Export Readiness Assessment Questionnaire

A. Company Export Readiness

1. Are you an established presence in your industry domestically?

O Well known
O Somewhat known
O Not well known

2. How extensive is your current domestic sales outreach?

O Sell to large national customer base
O Sell to large regional customer base
O Sell to large local customer base
O Sell to few regional/national customers
O Sell to local customers

3. How do you sell and distribute your products in the domestic market?

O Use combination of own sales force and regional distributors
O Use regional distributors only
O Use own sales force only
O No sales/distribution network

4. Do you customarily conduct market research and planning for your domestic operations?

O Always
O Sometimes
O Rarely

5. To what extent do you advertise and promote your products in the domestic market?

O Very aggressively
O Fairly aggressively
O Modestly
O Not much
O None

6. Do any of your current managers or staff have export marketing or sales experience?

O Considerable experience
O Some experience
O Little or no experience

7. Has your company received any unsolicited inquiries from foreign firms?

O Many
O Some
O None

8. Could you promptly fill any new export orders from present inventory or other sources?

O Easily
O With Some Difficulty
O With Great Difficulty

9. How would you handle any new or additional export business within your organization?

O Establish export department
O Establish export manager
O Hire more staff
O Train existing staff
O Assign to current staff

10. What is the current status of your export activity?

O Export to many markets
O Export to some markets
O Export occasionally
O No export activity

11. Is your top management committed to exporting as a new or expanded area of activity?

O Strongly committed
O Somewhat committed
O Little commitment

12. How much per year could you afford to spend on export development?

O <$5K
O $5-25K
O $ 26-50K
O $51-100K
O >$100K

13. How long would your management be willing to wait to achieve acceptable export results?

O Up to 3 years
O Up to 2 years
O Up to 1 year
O Up to 6 months
O Need immediate results

B. Product Export Readiness

1. Have domestic sales of your product grown over the past 3 years (average per year)?

O Zero or negative
O <5%
O 6-10%
O 11-20%
O >20%

2. What is your product's current share of the domestic market?

O <5%
O 5-10%
O 11-20%
O 21-40%
O >40%

3. Is your product price-competitive in the domestic market?

O Highly Competitive
O Somewhat Competitive
O Not Competitive

4. What payment terms would you be willing to offer reputable foreign buyers?

O Pay in advance
O Pay on delivery
O Up to 30 days
O 31-60 days
O 61-120 days
O Over 120 days

5. Does your product compare favorably with domestic competitors in features and benefits?

O Very favorably
O Somewhat favorably
O Somewhat unfavorably
O Unfavorably

6. Would you be willing to adapt your product and/or packaging to better suit foreign markets?

O Very willing
O Willing
O Reluctantly
O Unwilling

7. Is your product costly to transport over long distances?

O Not very costly
O Somewhat costly
O Very costly

8. Is any special training required to assemble, install or operate your product?

O No special training
O Some training
O Extensive training

9. Does your product require any special technical support or after-sale service?

O None required
O Some support/service
O Extensive support/service

10. Can your product tolerate harsh or widely varying environmental conditions?

O High tolerance
O Some tolerance
O Low tolerance

Sample Export Readiness Assessment Report

This **Sample *Export Readiness Assessment*** assumes a company has answered all 23 questions in the weakest possible way. It provides a detailed, point-by-point assessment of the company's export strengths and weaknesses and suggests specific ways to overcome any weakness where found.

ERA Test Results

ABC Company

1. Are you an established presence in your industry domestically?

ANSWER: Not Well Known

COMMENT: WEAK: The fact that your company is not yet well known or established domestically within your industry is a potential drawback in exporting. Recognition and acceptance are valuable assets internationally. They connote stability and reliability, as well as experience in filling orders, servicing the product, and managing inventory and costs. Foreign buyers need to feel that they can count on their suppliers over the long haul. Lesser-known, less-tested suppliers are greater risks than firms with established track records and high visibility and acceptance in the trade. You will make a stronger impression overseas if you can first become better known and established in the domestic market. Then you can begin to translate your improved stature at home to build credibility and confidence abroad. You can do this, for example, by highlighting your emerging credentials in your promotions (e.g., cite prominent users, include testimonials, illustrate growth trends, etc.). You might also consider price and other incentives to induce foreign buyers to try you out. In addition, be sure to respond promptly and professionally to foreign inquiries and customer requests for service. These measures will help you prove that your company is worthy of trust and consideration over the long term.

