



# Myths and Opportunities for Middle Market Exporters

## The Untapped Exporting Opportunity

What if exporting wasn't as risky as rumored? Or as difficult to get started? What if you were confident you could sell profitably and get paid? Exporting is far more feasible than most businesses realize.

Exporting represents a \$928 billion opportunity<sup>1</sup> for U.S. middle market companies over the next 10 years,<sup>2</sup> yet only 5% of mid-sized firms currently export.<sup>3</sup>

Finding and adding profitable customers is the lifeblood of business. With 95% of the world's buyers located outside of the U.S.,<sup>4</sup> this represents enormous growth potential for companies currently focused exclusively on domestic sales.

Yet U.S. business leaders often hesitate to take advantage of this largely untapped opportunity.

*Why?*

Because the risks and uncertainties of exporting tend to get more attention than the benefits and opportunities – particularly the effort and investment to simply begin.

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<sup>1</sup> Capitol Economic Advisors research brief for American Express

<sup>2</sup> Middle market companies are defined as generating between \$10 million and \$1 billion in revenue

<sup>3</sup> Research from Dun & Bradstreet and American Express

<sup>4</sup> <https://www.uschamber.com/ad/95-worlds-consumers-live-outside-united-states>



# Grow Global

American Express Grow Global provides resources for U.S. middle market companies to help assess the risks and rewards at several stages of their exporting journey.

While middle market firms represent less than one percent of U.S. companies, they create 21% of revenue and 28% of employment in aggregate, and have created more than 90% of the net new jobs in the U.S. since the 2008-09 recession.<sup>5</sup>

These outsized contributions are largely based on a U.S.-centric business strategy. Imagine the potential growth and economic impact of the middle market segment with an increased emphasis on global sales.

This guide was created to help address common myths and highlight often overlooked opportunities for companies considering international expansion. For more about American Express Grow Global, please visit [www.americanexpressgrowglobal.com](http://www.americanexpressgrowglobal.com).

## BENEFITS TO EXPORTING BEYOND REVENUE GROWTH

**Revenue growth is a top of mind benefit when it comes to exporting, but there are additional strategic and financial benefits to global diversification:**

### Boost your company valuation

Your company represents more than a paycheck. Part of your job is to maximize its value for stakeholders. And global sales can help. Diverse global sales will smooth revenue cycles, contribute to overall growth, and even represent a strategic asset to potential acquirers. Firms that embrace global business can strengthen their strategic supply chains, further enhancing their valuation.

### Company resilience and employee security

Research shows that companies that export are not only more resilient,<sup>6</sup> but they create more jobs and usually pay higher wages than companies that don't. You manage your company to be a good corporate citizen; to contribute to your community; and to care for your employees. Exporting is a strategy that can help keep your company resilient<sup>6</sup> and also provide a more secure environment for your employees.

### Lessons learned give you a competitive edge at home

Companies that export can discover new applications for their products as they observe buyers using them; they can uncover product tweaks and improvements and observe new business methods and processes which can improve traditional approaches. Your lessons learned through exporting can help increase your competitiveness in your domestic business too.

<sup>5</sup> Middle Market Power Index, available at <http://amex.co/1PIhL3v>

<sup>6</sup> <https://www.enterpriseflorida.com/services/export-from-florida/>

# Myths About Exporting

Is exporting easy? Of course not.

There is no such thing as easy business.

The question you're really asking is whether everything you've heard is true about how much harder and riskier it is to export. Like most generalizations, tales of export risk often have a basis in fact. But those facts are changing faster than the myths.

Export markets are different in important ways. Exporting involves some unique considerations. But different isn't impossible. You already manage different rules and regulations, and adapt to cultural differences simply between U.S. states and regions. If you collect sales tax in different jurisdictions, for instance, you're already managing a marketplace variation.

We've all heard the stories of significant export risk and international sales complexity. They are usually related to:

- difficulty and expense of getting started
- lack of international customers for your product/service
- problems getting paid
- language and cultural barriers and conflicts
- foreign currency risk
- complex logistics
- intellectual property (IP) exposure

Those are the most common. You may have more.

Maybe a couple will hinder your ability to export soundly and profitably. More likely though, they worry you excessively and may cost you profitable growth. The myths are normally based on a combination of legacy conditions which have changed and overstated the negatives.

That said, there are common concerns and important questions that this insight guide can help you address.

With a simple list of 'how' questions, you can begin to distinguish fact from myth:

- how significant is the challenge?
- how big is the risk?
- how you can overcome the hurdle?

