

Export Questionnaire

This questionnaire highlights characteristics common to successful exporters. Many of these questions will guide you into areas of our homepage where you can obtain more information on food exporting. You will receive a score once you complete the questionnaire, which will help you to assess your export readiness, as well as an identification of areas your business needs to strengthen to improve its export activities.

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|----|---|-----|----|
| 1. | Does your company have a product or service that has been successfully sold in the domestic market? | Yes | No |
| 2. | Does your company have or is your company preparing an international marketing plan with defined goals and strategies? | Yes | No |
| 3. | Does your company have sufficient production capacity that can be committed to the export market? | Yes | No |
| 4. | Does your company have the financial resources to actively support the marketing of your products in the targeted overseas markets? | Yes | No |
| 5. | Is your company's management committed to developing export markets and willing and able to dedicate staff, time and resources to the process? | Yes | No |
| 6. | Is your company committed to providing the same level of service given to your domestic customers? | Yes | No |
| 7. | Does your company have adequate knowledge in modifying product packaging and ingredients to meet foreign import regulations and cultural preferences? | Yes | No |
| 8. | Does your company have adequate knowledge in shipping its product overseas, such as identifying and selecting international freight forwarders and freight costing? | Yes | No |
| 9. | Does your company have adequate knowledge of export payment mechanisms, such as developing and negotiating letters of credit? | Yes | No |

FIVE-YEAR EXPORT BUDGET

Item-by-Item Budget Analysis

Income:

1. Net Export Ex Works (or Ex Factory) Price:

This is your export price after all discounts and sales commissions have been deducted from the Gross Export Ex Works (or Ex Factory) Price. It is the price that your stocking distributors will pay for your products at your factory gate. This price increases in the third, fourth and the fifth years as your products become more firmly established and accepted in your six export markets.

NOTE: Local market conditions may require that you increase your export price to reflect a larger discount. You can still receive revenue of \$27 by using the following formula:

Gross Export Ex Works (or Ex Factory) Price before discounts & sales commissions:	\$30
Less: Ten (10) percent distributor discount:	<u>(\$3)</u>
Net Export Ex Works (or Ex Factory) Price after discounts & sales commission:	\$27

2. Total Units Sold:

This item includes sales through initial stocking orders from stocking distributors as required in your export marketing agreements. Units sold increase as several of your original competitors vacate your export markets - because they can no longer maintain satisfactory profit margins.

3. Gross Revenue from Sales of Units:

Calculated by multiplying Total Units Sold by the Export Ex Works (or Ex Factory) Price. It is assumed that you will receive full payment for your sales immediately or soon after the sale.

4. Net Revenue from Sales of Parts:

Mark-ups for parts are considerably higher than for primary products ("Units"), i.e., 250% to 300%. If you have proprietary parts that cannot be purchased elsewhere, you may be able to mark them up higher. Net Revenue from Sales of Parts increases in the fourth and fifth years as your previously sold units become older and require more repair parts and general maintenance.

5. Gross Income from Export Sales:

Total of "Gross Revenue from Sales of Units" and "Net Revenue from Export Sales of Parts."

Less Expenses:

6. Production Costs:

The production cost of \$100,000 for the first year has been calculated as follows. This same formula has also been used to calculate Production Costs for the second through fifth years.

Direct Materials:	\$10
Direct Labor:	\$5
Direct Manufacturing Overhead:	\$5
Total Production Cost Per Unit:	<u>\$20</u>
x Total Units Sold (Item 2):	x <u>5,000</u>

Production Costs (Item 6):

\$100,000

7. **U. S. Marketing Costs:**

Not included. These costs are already built into your domestic prices. Since your distributors will not be operating in the United States, why should they pay these U. S. marketing costs that have nothing to do with their overseas operations? If you force them to pay these non-related domestic marketing costs, you will be pricing your products out of most export markets. **Why should you charge for these domestic costs when you will not be incurring them yourself?**

8. **Allocated G & A Overhead:**

Not included. As with “U. S. Marketing Costs” above, these costs are already built into your domestic prices. Your distributors will have equivalent G & A overhead expenses in their local markets - for which you are extending a significant distributor discount from full list prices.

