

O The World's Your y Oyster

Breaking into international markets can be daunting, but the rewards can be very lucrative. Our beginner's primer shows the way to the global stage.

For years, the talk of the American news community was when and how we were getting out of Iraq. For Jason Burger, owner of Brand Equity LLC (*asi/145071*), the question was how he could get in. The Fort Lauderdale distributorship already did extensive business throughout the Middle East and eastern Africa, but the payoff finally came when Burger secured a relationship with the U.S. Department of Defense's task force for business stability operations in Iraq. Says Burger, "We move a ton of product over there now."



BY ROBERT CAREY

It's no secret that the international business community is more connected than ever before. Even more, U.S.-based companies are establishing an increased presence in foreign countries. U.S. exports of goods and services nearly doubled from 1998 to 2008 (to a total of \$1.6 trillion) and 20% more companies jumped into international markets in the past decade.

Plus, the European Union (an economic federation of 27 countries and counting, where movement of goods is much easier than it was prior to unification) has a population that's 50% larger than the U.S. And yet, the promotional products industry in Europe generates an estimated \$18 billion compared to the \$19.8 billion rung up in the U.S. in 2008. In short, there's a larger piece of the pie to grab overseas – a maxim that's especially true in Asia and emerging markets like Africa and the Middle East, where the industry structures are less established and competition is far less intense.

The rewards aren't easily attained. Breaking into markets takes a lot of work up front – research, making trusted contacts, setting up reliable channels and more. But distributors who do it right will reap a tremendous windfall.

"I think there are many U.S. companies with a good story to tell, and they have products that would sell in Europe," says Bjorn Harenstam, a Lausanne, Switzerland-based partner at growth consultancy International Marketing Advantages (IMA) and a former apparel executive.

Researching the Facts

Research is paramount to breaking into international markets. Start with clients who have international offices and "look for product niches that aren't fully tapped in the regions where those offices are located," Burger says. Because products from China, India and other low-cost nations are, of course, imported directly into most countries, it's the quality and uniqueness of American goods that should be a primary selling point. (The weak U.S. dollar also gives a window to mention the present lowered cost of American goods).

Another point to understand well is fashion sense. Europe is only catching up now on the prevalence of wearables in its society, and the differences are notable. "Europe's promotional wearables market aligns more closely to retail

than America's," Harenstam says. "It is more about branded concepts, like a layer-on-layer combination that tells a story. And Europe is more sensitive to how a logo appears, so subtlety must accompany the concept."

Susan Bresnan, president of S. Bresnan & Associates (*asi/145535*) in New York and London, gives another example. "Aside from Scandinavia, turtlenecks are rarely worn in Europe, even in cold months," she says. "These types of things you must know when you're pitching a U.S. contact about getting their overseas business." Size differences matter too: American garments run larger than European sizes.

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Lastly, wearables will have rules and regulations unlike other products when it comes to shipping and freight. "They are different than other marketing materials; you have countries of origin, plus fabrics and dyes, to account for with a country's authorities," Harenstam says.

Starting From Strength

Once you're properly educated, it's then necessary to leverage your relationships with present clients. "Say to them, 'You can get everything that all your offices need at good prices through us, and we can tweak your logos and designs as needed for the tastes of each region,'" Burger says.

But, be wary of crafting comprehensive programs for clients outside the U.S. unless you're doing significant business in one location, warns Michael Woody, Harenstam's partner at IMA's office in Providence, RI. In an employee-service or other awards program, he says, "The catalog is going to have enough choices that it would be cost-prohibitive to warehouse all of them yourself, but it would also be too expensive to ship just one or two

items from the U.S. if you don't warehouse."

If you do find success with a client, the next step is to work out delivery logistics and costs. The good news: "Your client will likely be set up already to move goods efficiently," says David Evan, a partner at customs and trade-law firm Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP in New York. "They know the shipping companies and the processes involved in getting goods to the regions where they have a presence."

Ideally, you can land a multinational customer who takes care of shipping on its own. "Many companies," Burger says, "regularly send containers to their distant locations, so it costs them nothing to throw in three boxes of shirts, where it might cost me \$500 to send them." Bresnan recommends a client's DHL or FedEx account to pay for duties and other shipping costs.

