

FAST FACTS

EXPORTING SERVICES



WHY EXPORT SERVICES?

The United States is the world's largest exporter of services. In 2007 (the most recent year for which data are available), worldwide service exports reached \$3.29 trillion and accounted for about one-third of all exports. The global market for services has been growing for the following reasons:

- Prior to the current global economic recession, record levels of merchandise trade increased demand for corresponding services in banking, transportation, insurance, maintenance, and information;
- Services are often tied to products and can be the deciding factor in purchase decisions;
- Long-term service contracts can be more profitable than the product purchase itself;
- Services generally do not need the capital investment required for product manufacturing. (WTO)

FIVE BASIC STEPS TO EXPORTING SERVICES

Exporting services can be particularly challenging because they are labor intensive, intangible, and require personal interaction that is in tune with local cultures. Also, communicating the superiority of your service can be harder than marketing the benefits of a tangible product.

Here are 5 basic steps to help a service company begin to export:

1. Assess the export potential of your firm: Is your service and organization ready to export? Determine if your company has the following:
 - Commitment by management to export
 - Capacity to handle extra demand for your service, i.e. increased sales
 - Systematic means to respond to customer inquiries
 - Staff with foreign language skills and cross-cultural experience
 - Ability to accept payment in different currencies
 - Research resources to learn about markets and identify target markets
 - A service that is unique and/or better than your competitors
 - Sufficient lines of credit
 - Marketing materials, brochures, and business cards in different languages
2. Obtain expert counseling: If the resources and commitment are there, find out what it will take to get started. Talk to the VEDP, industry associations, and foreign contacts.
3. Select target markets: Learn where in the world your services are needed or desired. Since shipping is not a major issue, you might be surprised where you can sell your services.
4. Formulate an export strategy: Prior planning will help you with anticipated export problems as well as in improving your domestic operations.
5. Select a selling technique: Although you might be able to provide your service over the Internet, it is critical to travel to the market and find out how similar services are delivered. In addition, a market visit will allow your company to meet customers and local partners in person, and provide demonstrations that differentiate your service from the competition.

(Source: U.S. DOC How Do I Go Global)

See VEDP Fast Facts on "Getting Started in Exporting"

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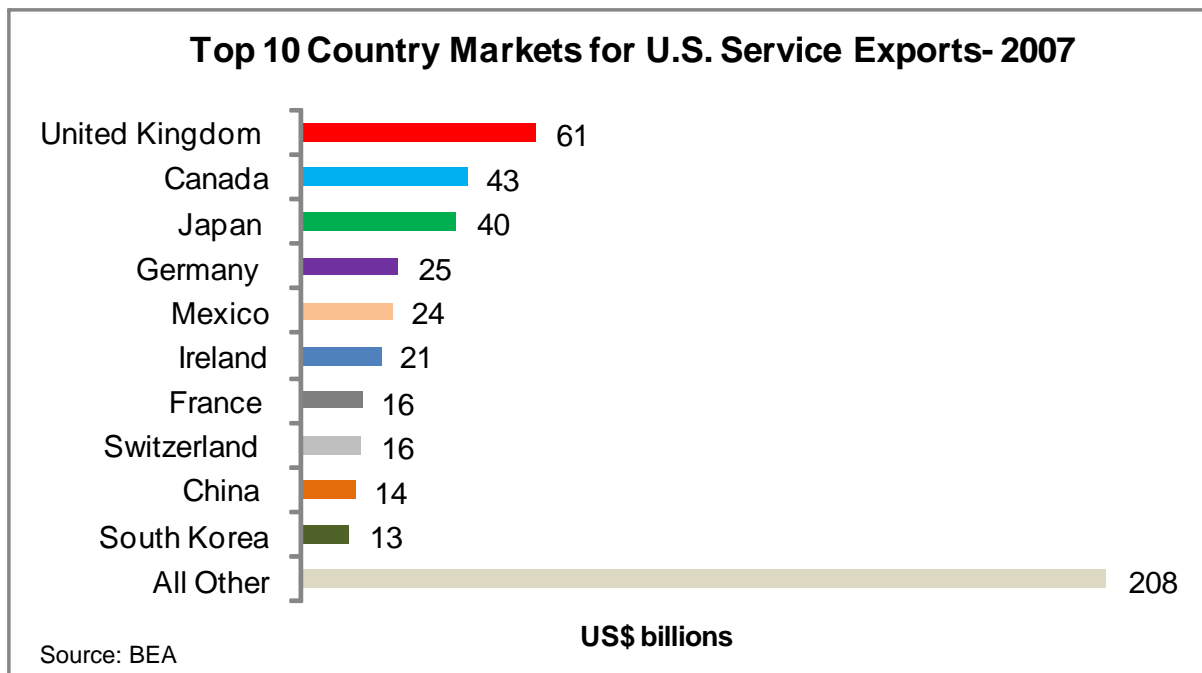
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SERVICE EXPORTS AT A GLANCE