9. **Product Modifications:**

Your domestic products require modifications to comply with product standards and customer preferences in your export markets, i.e., special safety features, smaller handle sizes, etc.

10. **Special Export Packaging:**

Languages on boxes, new colors, or smaller package sizes for limited overseas storage space.

11. **Export Administration:**

Includes items 12 through 23. Total Export Administration Costs appear in Item 24 below.

12. **Market Research:**

Sources of information: Potential international markets and qualified export buyers:

Export Institute USA.

International Market Research and Business Intelligence Reports:

Foreign Customer Lists & Export Trade Leads Center:

U. S. Department of Commerce (USDOC)

U. S. Small Business Administration (SBA)

Small Business Development Centers (SBDCs):

Export-Import Bank of the United States (EXIMBANK)

The U.S. Census Bureau

State International Trade Offices.

World Trade Centers.

World Trade Associations.

Industry Trade Associations

STAT-USA Internet.

CIA World Factbook.

Commercial News USA:

International Catalog Exhibition Program.

Credit Investigations. Conducted through international commercial banks and *International Company Profiles* (ICP), <http://www.ita.doc.gov/uscs/uscsicp.html> that are available through the U.S. Department of Commerce. Costs are higher in the first year because of costly initial credit reports to evaluate a large number of potential export sales representatives

13. **Legal and Banking Fees:**

Attorneys in the United States. They will review your export marketing agreements *before* they are presented to your representatives. You will need ongoing legal counsel to deal with U. S. export regulations, intellectual property protection and unavoidable export contract disputes.

Attorneys in your Export Markets. They will confirm that your export marketing agreements comply with the laws, regulations and business practices of your export target markets.

Banking Fees. Includes normal bank processing fees and special payment arrangements, i.e., direct deposits, discounted advance payment prior to the due date of a letter of credit, etc.

14. **Company Supplies:**

Stationery and Business Cards. They should be of high quality and include your company name, address, telephone/fax numbers, Internet and e-mail addresses, and business activities. You decide to have your business cards printed in several foreign languages.

15. **Overseas Sales Trips:**

Visas. They are required for entry into most foreign countries. Includes costs for vaccinations.

Airfare. Two trips per year at \$1,000 per trip to visit each export target market one time (three markets are visited during each trip). Two trips will be taken annually for the five-year period.

Hotels. Thirty-six days (six days per market including travel) at \$100 per day for the first year when you will require more time to interview and select export sales representatives. After the first year, overseas visits are reduced to three days per market (18 days) at \$100 per day.

Meals. Thirty-six days at \$50 per day for the first year. Eighteen days at \$50 per day thereafter.

Entertainment. \$200 per market for the first year. Entertainment is especially important during initial visits to evaluate export representatives. Visits are reduced to \$100 per market thereafter.

Telephone/Fax. \$300 for the first year when it may be necessary to contact the U.S. home office many times during contract negotiations. These costs are reduced to \$100 per year thereafter.

Secretarial Service. \$60 for the first year to type correspondence to sales representatives who have not been selected, and to prepare marketing agreements for the signature of the export sales representatives whom you have selected. These costs are reduced to \$100 per year thereafter.

Miscellaneous. \$25 per day for laundry, tips, taxis, newspapers and other minor expenses.

16. **Communications:**

International Telephone/Faxes. They decrease after the first year as you and your export sales representatives rely less on telephone and faxes, and more on the Internet and e-mail messages.

Internet and E-Mails: These expenses increase over the five-year period as Internet and e-mail usage (especially attachments to e-mails) rapidly replace international telephone calls and faxes.

Postage, FedEx, UPS, DHL: Usage of standard mail will decrease as the Internet and e-mail take over international communications. The amount increases over the five-year period as you continue to use direct delivery for spare parts and components required on an emergency basis.

17. **Sales Promotion and Advertising:**

Video/CD-ROM/Slides. \$4,000 initial cost. \$1,000 is included annually for introducing new products and services, except in the fourth year when an updated presentation is completed.