New Clients, New Partners

More often than not, you'll have to forge your own way into international markets with new clients, new partners and your own efforts to ship freight and clear customs. In these situations, a distributor has several decisions to make. The most pressing? Deciding whether to partner with a distributor in the target region, or start a satellite office in the region and hire someone to market, sell, and handle delivery logistics and customer payments for you.

Either way, finding a trustworthy partner is the most critical aspect of establishing yourself in a foreign locale. "It is absolutely necessary to have a representative over there to personally handle picking up goods at the port, taking paperwork off shipments at customs, and then moving the goods along to the client," Evan says. "You could simply sell your goods to a reputable distributor over there to deal with all this, but that would cut into your margins. Otherwise, you need to find a sales agent and pay them a commission."

Mark Johnson, president of franchise operation EmbroidMe (*asi/384000*), breaks into new countries by identifying and vetting "master license partners." He explains, "This is someone who is from there and who can maneuver around that country on our behalf with no problem as an agent for us."

But how to find one that's trustworthy? Evan suggests asking clients, friends and

acquaintances about any connections they might have in a target region, and using those initial connections to work your way deeper into that region's business community. There's also an apparel importer and exporter association in most countries, as well as logistics

consultants who can help with troublesome problems.

Woody is adamant that a personal connection is, hands down, the safest way to go when setting up outside the U.S. "A potential partner has to know the market, know the process

there and know the culture. But you use the power of personal bonds to find someone you can be sure is trustworthy," says Woody, who was named *Counselor's* International Person of the Year in 1999. In some cultures where family honor is sacred, utilizing a contact's family can safeguard your operations.

Postcards From the Edge



If you have a thirst for adventure, a tolerance for stomach-churning risk and a dream to make huge margins in a region where other distributors don't dare tread, then the next wave of emerging markets is for you.

Executive Promotions (*asi/190934*) in Corona del Mar, CA, is one of the few American distributors to make headway into the African market, which is supplied largely by promotional product companies out of France. Paul Suh Akene, a partner in Executive Promotions who's also an executive at the Sacred Heart Mission School in the African nation of Cameroon, notes that his country and others are promising because of the unsophisticated structure of the promotional product industry throughout Africa. He

says that the industry there is loosely organized at best – serviced mainly by European companies that offer spotty service or by a few firms in Nigeria and Cameroon that specialize in just one or two products.

While the news about Africa that reaches Americans often involves civil wars and unstable economies, Akene counters that there are more nations besides Cameroon experiencing political stability and business growth, and thus garnering considerable financial investment from foreign corporations. As a result, local businesses "are beginning to understand the concept of advertising and promotional products," says Akene. "Now is the time for these companies to establish their names, so they have to use promotional products and apparel."

Of course, there are hurdles, but the extra effort pays off handsomely: Executive Promotions' profit margins run as high as 100% in some African markets (but note that other conflict market margins run more akin to normal levels).

When Jason Burger, owner of Brand Equity LLC (*asi/145071*), secured a contract in Iraq through the U.S. Department of Defense, the task force there helped set him up to travel safely in order to learn the needs of the market, to make himself known to buyers from military contractors and local companies, and to figure out exactly how to get things done over there.

The task force's mandate is to help businesses gain access to opportunities that also benefit Iraqis and speed the reconstruction of Iraq's infrastructure and society through private sector growth. So they gave Burger (pictured above and below) a translator and "made things very easy; they opened a lot of doors with local people to get things going," he says. "They will do that for American companies wherever the U.S. has a strong interest." (Brand Equity, like other companies with the task force, does not receive U.S. taxpayer money for its work in Iraq.)

Burger brought blank goods from the U.S. (Chinese goods would have created importing complications) and set up facilities for Iraqis to decorate locally. "Doing this proves that you care about the local people and aren't there to just profit from them," he says. "Align yourself with the local agenda; this generates a lot of goodwill that can only help you. The U.N. loves that we've done this in the Sudan and other parts of Africa, too, and it's been worth it for us."

Brand Equity now does business with local Iraqi businesses as well as the U.S.-led Iraqi police-training initiative and military supply contractors. "Morale is a huge issue, and logoed apparel makes a difference with that," Burger says.