United States Service Exports

- In the United States, service industries represent almost 80% of our economic output and about 80% in labor, or 92 million jobs. (USCSI)
- In 2007, the U.S. exported \$479.98 billion in services, a 16% increase over 2006.
- Unlike manufactured goods, the U.S. exports more services than it imports, equating to a surplus in 2007 of more than \$70 billion.
- Service exports represent about one third of all U.S. exports and include (in order of 2007 value): Business, technical, and professional services; Travel; Royalties & license fees; Financial services; Transportation; and Passenger fees.
- Top regional markets for U.S. service exports are Europe (\$205 billion), Asia & Pacific (\$119 billion), Latin America & Other Western Hemisphere (\$85 billion). (BEA)



"We have almost a \$50 billion surplus in services (in 2005). Why? Because the United States has a competitive advantage in services. We provide some of the best services in the world."

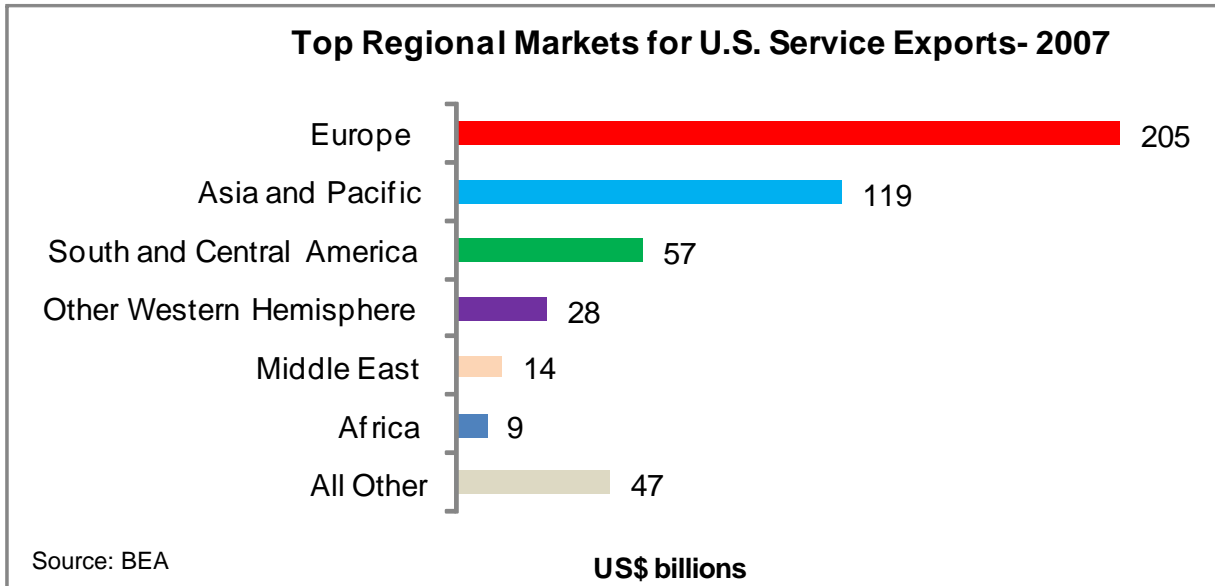
- **Rob Portman**, Former U.S. Trade Representative

FAST FACTS

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SERVICE EXPORTS AT A GLANCE



Virginia Service Exports

- According to the most recent estimate*, Virginia exported approximately \$11.92 billion of services in 2005.
- Services play a vital role in Virginia's economy and have generated more than 140,000 jobs over the past five years.
- The overwhelming majority of jobs in Virginia are services jobs. In 2005, service industries in Virginia employed approximately 2.5 million people, or roughly 82% of the workforce. (USCSI)

