Going global
Going global: A primer for small businesses

From an early age, most Americans are taught about the world as it relates to the individual. First, children learn about families, then their neighborhood, then their city or town, then their state. From there, they learn about other states, the nation as a whole and then the world and its continents and the countries within those continents. This method of teaching is meant to provide both context and perspective in the minds of children, but it ultimately shapes the way we approach travel and business later on in life.

Entrepreneurs and small businesses begin with a narrow focus, selling products or services to specific and limited audiences often strictly on a local scale. While e-commerce sites enable a much larger market opportunity, it’s often not until revenue increases and stabilizes and demand grows that expansion regionally and nationally occurs intentionally. And then, for most small businesses and entrepreneurs the train stops there. But should it?

The Internet, mobile technology and an increasing international demand for goods and services is creating the perfect storm for small business to take the leap from mom and pop shop to global enterprise. After all, the potential of overseas markets – through exporting, importing or outsourcing – remains largely untapped. It’s a fact that 95 percent of customers and 73 percent of the world’s purchasing power lie outside of the U.S. What’s more, as the world’s economies continue to recover from a recession, business growth will continue on an upward trend over the next ten years—87 percent of this growth will occur everywhere BUT the U.S.¹

Moving your business to international markets is no small feat, but it does offer great potential with extraordinary benefits. This Blue Paper® will take a look at these benefits, examine how to determine if your business is ready for expansion and explore the basics of what you need to do to get there. If you want to know how to take your business from Peoria to Peru, keep reading.

Should your business go global?

Let’s start by chatting some more about the specific advantages presented by successfully growing globally, which include:

- Extending the sales life of existing products and services by finding new markets to sell them in

• Reducing your dependence on the markets you have developed in the U.S.
• Evening out destabilizing fluctuations in your markets or demand cycles by tapping markets with different or even countercyclical fluctuations
• Exploiting corporate technology and know-how
• Learning how to compete against foreign companies—a necessary know-how in today’s connected business world

Speaking of connectivity, because of how connected cultures and businesses have become in the digital age, expanding business reach to foreign countries is quickly becoming not just an opportunity, but a necessity in some regards. Even if a business is not fully prepared to go global, by welcoming customers from outside the U.S. (or their perspective county) through targeted, multicultural communications and product packaging, business growth and visibility can be enhanced. As you continue to read this Blue Paper, try and look at global expansion from two angles—the literal (actually opening up shop in a foreign country) and the figurative (expanding your home market to be receptive to foreign buyers, primarily through online tools).

Now, is your business ready or not? Professor Chris Schrage, instructor at the University of Northern Iowa College of Business, shares that there are generally four key indicators that a small to medium enterprise is ready to launch international efforts:

1. **Commitment from management**—Business owners and their key executives are willing to take on the time and financial commitment of moving to a global market. Schrage also warns that business owners should have a healthy comfort level with risk, because expanding markets can be risky.

2. **Experience**—If a business is not successful in its current home market, it’s not likely to do much better elsewhere. While there are always exceptions, plan on being the rule. Don’t undermine your local market to go for an international one.

3. **Adequate cash flow**—Going global is a business investment. As you assess how you will go about entering the global market,
estimate the costs for doing so in a way that allows for such growth but also sustainability.

4. **Capacity and capability**—Businesses entering the global market should be able to cope with increased demand for their products or services, the need for shorter production periods and the ability to modify products, services and marketing efforts to different markets, cultures and languages. Businesses may also need to consider new employees or contractors that can deliver multilingual customer service.

In addition to these indicators, Schrage also recommends asking the following questions to gauge your small business's readiness for a global market³:

Who are your end-users? Are the aspects of their buying behavior, interests, needs, etc. universal or geographically limited?