Finding Shortcuts Through Europe

Because there is no difficulty moving goods from one European country to another (with a few non-EU exceptions), an American distributor would be wise to look at European warehousing options. "Especially with wearables, you could have a distributor there represent a smaller collection that's the core of your business, though licensing fees might be involved," Harenstam says. To find out if your best product would be competitive in Europe, you can benchmark it against products from some of the best-selling companies in Europe. "Factor in the VAT (Value Added Tax), custom duties and licensing fees to see if you can make a profit at the right price," Harenstam adds. "There are a lot of Web sites you can explore to view the competition."

Another way to store products that you think will move quickly is to use a European freight-forwarder's warehouse. The forwarder takes care of the pick-and-pack duties, and you can hire a sales agent in those countries where you want to pursue business. Orders are sent via Internet to the warehouse, and the forwarder ships to customers – a common practice.

Also remember that currency fluctuations must be addressed in every deal. "Duties and shipping costs aren't the only things that can kill margins. Value swings of the British pound, the Euro, the peso, or the yen can burn Americans," Bresnan says. She advises that both parties must agree upon an exchange rate into dollars in a contract, regardless of how it might change at the time of product delivery.

When it comes to remuneration, remember that payments to you should be by letter of credit through a large bank whenever possible. Why? "As soon as the terms of the letter of credit are fulfilled, the bank requires payment on it," says Evan. "That protects you from having the foreign customer skip out on the bill."

If you anticipate significant business, there are benefits to opening your own affiliate or subsidiary office in Europe. "It involves a bit of

paperwork, but if you create a legal structure in Ireland or Northern Ireland, the corporate tax is very low. Cyprus is the same way," Harenstam says.

Untested New Frontiers

Looking beyond Europe, it's actually not so different when trying to break into countries that are literally half a world away. For example, when Instant Imprints (*asi/391000*) conducted international research a few years ago in order to determine the top five international markets where it could operate, Australia came in right behind Ireland. Language isn't the only common bond: "Australia is more similar to the U.S. in terms of the customers and the way the economy functions," says company President Leo Kats.

Instant Imprints started advertising Down Under and attended trade shows to find potential future partners through which to open franchise offices. Central to starting a business there, Kats says, is building relationships with local business owners first – a tactic his company has employed in other countries

by conducting franchising workshops.

Interestingly, other countries in Asia have become more open to dealing with American distributors. Even in places such as Hong Kong, China and India, where American suppliers source many products, opportunity exists for goods to flow in the other direction. For example, India, known for its outsourcing capabilities for American firms, has reached a point where its own companies are strong enough to purchase promotional products for themselves. The same holds true for China. And, as Johnson notes, EmbroideMe now has stores in Singapore and Malaysia. "Look at those firms that import garments and products into the U.S. from the countries you're targeting," Johnson advises. "It would be quite easy for them to move goods in the opposite direction for you."

The international business community isn't getting any smaller, and opportunities continue to grow. Distributors intent on reaching out globally can extensively research and network to feel comfortable (the PSI show in Dusseldorf each January is an international

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Making your way into a new country takes a little bit of negotiation. And sometimes, price is not the sole issue. In "What's Your Best Price? Surefire Negotiation Strategies for any Situation" at The ASI Show New York (Tuesday, May 4, 11 a.m.), you'll discover what customers really want and the reasons they'll buy from you. Find out savvy techniques to navigate a bidding situation and how to leverage price objections to your advantage.

gathering place for the advertising specialties market). Ultimately, however, distributors must trust their approach to find success.

"If you can take a unique approach and offer things that stand out from what is produced locally over there, you can have success in any of those countries," Johnson says. "If you treat people the way they want to be treated as you offer them product that helps build their brand and their business, none of these markets is going to be so much different or difficult than any other." ■

Robert Carey is a contributing writer for Wearables.

coming next issue what's coming up in the June *Wearables*

Terrific Ts

The T-shirt's popularity knows no bounds – and the styles it comes in are as endless as they are innovative. We take a look at the trends that continue to fuel this top-selling wearable.



Scrubbing In

Who knows better about scrubs than the nurses who wear them every day? We go right to the medical professionals to find out what they like about some of the top items in health-care wear.



Lending a Hand

The economy is fighting its way back, but the state of small-business lending is as helter-skelter as ever. Should you consider taking on debt to ensure the future long-term growth of your business? We weigh the pros and cons.

Peer Into Our Crystal Ball

Decorators continue to bring the bling with crystals, one of the most attention-getting embellishments around. We examine the basics of using crystals and explain why they remain such a popular decoration.

And much, much more!