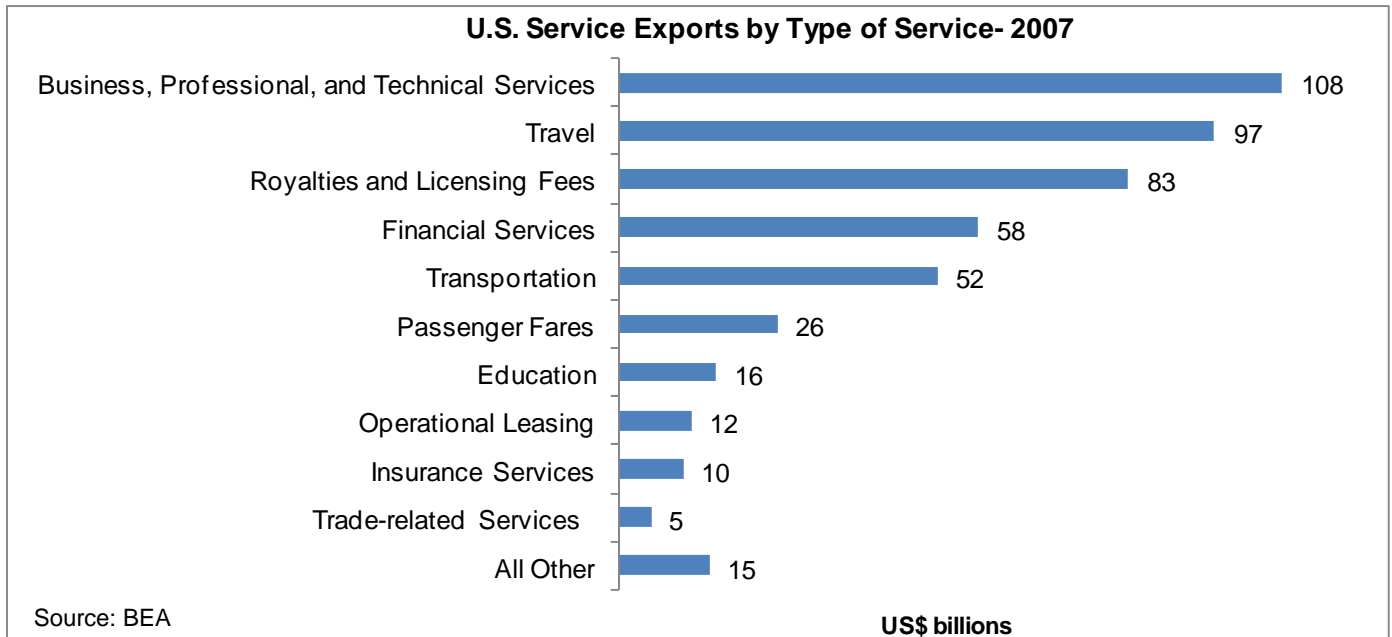
*The U.S. Federal Government does not collect data on service exports at the individual state level.

"The United States is the undisputed leader in services. No one comes close in terms of productivity, creativity, and success in devising and marketing services. No nation is better poised to take advantage of a globalized services market."

- **Robert B. Zoellick**, Former U.S. Trade Representative



EXPORTING SERVICES



CATEGORIES OF EXPORTED SERVICES*

Business, Professional, and Technical Services– Includes advertising services; computer and data processing services; database and other information services; research, development, and testing services; management, consulting, and public relations services; legal services; construction, engineering, architectural, and mining services; industrial engineering services; installation, maintenance, repair of equipment; and other services, including medical services and film and tape rentals.

Travel– Purchases of goods and services by foreign travelers in the U.S. for business or personal reasons.

Royalties and Licensing Fees– Transactions with foreign residents involving intangible assets and proprietary rights, such as the use of patents, techniques, processes, formulas, designs, know-how, trademarks, copyrights, franchises, and manufacturing rights.

Financial Services– Includes funds management, credit card services, explicit fees and commissions on transactions on securities, fees on credit-related activities, and other miscellaneous financial transactions.

Transportation– Charges for the transportation of goods by ocean, air, waterway, pipeline, and rail carriers to and from the United States.

Passenger Fares– Fares paid by foreigners to U.S. airline and vessel operators for travel between the U.S. and other countries and between other countries.

Education– Expenditures for tuition and living expenses by foreign students enrolled in U.S. colleges and universities.

Operational Leasing– Operational-leasing services consist of the following services: (1) Rentals of computer and data-processing equipment; (2) the leasing of transportation equipment, such as ships, aircraft, railway cars, containers, rigs, and automobile fleets without crew or operators; and (3) the leasing of all other machinery and equipment.

Insurance Services– Premiums earned from foreigners and primary insurance paid for by foreigners.

Trade-Related Services– Consist of auction services, Internet or online sales services, and services provided by independent sales agents.

*Categories defined by the U.S. Bureau of Economic Analysis

FAST FACTS

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VEDP TRADE EVENTS

The VEDP participates in many international trade events and hosts a number of market visits. All Virginia companies are welcome to attend.

For a complete listing of the VEDP's international trade events, please visit the "Events" tab on our website: www.ExportVirginia.org

VEDP CONTACT INFORMATION

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ADDITIONAL RESOURCES

- Office of the United States Trade Representative: www.ustr.gov
- United States Department of Commerce International Trade Administration: www.trade.gov
- United States International Trade Commission: www.usitc.gov
- Virginia International Trade Alliance (VITAL): <http://www.vitalforva.org/>

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