**LET'S TAKE A RATIONAL BUSINESS LOOK AT EACH**

**RAMPING UP**  
**WILL THEY BUY IT?**  
**WE MIGHT NOT GET PAID**  
**LANGUAGE AND CULTURE**

**FX (FOREIGN EXCHANGE)**  
**COMPLEX LOGISTICS**  
**PROTECTING INTELLECTUAL PROPERTY**

**Exporting Myth:**

## Ramping Up

Getting ready to export used to be a huge undertaking. That's changed.

When you distill most of the alarming export stories down to facts, the biggest challenge for companies has traditionally been the need to invest huge sums of resources, both cash and management attention, into selecting markets and developing them. Historically it was not uncommon to spend years and huge sums of money just getting started.

The Internet has changed that significantly, especially in the last couple of years. Today getting started is often as simple as helping potential buyers find your products or services when they are searching for solutions to problems. Companies are often surprised by the volume of international traffic to their websites, and some small changes typically increase international lead conversions.

Then as the international traffic and lead conversions increase, you'll also collect market intelligence. Markets with higher potential will start to emerge and you'll be able to incrementally refine and focus. Not only do companies no longer need to make huge speculative investments to just get started, but as barriers fall you'll be able to comfortably sell to the leads you create.

Of course as you grow and experience success through exporting, you'll likely take steps to expand strongly into markets where you've earned traction. Adding sales channels, opening offices, hiring employees, structuring joint ventures (JVs) or maybe even a local subsidiary might make sense. But those are investments in growth – they're not barriers to entry.

AMERICAN EXPRESS **GROW GLOBAL INSIGHTS SERIES**

**Exporting Myth:**

# Will They Buy It?

You're probably wondering if there's actually an international market for what you sell.

In fact, you may be pretty certain there isn't. You could be right – but consider this carefully.

From simple hardware to complex medical devices; ice cream and pickles to pharmaceuticals; and online software to sophisticated business services, U.S. companies are exporting nearly every product you can imagine...many which might surprise you.

Many global buyers are eager to obtain "Made in USA" products and those supplied by U.S. companies. Around the world, new consumers, and growing companies, are turning to the Internet to discover new products and services that hadn't previously been accessible or important.

Our guide in the Grow Global Insights Series, "Bench Strength: Federal, State, and Local Export Resources," covers an array of public and private sector resources including where to find market research data and assistance to confirm the opportunity specifically for your product, and even show you where to start.

**Exporting Myth:**

# We Might Not Get Paid

You're right. But even when you sell in the U.S. you have credit risk, and may even battle payment processing chargebacks.

Payment risk pervades business – but it doesn't need to be any more onerous just because you're selling internationally.

There are many varying payment options that offer different degrees of security and flexibility.

Although it may cost you some orders, you can always insist on wire payment, in full, in U.S. dollars, prior to shipment. You may be willing to work with L/Cs (Letters of Credit) or maybe you'll decide the hassle and expense isn't worth it.

Remember those lessons learned to give you a competitive edge at home? You may even develop credit risk management procedures that will carry over and help your existing operation too.

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**Exporting Myth:**

# Language & Culture

91% of business executives agree that English is the international language of business.<sup>7</sup>

You'll have some conflicts – just as you do domestically. Different business cultures negotiate and interact differently. As you delve deeper into the cultural nuances of the markets you are exploring, keep these guidelines in mind to avoid unnecessary frustration:

- Use email to convey facts and to confirm agreements – not to negotiate, discuss or build relationships
- Don't assume that unexpected changes are unusual – it's very likely a reflection of the local business culture
- Be empathetic – understand how your prospect looks at the business world and interpret their actions accordingly
- Be patient – the pace and style of U.S. business transactions isn't typical of most of the world
- Talk! Phone and Skype will help with the relationship, which is critical to the transaction

Culture embeds in each of us strong assumptions, which are sometimes hard to recognize because they're part of who we are – not something we think about. That's true of your buyers too. So each of you will carry cultural assumptions of which you aren't aware. When you react instinctively, you may be tripped up by those assumptions. So the key to avoiding unproductive cultural conflict is a combination of introspection and empathy. Learn to recognize your cultural assumptions and empathize with your customers. You don't need to understand or accept them, just learn to predict where they intersect to keep everyone focused on success.

<sup>7</sup> <http://www.globalenglish.com/blog/2012/07/17/why-global-enterprises-need-business-english-infographic/>

## AMERICAN EXPRESS GROW GLOBAL INSIGHTS SERIES

**Exporting Myth:**

# FX (Foreign Exchange)

You can successfully grow your export sales working only in U.S. dollars. But you can be even more successful if you incorporate foreign currency.

FX markets aren't nearly as complicated as they're often portrayed. Prices fluctuate like in any market – in this case the price of a U.S. dollar moves up or down in terms of how much of any other currency is required to buy that dollar. If the dollar rises, it takes more of another currency to buy one. And if the dollar falls, it takes less of the other currency.

