is shorthand for "International Commerce Terms" and are developed and maintained by the International Chamber of Commerce (ICC) located in Paris, France.

Because of Incoterms, buyers and sellers have a clear understanding of what constitutes "delivery," for example, and which party is responsible for unloading a vehicle, who is liable for certain payments, and who has responsibility for customs compliance. This avoids costly mistakes and misunderstandings.

The current list includes 11 specific Incoterms, which are divided into two categories based on mode of transport. For purposes of ground shipments traveling between the United States and Canada, Incoterms choices are generally limited to the three terms commonly referred to as "Arrival Group D." Within this category are the Delivered at Terminal (DAT), Delivered at Place (DAP), and Delivered Duty Paid (DDP) options.

The primary difference between these three terms of service is that a DDP transaction places most responsibility on the shipper, including responsibility for payment of customs, taxes, and brokerage fees. DAT and DAP shipments place these responsibilities on the importer/buyer.

Another option for a U.S./Canada transaction is the Ex Works (EXW) Incoterm, which places nearly full responsibility for the entire transaction on the buyer/importer. Since most businesses do not have the internal resources to manage their international shipping processes, EXW is generally not a viable option.

The choice then really comes down to "duty paid or duty unpaid?" Does it make more sense for a U.S. business to prepay its customers' customs fees and transaction costs at time of purchase, or is it preferable to have the customer pay those costs at time of delivery? Also, under what circumstances is it preferable for a U.S. business's international customer to oversee the importation process, as opposed to having the U.S. business bear responsibility?

Failure to determine shipping terms ahead of time will result in confusion and delays. A shipment arriving at an international border will have to wait – and possibly accrue fines – as the shipping company and shipper work out the details that should have been handled ahead of time.

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An Internal Compliance Program is Essential

U.S. Customs and Border Protection (CBP) has significantly accelerated the number of customs audits in recent years as part of its efforts to strengthen border security by closely monitoring shipments entering and leaving the country.

Faced with the strong likelihood that CBP will make an inquiry, a smart business will proactively plan for that day. For starters, a business should immediately take steps to retain and catalogue all shipment records. Proper recordkeeping is a cornerstone of a good compliance program, with CBP requiring most records be maintained for no less than five years.

The U.S. customs agency has published a list of "best practices" for a company to adopt in developing a compliance process. Those best practices include:

- **Gain commitment from management**
  - Statement from Board of Directors assigning authority and responsibility to an internal customs group
  - Firm statement from senior management to employees that addresses importance of compliance and outlining internal processes
- **State compliance and cost goals**
  - Identify and analyze risks and areas of vulnerability, and develop internal goals to address potential weaknesses
- **Develop formal policies**
  - Develop, implement, and/or modify formal policies and procedures to ensure that management's goals and objectives are met
  - Policies should be written and included in a comprehensive compliance handbook that is updated regularly and disseminated to all employees
- **Establish training programs**
  - Ensure employees receive appropriate training and guidance to effectively discharge their responsibilities
- **Conduct internal control reviews**
  - Conduct periodic process reviews to assess the performance quality of internal controls
- **Create compliance group**
  - Establish a customs group
- **Establish a recordkeeping program**
  - Maintain a recordkeeping system that forms an audit trail from production control through payment to CBP entry
  - Provide supporting documentation for CBP transactions in a timely manner
- **Develop compliance requirements for suppliers**
  - Develop and implement controls to help ensure that CBP requirements are satisfied and documented

Livingston customs brokers estimates a typical audit takes more than a year to complete and roughly 1,000 hours of staff time. This is in addition to fines and other punitive actions that may be levied, should any violations be uncovered.

Clearly, an exporter will want to take the steps necessary to ensure compliance, and try and minimize the likelihood of being selected for an audit.

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Rely on Your Logistics Partner for Proactive Planning and Innovative Solutions

After reading the first six "helpful tips" in this paper, a business interested in exporting might be thinking the process is overwhelming or more trouble than it's worth, which is why this final discussion point might be the most important: with an experienced and innovative logistics partner at your side, the path to exporting becomes a lot easier.

An experienced logistics partner will offer comprehensive management of the entire export process. Today an exporter can look to its logistics provider for seamless international service that ensures efficient, on-time deliveries all over the globe.