2. How extensive is your current domestic sales outreach?

ANSWER: Sell to a few local customers domestically

COMMENT: VERY WEAK: Because you only have a few customers and sell only in your local area, you would face major hurdles as an exporter. Your small, narrow customer base suggests that your product is relatively unknown and may have limited appeal. This makes it less likely that foreign buyers will have heard of your product or perhaps want it, and will require more promotion on your part to stimulate their initial awareness and interest. Also, by selling to a narrow sales base domestically, you haven't yet faced the stiffer competition you'll invariably encounter in the international arena. In addition, having few customers, you may not be accustomed to the administrative, distribution and promotional techniques often needed to export successfully. Your limited exposure to foreign buyers, competition and long-distance marketing will make your transition to an export mode somewhat more difficult.

On the other hand, if you have the potential to broaden your customer base but haven't yet started, you may also have the potential to export. You should first expand your customer base and domestic outreach to increase your exposure to customers, competition and long-distance marketing techniques. If you can build your business successfully regionally and ultimately throughout the competitive domestic market, you are much more likely to succeed in exporting. For one reason, you will face more diverse and intense competition, including from foreigners selling in the domestic market. Such exposure will better prepare you to compete against these same and other producers when you sell abroad. Nationwide exposure also makes it more likely that foreign buyers will have heard of your product, and will require less promotion on your part to stimulate their initial awareness and interest. Thereafter, you might begin testing your export market appeal in a few selected countries, either on your own or by working through a domestic export intermediary.

3. How do you sell and distribute your products in the domestic market?

ANSWER: No sales/distribution network

COMMENT: WEAK: Your company does not have a domestic sales or distribution network. Your inexperience in selecting and managing a sales staff or distributors could hamper you in exporting. Most exporting is done through local agents or distributors in each market. As "insiders," local agents/distributors speak the language, know the market, and know where the customers are and how to reach them. Their role is to develop and send you sales orders, arrange payment in dollars, prepare all required import documents, and clear your goods through customs. Many specialize by industry and are equipped to stock, install and service the goods. The end-users in the market know and prefer to deal with these local representatives, rather than buy direct from you or other foreign suppliers. Although you could attempt to represent yourself through your home office or your own sales offices abroad, the benefits of increased "control" may not justify the costs. Unless sales volume warrants, you're better off finding good agents or distributors to represent you.

Choosing the right overseas reps is crucial. You're relying on them to be your eyes and ears in the market and bring you sales. If they don't perform as expected, you may not be able to switch. In some countries, you can't easily terminate an agent/distributor relationship. Therefore, you want to be careful and selective in your search. Since your company has no prior experience in this area, you'll need to be even more careful. You can get "rep-find" help from a number of federal, state, county, and college-based trade assistance organizations in your locality. See Trade Assistance Organizations for contacts in your area. See Exporting Basics for advice, checklists and guides to help identify qualified agents/distributors, model agreements, and other legal aids to protect your interests in overseas agency relationships.

4. Do you customarily conduct market research and planning for your domestic operations?

ANSWER: Rarely

COMMENT: WEAK: Your company rarely conducts market research and planning for your domestic operations. That could be a recipe for disaster in exporting. Systematic market planning is essential to exporting. As the old adage goes, unsuccessful companies don't "plan to fail, they fail to plan." Successful companies collect and use information to achieve an edge over the competition and to set realistic goals, budgets, strategies and timetables for future effort. Analysis and planning are even more critical overseas and can be instrumental in avoiding costly mistakes. You can't assume that what's worked for you domestically will work overseas. Exporters encounter different income levels and demand cycles abroad; different languages, cultures and environments; different laws and regulations; different ways of doing business; and different risks (e.g., foreign exchange fluctuations, civil strife, nationalization, etc.). Long-term success in exporting requires an awareness of these differences, an accurate assessment of the resulting potentials and pitfalls, and a strategy to deal with them in each target market. A "seat of the pants" approach runs a high risk of failure.