- Why should users choose your product or service over others?
- What is your company’s competitive advantage—locally and abroad?
- What is the most effective distribution channel for your product—online, wholesale, retail, brokers, etc.?
- What role does a company play in the value chain?
- What value-added activities do you perform?
- What is the overall assessment of the industry and the potential for profit?
- How will you evaluate success or failure?
- How much you can stretch your resources?

The answers to each of these questions, she says, will help you grasp a better sense of the bigger picture and the viability of any plan to dip your toe in international waters. Some of these answers you won’t know or understand until you’ve selected a potential market to move into, but that’s okay. We’ll get there.

**A note from the legal department⁴**

Not ours—yours! One last consideration when deciding whether or not to go global, it’s important to know the ground rules for doing business in another

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country or for processing international business transactions, such as a sale online. Taking your small business international in the literal sense is a complicated process and it’s governed not only by U.S. laws, but the laws of other countries. If you’re considering doing business internationally, be certain to check the basic laws below and seek help from an experienced business law attorney.

First things first: International business and imports and exports
It’s easy to think that importing and exporting are just the opposite sides of the same coin in international trade, but that’s really a dangerous oversimplification.

Exporting is when you send your goods or services to another country. An export license is needed for certain types of goods, including some chemicals, software, electronic devices and computer components. Licenses are issued by various agencies of the U.S. government.

You’re responsible for determining whether you’ll need an export license. The federal government, however, provides a lot of support in this area simply because exporting helps create American jobs and lessens the trade imbalance.

The federal government helps exporters in other ways, as well. For example,

- The National Trade Data Bank can provide you business leads. For example, a Vermont furniture exporter can find leads for furniture buyers in Switzerland, France and Germany.
- The Department of Commerce can point an exporter to services such as export finance and political risk insurance, as well as volumes of government publications on other international trade issues, such as shipping, warehousing and insurance.
- The Export Legal Assistance Network provides lawyers to answer export questions, and the first call is free.

In addition to restrictions imposed by the U.S. government, you need to make sure that the other country will let you send your goods or services into it, as well as whether there are any special rules with respect to your product.

Importing is when you bring goods or services into the U.S. and sell them. For the most part, the U.S. Customs and Border Protection division (more commonly referred to as simply “Customs”) of the Department of Homeland Security enforces the laws on importing. However, permits are often needed
from other government agencies. For example, if you import alcohol you have to satisfy the requirements of the U.S. Bureau of Alcohol, Tobacco and Firearms.

Under the policy of “informed compliance,” you, as the importer, have the burden to learn the rules for bringing in goods. Customs makes the necessary resources available—to a point—and the law requires that the importer take advantage of them. Ignorance of the law—like in all other areas of the law—is no excuse.

Informed compliance boosts the risks that the importer faces, from seizure of goods to potential civil penalties, even criminal liability. Civil penalties for underpayment of customs duties range from two to eight times “loss of revenue,” depending on whether the underpayment was the result of negligence, fraud or some level of liability in between.

You have to pay taxes or “duties” on just about everything you import. Duties vary, depending on where the imports originate. Most favored nations get reduced rates, while others do not, and imports from some other countries are forbidden altogether for political reasons.

**Then, there’s those international contracts**

Contracts for the international sale of goods are not that different from those for selling goods domestically. In the absence of a treaty, foreign countries respect each other’s court decisions, if at all, only as a matter of courtesy. Since contracting parties should anticipate the possibility of disputes, they should include provisions in their contracts controlling things like which country’s law should apply.

Manufacturers typically sell goods overseas through agents and distributors. An agent is usually commission-based, and works essentially as a broker. The manufacturer sets prices and terms. A distributor, on the other hand, actually buys the goods from the manufacturer, and can therefore set its own prices and terms.

Whether you sell your goods internationally through an agent or a distributor (or if you’re the agent or broker), the rights and responsibilities of the parties should be clearly set in writing, including things like:

- The identities of the parties.
- The duration of the agreement. Many countries limit the ability of a party to end an agent or distributor agreement.
• The agent or distributor’s territory.
• The products or services to be sold, and the prices to be charged for them.

