

III. Completing the Sale

A. Documentation, Shipping and Logistics

When preparing to ship a product overseas, the exporter needs to be aware of packing, labeling, documentation, and insurance requirements. Because the goods are being shipped by unknown carriers to distant customers, the new exporter must be sure to follow all shipping requirements to help to ensure that the merchandise is :

- Packed correctly so that it arrives in good condition.
- Labeled correctly to ensure that the goods are handled properly and arrive on time and at the right place.
- Documented correctly to meet U.S. and foreign government requirements as well as proper collection standards.
- Insured against damage, loss, pilferage and delay.

Because of the variety of considerations involved in the physical export process, most exporters, both new and experienced, rely on an international freight forwarder to perform these services.

To obtain a list of the International Freight Forwarders located in South Carolina, please contact the South Carolina State Ports Authority at 1-800-382-1721 and request a copy of the Port Directory of Services and Facilities. Website: <http://www.scspa.com/customer/directory.asp>. Or contact the following associations:

Customs Brokers & Freight Forwarders Association, Inc.

P.O. Box 781
Charleston, SC 29402
Tel: 803/723-0688
Fax: 803/723-1339

Customs Brokers and Independent Freight Forwarders Association of Greenville, SC

150C West Phillips Drive
Greer, SC 29650
Tel: 864/877-8050
Fax: 864/877-5702

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B. Methods of Payment

There are several basic methods of receiving payment for products sold abroad. As with domestic sales, a major factor in determining the method of payment is the amount of trust in the buyer's ability and willingness to pay. For export sales, various methods of payment may

be used. Ranked in order from the most secure for the exporter to the least secure, the basic methods of payment are:

1. Cash in Advance.
2. Letter of Credit.
3. Documentary collection or draft.
4. Open account.
5. Other payment mechanisms, such as consignment sales.

Since getting paid in full and on time is of utmost concern to exporters, risk is a major consideration. Many factors make exporting riskier than domestic sales. There are several methods, however, of reducing risks. One of the most important factors in reducing risk is to know which risks exist. For that reason, exporters are advised to consult an international banker to determine the acceptable method of payment for each specific transaction.

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C. Export Transaction Financing

Due to the intense competition for export markets, being able to offer good payment terms is often necessary to conduct business. An effective exporter must keep the terms competitive with those that his competitor offers, or run the risk of losing the sale. In addition to that, the exporter should offer the buyer the most competitive financing package possible. This often requires financing assistance. The exporter's understanding of the various public and private programs available will enable him to identify those that are best suited for his export plans.

The Banking Environment

Due to various reasons involving risk, during the 1980's export financing by many U.S. banks decreased. This is not to imply, however, that such help is not available. Small companies must be persistent in their efforts to find and secure such financing. Given this difficulty that many exporters experience, it is crucial that all financial arrangements be made in advance.

Approaching A Lender

Exporters must carefully consider the credit or financing program that they extend to foreign customers in order to control the credit period for which costs are incurred, either through the use of working capital or through interest and fees paid. If the buyer is not responsible for these costs, then the exporter should factor them into the selling price.

- Commercial Banks - The same commercial loans that finance domestic activities are often sought to finance export sales until payment is received. A logical first step in obtaining financing is for an exporter to approach its local commercial bank. If the exporter already has a loan for domestic needs, then the lender has experience with the exporter's ability to repay. By using letters of credit or export credit insurance, an exporter can reduce the lender's risk.