If you're not familiar with market research and planning techniques, help is available if you need it, and costs need not be high. You can gather international marketing information from many sources, including the CITD Trade Information Database and the DOC/ITA BuyUSA service (www.buyusa.com). These contain the latest trade statistics; country-specific commercial guides; industry-specific market surveys and trade contact lists; and relevant trade laws and regulations affecting market access in specific countries. Exporting Basics also offers valuable guidance on how to analyze markets and develop customized export market plans.

5. To what extent do you advertise and promote your products in the domestic market?

ANSWER: None

COMMENT: VERY WEAK: Your company does no domestic advertising or promotion. Unless your product essentially sells itself, or you're willing to promote more aggressively abroad, a no-promotion strategy will hamper you in exporting. It suggests that you see no value in market promotion or can't afford it even to protect or advance your market position. Although export promotion can be tailored to fit your budget, the more you do, the more results you'll likely see. When you export, you're competing not only against potentially better known exporters from your own country, but also against domestic and third-country competitors vying for the same target market. They might offer price discounts or liberal credit, improve their product, "pull strings," or take other steps to counter your presence. You'll have to contend with them while you're also trying to gain more market recognition for yourself. Since foreign buyers can't be presumed to already know or want your product, you'll have to educate, impress and motivate them. Thus, if anything, firms generally need to promote even more aggressively abroad than they do domestically.

Most countries have adequate media and can support any of the methods that would normally apply to your products, including direct mail, telemarketing, press releases, paid ads, trade shows, sales trips, Internet directories and Web pages, and e-mail. However, some techniques may work better than others in particular markets. Costs could also affect your approach. Certain techniques clearly cost more if done from afar, such as direct mail, telemarketing and business travel. These techniques might best be carried out by your overseas reps, possibly on a cost-sharing basis. If your promotion budget is limited, there are low-cost ways to market and promote abroad. For example, DOC/ITA BuyUSA matchmaking services (www.buyusa.com) can get you worldwide exposure for your company and products, generate trade leads, and find qualified overseas distributors for you at modest cost.

6. Do any of your current managers or staff have export marketing or sales expertise?

ANSWER: Little or no experience

COMMENT: WEAK: Your company does not have managers or staff familiar with export procedures or more generally with foreign markets, customs or languages. Experience of this kind is not critical if you plan to export through a domestic intermediary, since they already have the necessary expertise. However, if you intend to do your own exporting, you cannot afford to be without some export-experienced staff. There are key differences between domestic and foreign selling which must be understood and accommodated. Procedurally, these include different payment terms and methods; different currencies; and different documentary requirements for invoicing, packing, labeling, shipping, etc. More critical still are the vast differences in language and culture among and even within countries. What is customary, appealing or innocuous in the domestic market might well be misunderstood or offensive elsewhere. Even experienced multinational companies have made mistakes in this environment.

To avoid costly blunders, you should have at least one experienced, "in-house" person assigned to the export function or at least generally familiar with the procedural, financial and marketing aspects of exporting. This staff person, either hired or trained, would draw on banks, freight forwarders and other outside specialists as needed. It's also wise to invest in continual training for new as well as experienced staff. Exporting Basics is a good source of export training, covering all areas discussed below. Also, look for export workshops sponsored by trade assistance organizations in your locality.

In-house expertise would be particularly useful in the following areas:

Market research and planning: It's important to look before you leap. Ignorance and poor planning are the leading causes of export failure. Every potential export market differs somewhat in its needs, economic conditions, and business environments and cultures. Market research will help you determine which markets are most worth pursuing, who your customers and competitors are, how products are distributed and promoted in each market, what tariff or non-tariff barriers may exist, and whether you'll need to adapt your product or approach to the market. Market research and planning skills are valuable assets. You need someone that knows not only what information to look for, but also where to find it and how to use it for effective market planning. Exporting Basics provides guidance and tools for market planning. The CITD Trade Information Database points to on-line sources of trade statistics and international market research offering a wealth of industry and country specific data that can help you identify and effectively enter promising markets.

Legal procedures and protections: Laws and business practices vary widely among countries. These encompass trade, monetary and fiscal policy; pricing, distribution and promotion; treatment of intellectual property; health, safety and technical standards; and the like. Although many are business friendly and compatible with international practices, some pose obstacles and risks for exporters. They can affect what you're allowed to do or should do to protect yourself in the market. It's important to have access to legal counsel that can alert you to potential pitfalls and help you take the necessary precautions. The CITD Trade Information Database and DOC/ITA BuyUSA (www.buyusa.com) include country-and industry market surveys and extensive coverage of legal requirements in most world markets.