Questions you should definitely ask
In addition to the notes above, Lawyers.com® also recommends asking the following questions when discussing global markets with a lawyer, after a specific market has been identified:

• What can happen if I import or export goods without getting the proper authorization?
• Should I hire someone in Mexico to sell the goods that I’m exporting there?
• If someone in Mexico says he or she got hurt by using a product I exported to Mexico, can he or she sue me?

Take some time to learn what you can and can’t do now to prevent a potentially crippling business law nightmare down the road. Then, it’s time to choose your market.

Choosing your market
Also known as market research, on steroids. Before expanding to a global market, small businesses should consider not just if and why, but how. Much like you would conduct research for a business or marketing plan that involves market research and multiple SWOT analyses, so too is the approach for going global.

“The most important thing when considering international expansion of your business is figuring out which country or market is the best fit,” says Steve Strauss, business expert and USA Today columnist.5

Strauss adds that, if exporting, for example, you want a market that will be open and hospitable to what you plan to sell. Or, if looking for a factory to develop a product, you need to consider laws, language, fees and cost of shipping.

Amex® Open Forum blogger, Ann Field, points out that in this stage many small businesses limit expansion options based on relationships with local distributors. Duncan McCampbell, president of McCampbell Global in Minneapolis, says this is not the best idea. “The best way to go about this is to have a method for vetting

countries, choosing one or two, and making a very deliberate effort to find partners in those places.”

With this in mind, here are a few tips from the International Trade Administration for getting started on your research in order to choose the best market:

• Obtain trade statistics that indicate which countries import products similar to yours.

• Perform a thorough review of the available market research reports in the countries and industries in question to determine market openness, common practices, tariffs and taxes, distribution channels and other important considerations.

• Identify five to ten large and fast-growing markets for the firm’s product(s). Analyze them over the past three to five years for market growth in good and bad times.

• Identify some smaller but fast-emerging markets where there may be fewer competitors.

• Target three to five of the most statistically promising markets for further assessment:
  ° Examine consumption and production of competitive products, as well as overall demographic and economic trends in the target country.
  ° Ascertain the sources of competition, including the extent of domestic industry production and the major foreign countries the firm would compete against.
  ° Analyze factors affecting marketing and use of the product in each market, such as end-user sectors, channels of distribution, cultural idiosyncrasies and business practices.
  ° Identify any foreign barriers (tariff or nontariff) for the product being imported into the country and identify any U.S. export controls.
  ° Determine whether your product is price competitive after you’ve figured in packaging, shipping, marketing, sales commissions, taxes and tariffs and other associated costs.

After you’ve selected an international market or, perhaps one or two, you’ll have the foundation to target new consumers or to identify distributors. In the case of identifying distributors, experts like Strauss and Field both agree that travel at this point is necessary.

“We all know that business is about relationships, and that is even truer when it comes to going global. Personal contacts can make all the difference,” says Strauss. “Emails can only take you so far. Websites can be deceiving. That factory in China may not be quite as nice as their pictures indicate. You must meet in person.”

Launching your brand in the global space
After deciding which market to move into and figuring out the logistics of expanding your business globally, it’s time to consider how to market on that international level. There are many things to consider, including language barriers, websites, culturally conscious design and more.

Take a look at these tips from Web localization company, Acclara, to get started:

Top 10 tips for your international brand launch

1. Research the markets that hold the most potential for your brand. Seem obvious enough? Maybe— but it’s easy to take for granted that the fastest growing economies such as India and China are a sure bet for your brand. A little research may indicate that Eastern Europe would be more fertile ground for your initial launch. Surveys are an excellent way to get a pulse for the local population. You could also consider hiring an international marketing specialist to conduct an attitude and usage study in order to gauge the purchasing decisions of consumers in your target countries.