Generally, daily movements are pretty small – usually fractions of a penny. But there can be sudden, unexpected, significant changes. So there's risk to understand – even if you only work in U.S. dollars.

Cyclical risk, which may play out over 5-10 years, is based on the gradual change. From 2000 to 2008 the USD cost of one EUR moved from approximately \$.80 to \$1.60. That created an opportunity for U.S. exporters whose prices were cut in half for local buyers using euros. Currency can also enhance the benefits of diversification. For instance, during the 2007-2009 financial crisis, roughly half of 16 major global currencies gained vs. the USD, while the other half declined. In other words, even when markets are all under pressure, there are still relative opportunities.

You're not worried about the next ten years though – exporting only makes sense if you can do it profitably. If your margin on a deal evaporates between when you issue a proposal and ship the order, then all the work is for naught. This is the transactional risk you need to mitigate. The good news is that it's less complicated than you might expect.

'Hedging' sounds complicated – but you already do it. You use leases to lock in prices over time just as you use purchasing contracts to control material costs. You can do the same with foreign currency. When you receive an order and lock in a sell price and delivery date, you can buy a contract to exchange that currency in the future for today's value in dollars. Done! Your margin is protected and it cost you less than 1% to do that. Delivery date uncertain? Use a "window" for that time in the future.

But why even bother? If you can do everything in U.S. dollars, shouldn't you? Maybe, but there are a couple reasons why you might want to transact deals in foreign currency. First, buyers will appreciate your flexibility. Second, your buyers may fail to mitigate the risk themselves. For instance, if there's a sudden movement between order and delivery, and their local cost increases substantially, they may default. You'd possibly be covered by receivables insurance, but wouldn't you rather get the deal done and have a happy customer and great referral? If you sold in their currency, and managed the hedging yourself, the buyer could pay you the agreed price in local currency and you'd still receive the full amount in U.S. dollars based on your FX contract.

It sounds much more complex than it is, but if you can figure out how to invent and manufacture innovative products, or deliver complex services, FX is manageable. Especially if you have the right advisors (To learn more, download our guide, "Finding, Vetting and Selecting Experts to Help you Grow Globally").

AMERICAN EXPRESS GROW GLOBAL INSIGHTS SERIES

**Exporting Myth:**

# Complex Logistics

Logistics are complex.  
So it's not a myth, you ask?  
Exactly. But it's not a barrier.

There's a whole industry to manage this for you. One call or email to the right logistics partner should be all it takes to get your product from your factory to your buyers.

They should proactively advise you on issues like special packaging and documentation requirements. Everything between shipment and delivery, including tracking, reporting, customs clearance and local delivery should be transparent to you.

Finding the right logistics partner could be the hardest step – that's why we provide some suggestions and tips in our guide, "Finding, Vetting and Selecting Experts to Help You Grow Globally."

Although a logistics partner will take care of most details, you do have a couple action steps. Incoterms® 2010<sup>8</sup> (the International Chamber of Commerce's rules, which outline responsibility for costs and risk of loss) should be incorporated into your commercial terms and documents. Even when risk of loss is clear, insurance can be a bit of a grey area. And you're required by the U.S. government to perform some basic due diligence on your buyers. That varies by product, but at least you must check them against lists of restricted parties.

Delivering internationally is more complicated than just calling the local dispatcher for a national common carrier. But this shouldn't be a barrier to entry for exporting.

**Exporting Myth:**

# Protecting Intellectual Property

"Yes, but..." you're saying to yourself. "All that makes sense, but do I really want to sell internationally? Won't my intellectual property rights (IPR) be infringed?"

It's an important question to ask and a risk to mitigate. But from a practical business perspective it's a business risk – not an export risk. In fact, once they start to export, some companies uncover intellectual property (IP) infringements that had already occurred. Foreign competitors can also source your IP in the U.S. and infringe on it locally – whether you are selling in their country or not.