Cross-cultural sensitivity: Exporters need to be sensitive to cultural differences among and even within countries. These differences -- whether of language, race, religion, ethics, lifestyles, interpersonal relationships, tastes and preferences, or other -- can make or break your sales efforts in a country. You want to appeal, not offend in the products you sell and the words, symbolism and body language you use in your promotions and face-to-face meetings. In many countries, you must first build trust and relationships with prospective partners, a time-consuming process of cultural interaction on their turf. Cultural sensitivity needs to be internalized in the company, not farmed out. There are many books and articles on this subject, both general and country-specific.

See also the CITD Trade Information Database for information and tips on conducting business in a multi-cultural environment.

Language skill: A facility for the language of your markets is an important asset in exporting. It shows you care, helps build trust and confidence in the relationship, reduces risks of miscommunication, and saves time and money. However, since fluency in many different languages is not realistic, it is desirable at least to have an English language capability. English is widely used in international business, and interpreters and translators are available as needed.

Export costs and pricing: When you are asked for a price quote, you want your price to at least cover all your costs. Exporting usually incurs added costs not typical in domestic sales. These include fairly obvious costs to ship the goods overseas, but also some costs that a non-exporter might easily overlook or fail to include. Among such costs are documentary fees; fees for freight forwarding, financing and insurance services; port charges; and costs to adapt your products to meet international standards and regulations. A local freight forwarder can help you determine these costs and how to minimize them, but it's also important to have someone on staff who knows what these costs may be and which ones to include in a price quotation. The Export Quotation Worksheet in Exporting Basics can help you better understand and calculate costs for export pricing purposes.

Export documentation: Exporting involves more and different paperwork. In addition to any domestic export documentary requirements, foreign governments typically require a commercial invoice and, in some cases, a consular invoice, certificate origin and possibly other documents. Various freight-related documents are needed for sea and air shipments, such as a packing list and bill of lading. Although many exporters rely on freight forwarders to prepare and process these documents, it's best if the company has at least some in-house familiarity with documentary requirements. Further details about export documents can be found in Exporting Basics.

Getting paid: Your foreign customers may differ on how and when to pay you. First, they may want to pay in their own currency, which you would have to convert at some foreign exchange risk. Second, they may want to buy on credit over an extended time period, leaving you to finance the shipment at greater risk of non-payment. In a highly competitive environment, you may need to compromise or lose the order. A commercial bank can advise and help you mitigate risk and get paid, but it's important to have some in-house familiarity with payment options and procedures. For more on payment terms and methods, see Exporting Basics.

7. Has your company received any unsolicited inquiries from foreign firms?

ANSWER: None

COMMENT: WEAK: Your company has not received any unsolicited inquiries from foreign firms. Unsolicited inquiries are tangible proof that potential overseas customers have at least heard about your company, no doubt favorably, and that they either want to know more about it, or are already convinced that your products fit the bill. Although you have not received such inquiries, this does not necessarily mean you have no export potential. While it could imply lack of interest or demand, a discouraging sign; it more often means that your product just isn't known abroad, either favorably or unfavorably, a neutral sign. You should try to discover what the real reason is. If the product is simply unknown, you should consider promoting it to gain overseas exposure. If you'd like to attract overseas leads, try articles or ads in industry journals with international circulation. Consider exhibiting at a major domestic trade show known to attract foreign buyers. For direct overseas exposure, the Internet is a low cost option and may well trigger an avalanche of unsolicited orders or inquiries. Increasingly, companies are creating their own Web sites to promote their products. You can also gain worldwide Internet exposure through Internet export directories or by posting your own sell offer in Internet trade lead systems. See Exporting Basics and Trade Directory. Although some of the foreign inquiries you receive may well be "fishing expeditions", many are serious expressions of interest from firms seeking new or better products. They represent immediate or potential "money in the bank" for you, and deserve your prompt, solicitous response, even if you're not currently able to export the product.