But not all logistics providers have the same capabilities. It's important then to shop around, do a lot of research, and make sure a provider has the required skills and services – before signing on the bottom line. Among the capabilities to look for in identifying a top-notch provider:

Flexibility. It used to be that a U.S. exporter had few choices when it came to moving goods across international borders. A transportation company would tell the exporter what its options were, regardless of the shipper's actual needs. Today that has all changed, and in many ways, it's the opposite now. Instead of being given a "one size fits all" solution, an experienced provider will have access to a range of assets from which it can customize a solution. This means a shipment can often travel direct – or near direct – to its final destination without having to endure wasted miles, sit idle waiting for a connection, or pay for premium levels of service that are not warranted.

Technology-Based. Most logistics companies have invested in technology systems, but not all have become "masters" of technology. An industry leader will maximize its technology system – and continually invest in new capabilities – in order to develop increasingly innovative solutions. A technology-based provider will never be satisfied with the status quo and will continually be on the lookout for more efficient solutions. An exporter should ask itself: "When was the last time my logistics provider proactively suggested a more efficient way to move my shipments?" If the answer is unclear, or if the answer is "never," it's probably time to consider a new partner.

Distribution Network. Make sure your provider has a distribution network in place that meets your entire coverage needs. If your supply chain includes suppliers or customers in Asia, for example, make sure your provider offers coverage to the precise locations your shipments need to go. Or if your shipments would benefit from an intermodal air/ground solution, make sure your carrier has access to the right equipment.

Continual Improvement. You will want a partner that constantly monitors your account and looks for new and better service options. Too many logistics partners forget about their customers after the contract is signed, and businesses find themselves locked in to certain service levels, even if a better option becomes available. You want a partner that is invested in your success and offers ongoing recommendations for service improvements.

Customs Expertise. As U.S. businesses continue to seek international opportunities, logistics providers will play an important role in managing the customs process on their behalf. Clearly there is no room for a shipment to be held at the border because of missing documentation or some other mistake. Make certain your logistics partner has a proven track record managing the international customs process. A truly experienced provider will ensure shipments arrive at the border with all documentation pre-filed, with the correct tariff classification assigned, with all duties and taxes paid, and with a determination of any free trade benefit eligibility.

Customer Service. Your logistics provider must take seriously your commitment to your customers and to your international growth plans. A good logistics provider will have staff dedicated to your business, who understands your objectives, and who can advise how best to meet those goals. Equally important, a customer service representative must be easily accessible should something go awry or a last-minute change become necessary.

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Conclusion

In a recent address at a United Nations-sponsored "Small Business Knowledge Summit," U.S. Small Business Administration leader Linda McMahon noted that "businesses that export are less likely to go out of business and more likely to grow faster."

Further, she noted "that's because 96 percent of all the world's consumers and over three-quarters of the world's purchasing power are outside of the United States. Yet right now, only 1 percent of all of America's small businesses are exporters."

When non-exporting businesses are asked why don't you export, answers typically include:

- "I'm afraid I won't get paid by my international customers."
- "The customs process is overwhelming."
- "My business isn't big enough."
- "There isn't a market for my products."
- "I don't know how to get started."

In fact, right now is an ideal time for U.S. businesses to reach out to international markets. There has never been more federal and state assistance available to help, and the global marketplace, including eCommerce, provides unprecedented opportunities. In addition, today's innovative logistics providers can provide comprehensive management of the entire export process, with fast and efficient solutions to deliver goods across the world.

Exporting could be the best thing to ever happen to a business. And with a plethora of resources to help, there's really no good reason not to at least explore the idea. Remember, 96 percent of the world's customers live beyond U.S. borders.

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Purolator. We deliver Canada.

Purolator is the best-kept secret among leading U.S. companies who need reliable, efficient, and cost-effective shipping to Canada. We deliver unsurpassed Canadian expertise because of our Canadian roots, U.S. reach, and exclusive focus on cross-border shipping.

Every day, Purolator delivers more than 1,000,000 packages. With the largest dedicated air fleet and ground network, including hybrid vehicles, and more guaranteed delivery points in Canada than anyone else, we are part of the fifth-largest postal organization in the world.

But size alone doesn't make Purolator different. We also understand that the needs of no two customers are the same. We can design the right mix of proprietary services that will make your shipments to Canada hassle-free at every point in the supply chain.

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