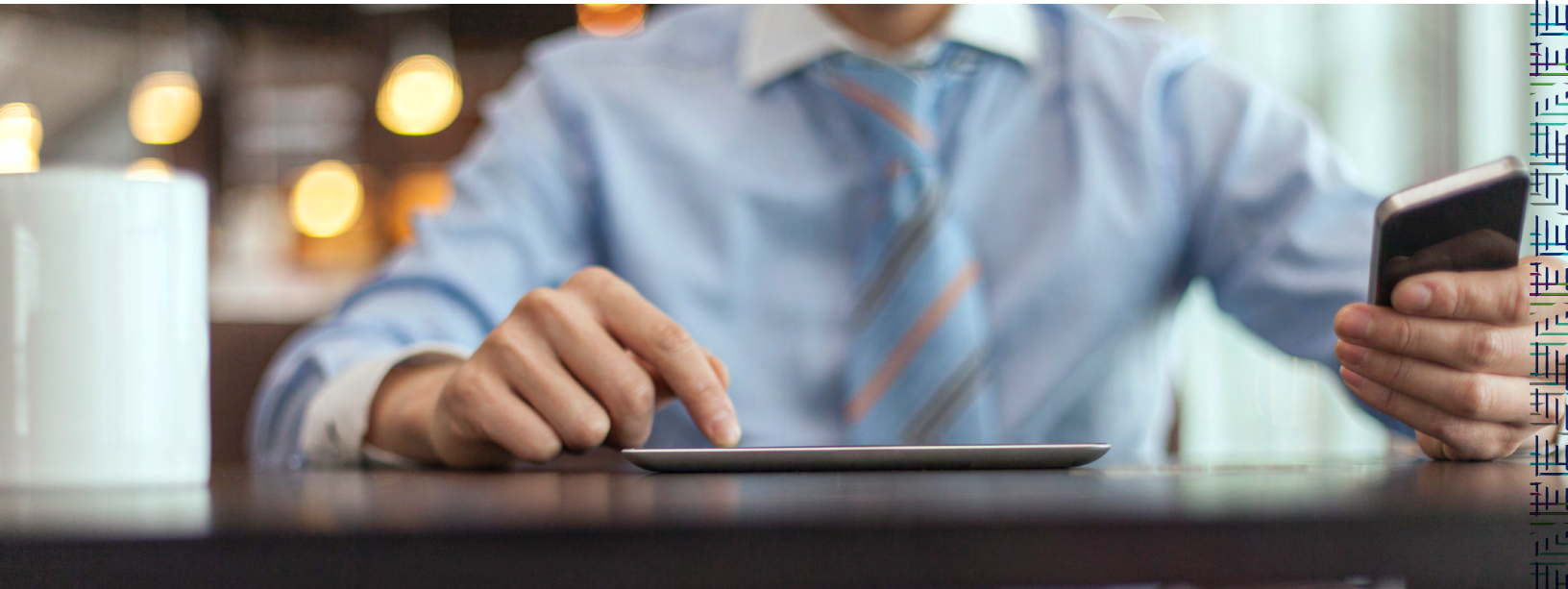
So what's a middle market company to do? Mitigate the risk now – aside from your export planning. Start by finding great international IP counsel (For more information on finding experts, please see our guide, "Finding, Vetting and Selecting Experts to Help you Grow Globally").

- Understand how the difference between "First to File" and "First to Use" affects you
- Secure your trade and service marks to prevent counterfeits and to preserve your right to market in the future
- Develop a layered strategy. Filing patents broadly may be not only expensive, but actually inadvisable since you'll have to reveal details that might facilitate copying
- Create internal policies and procedures to safeguard intellectual property from industrial espionage as employees travel and communicate

When you're clear what exposure you face you can develop a strategy – but don't wait until you're ready to export. This is a global business challenge for every company.

<sup>8</sup> [http://www.export.gov/faq/eg\\_main\\_023922.asp](http://www.export.gov/faq/eg_main_023922.asp)





# Unlocking your Company's Exporting Potential

The risk/reward scale of exporting has tipped.

While traditional barriers are falling, benefits are growing; and while revenue growth may be enough to motivate many, some find the other benefits even more compelling.

U.S.-based products and services carry a remarkably powerful cachet in most international markets. Middle market companies are well positioned to identify the opportunities; capture the sales; realize the profits and achieve the success globally that they've demonstrated domestically.

Exporting is a journey of learning and continuous improvement. From recognizing the opportunity, mitigating risks, finding the right advisors, and leveraging support programs and resources, to finding and servicing the buyers, there's a process – and American Express Grow Global is here to help.

**NOW IS THE TIME TO SEIZE THIS INCREDIBLE OPPORTUNITY TO GROW GLOBAL!**

**JOIN THE EXPORTING CONVERSATION ON LINKEDIN**

<https://www.linkedin.com/company/american-express-global-corporate-payments>

**FIND SMART GROWTH RESOURCES**

<https://business.americanexpress.com/us/business-trends-and-insights/growing-smart>



# Glossary

**Foreign Exchange (FX):** The conversion or exchange of one kind of currency into another kind of currency

**Hedging:** A management strategy to help reduce the risk of conflicting price movements

**Incoterms® 2010:** The system from the International Chamber of Commerce that is used globally to describe risk of loss and responsibility for costs

**Intellectual Property (IP):** creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce<sup>9</sup>

**Joint Ventures (JV):** An independent legal entity created as a collaboration between other entities, often for a specific purpose

**Letters of Credit (L/C):** A bank document guaranteeing payment will be received as long as the agreed delivery arrangements are met

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<sup>9</sup> <http://www.wipo.int/about-ip/en/>



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