8. Could you promptly fill any new export orders from present inventory or other sources?

ANSWER: With great difficulty

COMMENT: WEAK: Your company would have great difficulty filling new export orders from present inventory or other sources. Your ability to produce and deliver promptly will constantly be on trial. Foreign buyers are no less anxious than domestic buyers to get what they need when they need it. Thus, if you can avoid it, you don't want to incur backlogs or delivery delays that could alienate your customers. You're better off starting slowly and selectively to pursue exports. If the response warrants, you could then begin an orderly expansion to meet the combined domestic and foreign demand. On occasion, you may get an export order too good to pass up even if you're not ready. In these cases, particularly for unsolicited orders, the buyer may not have alternatives and may be willing to wait for your product. If you need up-front money to produce or acquire the quantity sought, you may be eligible for a Working Capital Loan Guarantee from the Small Business Administration or Export-Import Bank (EXIM). SBA or EXIM will guarantee 90% of a commercial bank loan to enable an exporter fill an export order, in effect using the purchase order as collateral. The money can be used to procure additional labor, equipment or materials as needed. The loan is paid out of the proceeds of the sale.

9. How would you handle any new or additional export business within your organization?

ANSWER: Assign to current staff

COMMENT: VERY WEAK: Your company will assign any new or additional export business to your existing staff. Unless you already have staff with the necessary expertise, you run a high risk of a costly false start. Exporting will create added and more specialized work for the company, particularly as new inquiries and orders begin to flow in. Foreign customers have little tolerance for errors, bottlenecks, backlogs or delays that can create complications and add to their costs. If necessary, they can and will find more reliable suppliers. You'll ultimately need managers and staff that can handle the extra load and know what they're doing. Successful exporters typically assign at least one specialist to the export function. This provides expertise in all key areas -- planning, market development, promotion, shipping, documentation, collections, etc. Even if you rely on outside freight forwarders to handle your shipping and documentation, it's still best to have some internal familiarity with these procedures. If staff upgrades or training aren't feasible, you're better off exporting through a domestic intermediary, or at least deferring any export effort until you're better prepared.

10. What is the current status of your export activity?

ANSWER: No export activity

COMMENT: WEAK: Your company does not yet export. Although prior export experience is a definite plus, it's not a prerequisite. If you have not previously exported, you lack the experience but not necessarily the potential to export. Every experienced exporter was at one time a non-exporter. Experience, while obviously an advantage, is not a necessity if you export through a domestic intermediary. If you'd rather handle your own exports, you can overcome initial inexperience by hiring a professional or training someone in-house. Be sure to make use of government and private services available to help you along the way (e.g., Department of Commerce, state and local export assistance centers, freight forwarders, banks, etc.). A directory of such trade resources can be found on the CITD Web site.

11. Is your top management committed to exporting as a new or expanded area of activity?

ANSWER: Little committed

COMMENT: WEAK: Your top management is not yet committed to exporting as a new or expanded area of company activity. A motivated management is a prime factor in export success. Your management's reticence is a potential red light. There are good and bad reasons to export. The primary motivation should be to increase sales, profitability and growth over the long term. Exports can contribute in many ways - they help broaden and diversify existing markets, reduce vulnerability to domestic slowdowns, match or preempt competitors, extend product life-cycles, exploit superior proprietary technology, use idle capacity, and reduce unit costs through economies of scale. If management pursues exporting for these sound reasons, it will more likely make the necessary long-term commitment. This support is critical, because exporting is not a spigot that can be turned on and off at will. It requires patience and adequate resources to develop markets and long-term relationships. If management sees little or no benefit in exporting, views it as a possible sideline, or has more opportunistic motives for exporting - unload surplus inventory, offset a domestic slowdown, fill occasional unsolicited orders - it probably won't support the effort at critical times. If your management is not yet fully committed, consider starting with a low risk, "go-slow" approach, such as exporting through a domestic intermediary or using available low-cost services to attract foreign inquiries or find overseas agents. If these steps produce initial results, they will help build management's confidence in a stronger commitment.

12. How much per year could you afford to spend on export development?

ANSWER: < $5K

COMMENT: VERY WEAK: Your company's rather tight financial situation prevents you from committing more than $5,000 per year for export development at this time. Costs of exporting can be kept to a minimum, but can't be avoided altogether. It takes money to establish market identity abroad, attract buyers, and build solid relationships with distributors and customers that will ultimately pay off in high, ongoing sales and profits. There may be other "incremental" export costs as well, (i.e., costs not encountered in domestic selling), such as for design changes to adapt the product to a foreign market, translations, sales trips abroad, etc. Clearly, firms with stronger, more flexible resources are in the best position to absorb these incremental export costs.