2. Get to know your target customer in these markets. What language do they speak? What are their likes and dislikes? What are their cultural beliefs and customs? Who are the influencers? What are their hobbies? Where do they shop? How do they shop?

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3. **Establish your international brand voice.** You have your U.S. voice. Is it casual, formal or somewhere in between? Determine what you want your international voice to be and if you would like the tone to vary from country to country as a function of local communication norms.

4. **Conduct a global brand assessment study.** To avoid losing your business in translation, learn from the pitfalls of other brands. Triangle Manufacturing, the nation’s top producer of Lazy Susan bearings, for example had to create alternate language for its most popular product. In creating an international website, the company discovered that “Lazy Susan” didn’t translate directly into Portuguese to refer to cabinetry, instead it simply referred to a woman named Susan who didn’t do anything. Or take the British telecom company, Orange™, which many in Ireland argue takes a religious connotation that is unfavorable to Irish Catholics⁹. Conduct due diligence to make sure your brand names and slogans translate accurately and positively. If they don’t, consider a name change for the global release. Also, take a look at your logo and visuals and consider how the colors, shapes and font choices (typography) will be perceived in other cultures. Could any of the shapes in your brand elements be confused with cultural symbols? Try to see your brand identity through the eyes of a local.

- If necessary, work with a designer or your marketing department to refresh your brand in the context of the new global stage where your products will have a multicultural following.
- Keep one logo for all countries but vary your slogan if necessary.
- Leave your brand name in English if the words are not crucial to the message your brand communicates.

5. **With knowledge from your global brand assessment study, adapt your U.S. brand manual** for use overseas, or develop a completely new international manual with a verbal style guide and brand guidelines for visuals. In brand communications, consistency is the key, no matter what the country is — so set boundaries for communication between your employees and consumers or clients that are in line with your company culture.

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6. Translate your company values for your international employees, including your mission statement and core values. By doing this, your employees will understand how to represent you appropriately in their respective countries. They will also feel responsible for the company’s image and therefore share in building the brand internationally.

7. Localize your search engine marketing components, website and marketing collateral to the new language markets. Pay attention to imagery in all mediums such as photos, videos and Flash. Select inoffensive content and be respectful of sensitive male/female relationships in different cultures. Decide which content on your website will be translated and which will remain in English (i.e. your corporate blog). And don’t forget about multilingual SEM — consider doing this even before website localization begins. Remember that marketing translation — collateral, ad campaigns and the like — is often fairly tricky due to clichés and clever idioms, so account for extra time and resources to have this done right.

8. Monitor your global brand online to measure attitudes and the impact of your initiatives. Use social media to connect with consumers and ask their opinions. Allow for two-way communications and establish a dialogue. Be responsive when customers post comments and recommendations. Try to compile a list of testimonials and accolades in each language market to post on your website. Your localization partner can help with international social media monitoring and translation of these communications so you stay on top of what is being said about you.

9. Give your corporation a local face. Interview C-suite members on topics of local interest and post the interview on your website with a photo of the officer. Demonstrate an understanding and appreciation of the local culture in all that you do. Make local customer service accessible and easy. Put your local address/contact info on the website. List local events you are participating in. Write locale-relevant press releases in the local language and release them on your website and on in-country online wire services. Keep your content fresh and dynamic.

10. Review. Your marketing department, along with your localization vendor can conduct a quarterly review of your international brand messages, collateral materials and language-related business practices in each
market. This is to make sure they remain consistent with your brand voice and that your communication is focused. Continually seek client, vendor and employee feedback regarding how your brand delivers on its promises and the evolution of your brand’s image.

Go forth and conquer
Make the leap from what we know and what is familiar to us and our business successes can be a difficult one—one that goes against the very nature of how we have been educated about our relationship to the world. But, with knowledge on how and when to take your business global and an awareness of the laws, pitfalls and opportunities, you’re already one step ahead of everyone else. Hopefully, this Blue Paper has provided you the introduction you need to grab a map and leap!