- Other Private Sources - *Factoring* is the discounting of a foreign account receivable that does not involve a draft. *Forfeiting* is the selling, at a discount, of longer term accounts receivable or promissory notes of the foreign buyer. *Confirming* is a financial service in which an independent company confirms an export order in the seller's country and pays for the goods in the currency of that country. *Buyers and suppliers as sources of financing* - down payments from foreign buyers can reduce the need for financing from other sources, as can progress payments from the buyers as the goods are completed. *Export intermediaries*, such as ETC's or EMC's, can help finance export sales in some cases.
- Government Assistance Programs. The following government agencies offer programs to assist exporters with their financing needs:

Federal:

Agency for International Development	(800) 872-4348
Export-Import Bank of the United States	(800) 565-3946
Overseas Private Investment Corporation	(202) 336-8799
Private Export Funding Corporation (PEFCO)	(202) 565-3780
Small Business Administration	(800) 872-5722
U. S. Department of Agriculture	(202) 720-6135
World Bank	(202) 482-3399

State:

Jobs-Economic Development Authority (SCJEDA)(803) 737-0081

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D. After Sales Service

Foreign markets are sophisticated, and each has its own expectations of suppliers and vendors. U.S. manufacturers or distributors must ensure that their service performance is comparable to that of their competitors in the market. This level of performance is an important determinant in insuring a reasonable foreign market share, given all other factors. This is an area where increasing sales is quite possible and the opportunities abound.

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E. Technology Licensing and Joint Ventures

Technology licensing is a contractual arrangement in which the licensor's patents, trademarks, service marks, copyrights, and/or knowledge may be sold or otherwise made available to a

licensee for compensation negotiated in advance by the parties. With licensing, the exporter is not directly involved in a foreign market because he does not sell his product there. He sells his knowledge of how to make the product. Depending on how much expertise the licensee has in the industry, the exporter may need to provide technical assistance, but it will be the licensee's operation. In return, the exporter receives royalty payments. Typically U.S. manufacturers license internationally when it is impractical to sell their products in a particular market.

A company can license anything that it knows another company does not know and that has value to the other company, including not only patented processes and products, but also trademarks under which the products are sold, copyrighted manuals about the process or product, and/or unpatented and uncopyrighted information about the process or product and information about customers or personnel. The exporter can grant all or part of his rights, e.g. the right to make goods but not to sell them, or the right to sell them only to specific customers. Or the exporter can allow the use of his rights in all applications or some, e.g., the right to use a patented process in making trucks but not cars, or the right to use a trademark on clothes but not shoes.

A technology licensing agreement usually enables a U.S. firm to enter a foreign market quickly, yet it poses fewer financial and legal risks than owning and operating a foreign manufacturing facility or participating in an overseas joint venture. Licensing also permits U.S. firms to overcome many of the barriers that frequently hamper the exporting of U.S. manufactured products.

As a business arrangement, technology exporting has potential negatives. Control over the technology is weakened because it has been transferred to an unaffiliated firm. Also, licensing usually produces fewer profits than exporting goods or services produced in the U.S.

Because of the potential complexity of these types of agreements, firms should seek qualified legal advice in the U.S. before entering into such an agreement. Sound legal advice as well as thorough investigation of both the potential licensee and the host country increase the likelihood that the licensing agreement will be profitable and help to decrease potential problems.

Joint Ventures. International joint ventures are used in a wide variety of industries and are frequently undertaken in conjunction with technology licensing by the U.S. firm to the joint venture. U.S. firms often find it desirable to enter into a joint venture with a foreign firm to spread the high costs and risks frequently associated with foreign operations. Also, the foreign partner will bring its knowledge of the customs and the tastes of its citizens, an established distribution network, and available business and political contacts.

If the exporter intends to produce in a foreign market, it is advisable to joint venture with a local partner. Typically, the U.S. manufacturer licenses its production technology and trade secrets. The local partner contributes its facilities, equipment, personnel, and sales distribution network. Usually, the U.S. company gets stock in the local company, the right to appoint certain key managers and directors, and the right to veto certain management decisions. The new capital is used to buy upgraded equipment for the local company.

There do exist several potential drawbacks to this type of arrangement. A major negative is the loss of effective managerial control. U.S. firms that wish to retain control will find this issue an important topic in negotiations with the prospective partner. Just as technology licensing requires legal counseling, joint venture arrangements should be carefully reviewed and discussed with legal counsel.

Sources of information:

South Carolina Bar Lawyer Referral Service

P.O. Box 608

Columbia, SC 29202-0608

Tel: 803/799-7100

Fax: 803/799-4118

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