Your current financial constraints need not deter you, however. You can pursue exports even on a limited budget. The key is doing the most with what you have. There are low-cost ways to market and promote abroad, handle new export orders, and finance receivables. These don't require hiring new staff or setting up an export department. For example, low-cost help is available from U.S. Department of Commerce Export Assistance Centers, state export agencies, and international trade assistance centers located at universities and community colleges. At no cost in some cases, or modest cost, you can get worldwide market exposure, generate trade leads, and find qualified overseas distributors to represent you. If internal funds are not available for export start-up or working capital, consider export financing programs offered by the Small Business Administration, the U.S. Export-Import Bank or state agencies. Alternatively, you could save up-front costs by exporting through an intermediary. They already have relationships abroad and will incur some or all of the initial costs to find you customers and generate orders. You mostly pay only when and if any business actually results, usually in the form of a commission based on a percentage of the sales price. ETCs typically buy goods outright from domestic producers for eventual resale abroad. You, as the producer, would get paid right away and would also benefit from exposure of your product abroad.

13. How long would your management be willing to wait to achieve acceptable export results?

ANSWER: Need immediate results

COMMENT: VERY WEAK: Your management would insist on virtually immediate results from any new export initiative. That's very unrealistic. Export results can rarely be achieved overnight, even with a good product in a promising market. It takes longer for export seeds to develop and return profits -- sometimes several years. While your own payoff may occur sooner, you'll still some need time to establish market identity abroad, select distributors, attract buyers, and build solid relationships with your distributors and customers. By exercising reasonable patience while the seeds develop, you'll greatly increase your chances of success. Since your management can't or won't wait, you can try some steps to generate fairly quick inquiries and orders, some of which might also reap longer-term dividends. At a fairly low cost, you can use mail list, "repfind," trade lead, and promotion services available from the Commerce Department, state export agencies, and local trade assistance centers. These can help you contact potential buyers, find qualified overseas reps, and promote your product in promising markets. A more costly approach for fast results might be to exhibit at a promising overseas show, where buyers can see your product and possibly order it "off-the-floor".

14. Have domestic sales of your product grown over the past 3 years (average per year)?

ANSWER: Zero or negative

COMMENT: VERY WEAK: Your company's domestic sales have shown zero or negative annual growth over the past 3 years. Although this reflects some underlying weakness, sluggish domestic sales don't necessarily mean you can't do well in exporting. In fact, if your current sales lull is more the result of a domestic economic slowdown or product obsolescence, exporting may be just the ticket to turn you around. For example, if your sales are weak because of a down cycle in the domestic economy, exporting to markets in higher growth cycles could be very profitable. Similarly, if technology advances have made your product obsolete in the domestic market, it could still conceivably sell very well in lesser-developed countries where older technology may be more suitable or even preferred. Over half the world's economies are less developed. If you feel you could compete in markets that still need and want your product, exporting should be high on your priority list. On the other hand, if your sales are off mainly because your product just can no longer compete, exporting probably won't help you. The chances are you would be even less competitive abroad; and, if so, an attempt to offset sluggish domestic sales with exports might even distract you from needed efforts to improve your domestic situation.

15. What is your product's current share of the domestic market?

ANSWER: < 5%

COMMENT: VERY WEAK: Your current share of the domestic market is under 5%. This low share reflects significant competitive weakness, e.g., unexceptional pricing, quality or service and many sourcing alternatives. Because competition is even more intense abroad, exporting may not be a viable option unless you can shore up your weaknesses. You will need to improve your pricing and credit terms, better adapt your product to market needs, and/or more actively support your distributors and customers. On the other hand, if product obsolescence is the main reason for your low domestic market share, exporting may offer great potential. Look for lower income or less developed countries that may not need the latest technology and may value yours for its presumably lower cost.

16. Is your product price-competitive in the domestic market?

ANSWER: Not Competitive

COMMENT: WEAK: Your product is not especially price-competitive in the domestic market, a disadvantage that will be magnified in export markets. Competition abroad is usually stiffer than at home, and price is often a decisive competitive factor. Since you're already at a price disadvantage domestically, you'll probably face even greater price disparities overseas, because of the added costs for export delivery (e.g., freight, insurance, customs levies, etc.). If you're serious about exporting, you'll need to to make your pricing much more competitive, first at home, then in foreign markets, either by reducing your prices or offsetting higher prices with generous payment terms. Given the importance of competitive pricing, you should try to obtain comparative price information before you enter a target market. If necessary, strongly consider adjusting your prices to meet the competition.

17. What payment terms would you be willing to offer reputable foreign buyers?

ANSWER: Pay in advance

COMMENT: VERY WEAK: You would require reputable foreign buyers to pay you in advance. Unless you have a unique or superior product, requiring advance payment from reputable foreign buyers will likely doom the sale. Foreign buyers often have alternative sources and may well opt for a supplier more willing to finance the sale. They'll generally pay in advance only when they need or want a product badly enough, have no good alternative, and can afford it. You become more price competitive when you allow your customers to lower their up front costs and by having more time to pay. If you're competitors are offering more generous payment terms, they could win the business even if their prices are higher. If your own prices are high to start with, you would be severely disadvantaged unless you were prepared to offer better terms - at least 30 days and preferably up to 60, 90 or 120 days. To avoid losing out to more flexible competitors, you may want to reconsider your advance payment requirement, particularly for reputable buyers. There are services available to help you determine a prospect's credit-worthiness. If you're concerned about non-payment, export credit insurance can offset this risk.

You can also finance or discount the receivable so that, in effect, you are paid right away (less interest or a premium) even though you gave your buyer more time to pay.

18. Does your product compare favorably with domestic competitors in features and benefits?

ANSWER: Unfavorably

COMMENT: WEAK: Your product lines compare unfavorably with domestic competitors in features and benefits. Unless you can compete strongly on a basis other than product quality, your potential to export may be limited. Foreign buyers, particularly of industrial products in the more sophisticated markets, place great emphasis on product performance, not just cost, when they make procurement decisions (e.g., state of the art technology, dependability, versatility, durability, repair frequency, productivity, labor-saving etc.). They will often pay more to get more. Even lacking any particular product advantages, however, you may still have export options. You'll need to emphasize other attributes you may have, such as lower price, attractive payment terms, reliability as a supplier, strong customer service, etc. Your best bet may be in the less-developed, cost-conscious, labor-intensive countries, for example, where "best" or "latest" is neither needed nor warranted. Foreign buyers in these countries will often take a "lesser product to pay less" (e.g., manually-operated vs. automated equipment, yesterday's technology, "no frills" models; etc.).

19. Would you be willing to adapt your product and/or packaging to better suit foreign markets?

ANSWER: Reluctantly

COMMENT: WEAK: You would be reluctant to adapt your product and/or packaging to better suit foreign markets. Your low receptivity to adaptation is not helpful and could greatly limit your market options. Foreign markets differ not only from the domestic market, but also from each other -- e.g., in income levels, climates, space utilization, language, religion, weights and measures, technical and safety standards, cultural preferences and taboos, business practices, etc. These differences may dictate whether a product would even be allowed into the market, would "fit" or operate efficiently, or would appeal to or offend potential buyers. Foreign buyers, for example, may require modifications in the product to make it more affordable ("no frills" version), or to better comply with local sizes; tastes; electrical and other technical standards; health and safety regulations; etc. Different packaging materials may be needed in certain markets where rot, rust, mildew, pest attack, etc. are common. Sales brochures may need to be revised to make them more understandable (non-English-speaking markets) or locally relevant (less-developed markets). Thus, flexibility in product design, packaging and promotion may well be crucial in certain markets. If you don't take the necessary steps to comply in these situations, lost business will likely result.

In that light, you may want to reconsider your reluctance to adapt, especially if it's based on a misperception of the feasibility or cost. Not all needed adaptations are costly or difficult. Some, for example, may be fairly easy and inexpensive, such as adjusting the sweetness in a soft drink; changing the color, shape or composition of the product package; translating a sales brochures into other languages; adding local-context paragraphs to brochures; etc. These are usually well worth the effort. In other cases, however, more substantial changes may be needed, such as re-engineering or retooling the product, translating detailed technical manuals, etc. Rather than rule out change altogether, you should weigh the potential benefits of greater sales against the increased costs to adapt, and then proceed accordingly.

20. Is your product costly to transport over long distances?

ANSWER: Very costly

COMMENT: WEAK: Your product is very costly to transport over long distances. This is a potentially serious constraint. Your high transport costs as a percentage of landed cost could price you out of the market. Your domestic competitors presumably face comparable transport costs, since their products are similar in size and weight; are destined for the same markets; and will have to get there by the same mode, mostly by sea or air. However, other competitors could have a substantial transport cost advantage if they're closer to your market or could get there by truck or rail (e.g., Europeans selling within Europe; Asians within Asia, etc.). If transportability or transport costs are a serious constraint, you might consider contracting or licencing production in the target countries. Alternatively, you may still have possibilities in nearby, contiguous markets that can be reached more easily and quickly. Whatever your destination, you should look for the most cost-effective mode and rate. A freight forwarder can help you optimize your transportation costs and handle all the arrangements.

21. Is any special training required to assemble, install or operate your product?

ANSWER: Extensive training

COMMENT: WEAK: Your product requires extensive training to assemble, install or operate. That could be a serious constraint, because user training can be very costly and cumbersome, particularly in foreign markets where languages and distances vary greatly among countries, and skilled or trainable labor may be in short supply. High training costs will put you at major disadvantage against in-country suppliers who could probably meet a local training requirement more readily than you from afar. You'll need a competent local distributor who can install and use the product and train end users. To cut costs, you might try a "train the trainer" approach, either at your domestic site or overseas. The trainee(s) would then provide the necessary training to individual or group users in each market.

22. Does your product require any special technical support or after sale service?

ANSWER: Extensive support/service

COMMENT: WEAK: Your product requires extensive technical support or after-sale service. That's a potential negative, because profit margins can be significantly affected by the added costs of an after-sale service requirement. Also, any locally-based competitors will have a proximity advantage over you in product support and service. The normal costs and difficulties of stocking spare parts, maintenance and warranty service are compounded in an export context, where distance and language differences must also be accommodated. To address these needs competitively, you can team up with a local distributor equipped to install and repair your product and stock your spare parts. You could then limit your support role to supplying any special tools or testing equipment needed; possibly translating your installation and repair manuals into the local vernacular, and providing some hands-on training of your local rep's technical staff. Alternatively, you could establish your own support facilities in-country, or airlift technicians and parts in as needed. However, these are more costly, more complex options, usually best avoided in a start-up phase. You might reconsider them later should your sales volume rise to the point where higher costs can be absorbed.

23. Can your product tolerate harsh or widely varying environmental conditions?

ANSWER: Low tolerance

COMMENT: WEAK: Your product has a low tolerance for harsh or widely varying environmental conditions. This may limit your options to environmentally conducive markets, where you would not have to worry about product degradation or costly protective measures. Other markets will present more of a problem. Many products can tolerate different environmental conditions up to a point, but lose effectiveness as extremes are approached (e.g., abnormal temperatures, humidity, altitudes, pollutants, etc.). The more sensitive the product to these changes, the more required to "protect" it against the elements. Although even the domestic market varies environmentally among regions, the problem is compounded in exporting, where differences from country to country are far more pronounced. Protection could be as inexpensive as strengthening or insulating the packaging, or it could involve more costly measures, such as altering the product itself or storing it under controlled conditions.

ABC Co.
Export Readiness Score
(on a scale from 0 to 100)

Company Readiness	
Export Resources:	00.00
Marketing Methods:	00.00
Management Commitment:	00.00
Product Readiness:	00.00
Overall Average Score:	00.00

Score Explanation

Your Export Readiness Scores include an overall average score and a score for each of the following four attributes, based on YOUR ANSWER to each of the 23 questions.

Export Resources
Marketing Methods
Management Commitment
Product Potential

All scores are on a scale of 0-100, and can generally be interpreted as follows:

0-20	Very Weak
21-40	Relatively Weak
41-60	Average
61-80	Relatively Strong
81-100	Very Strong

If your company falls into the 0-40 range, you need to focus on the export weaknesses and the suggested steps to overcome them identified in YOUR ANSWER to each relevant question. Feel free to make use of Trade Compass export databases, services and training opportunities. **The stronger your score**, the more you can focus on concrete export development actions. Use Trade Compass resources to help you pinpoint your best markets, develop effective market entry strategies, find buyers and distributors, promote your company and products abroad, respond to inquiries and orders, prepare your goods for shipment, and deliver the goods and get paid.