Literature/Reports. You provide reasonable amounts off these items free to your distributors. Costs for these materials have been included in your domestic expense budget and U. S. prices.

Translation. It is assumed that your distributors can communicate fluently in English and that all correspondence you receive in foreign languages can be translated by your staff members.

Overseas Trade Shows. Two contributions of \$500 to two distributors in the second year to help pay for exhibition space at local trade shows. Increases by \$500 in the 3rd and 4th years.

Product Samples. You send \$600 in product samples the first year to familiarize your export representatives with the features and competitive advantages of your products. If you plan on sending updated product samples on a regular basis, adjust your budget figures accordingly.

NOTE: If you will be taking product samples with you on overseas trips and leaving them in the countries that you are visiting, refer to ATA Carnets, <http://www.uscib.org>

18. Training in Export Markets:

Visas. Required for entry into most foreign countries. Includes costs for vaccinations.

Airfare. Two trips in the first year at \$1,000 per trip to train distributors (three markets are visited during each trip). Only one trip per year at \$1,000 each is required thereafter to visit three of your export markets because the other three distributors will be trained in the United States in alternate years per your export marketing agreements.

Hotels. Eighteen days (three days in each market) at \$100 per day for the first year. Nine days thereafter (three days in each market) at \$100 per year.

Meals. Eighteen days at \$50 per day for the first year. Nine days at \$50 per day thereafter.

Entertainment. \$100 per market for six markets in the first year. \$100 per market for three markets thereafter - as training alternates between the United States and your export markets.

Telephone/Fax. \$50 per market for six markets in the first year. \$50 per market for three markets thereafter. May be less as parties rely more on the Internet and e-mail messages.

Miscellaneous. \$25 per day for laundry, taxis, supplies, tips and other expenses.

19. Training in the United States:

Hotels. These costs are paid by the three distributors per your export marketing agreements.

Meals. They are also paid by the three distributors per your export marketing agreements.

Entertainment. \$200 for three annual training visits. Remains the same over five years.

Transportation in U.S. Paid by distributors per your export marketing agreement. Excludes transportation to events at your request - for which you provide personnel and vehicles.

20. Warranty Service within Export Markets:

Visas. Required for entry into certain foreign countries. Based upon \$50 for each overseas trip (one in the second year and two thereafter). Includes cost of required vaccinations.

Airfare. No trips are needed in the first year. One trip in the second year and two trips in the last three years at \$1,000 each thereafter. As the number and age of previously-sold units increases, your products, distributors and their customers will require more attention.

Hotels. These costs are paid by your distributors per your export marketing agreements.

Meals. These costs are also paid by your distributors per the export marketing agreements.

Entertainment. \$100 per trip in the second year. Doubles in the remaining three years. (Service personnel are not expected to entertain on the same scale as sales executives.)

Telephone/Fax. \$100 per trip per year for five years. In most cases, service personnel are allowed to use the distributor's facilities to communicate with U. S. headquarters.

Miscellaneous. \$25 per day for laundry, taxis, supplies, tips and other expenses.

Replacement Parts. The need for replacement parts will normally increase in proportion to the age and number of previously-sold units in your export markets. Investigate how you can obtain an ATA Carnet to carry or send repair parts overseas at <http://www.uscib.org>.

21. Public Relations:

Gifts for Foreign Travel. \$100 annually for each of your six export markets. The amount remains the same for the five year period.

Gifts for Foreign Visitors. As your export sales increase, you will receive more frequent visits from companies that would like to represent your products in their overseas markets.

Memberships. \$200 for each year. An expense that is necessary to maintain contact with potential export sales representatives and the local international business community.

22. Publications:

Government Reports. \$200 per year for all five years. A necessary investment to stay informed about the newest exporting techniques and international profit opportunities.

Export Reference Materials. \$400 per year for five years.. Includes subscriptions to export magazines and resources available through the Export Institute, (800) 943-3171, <http://www.exportinstitute.com/Institute/Product.html>

23. Personnel:

Current Staff Allocated to Export. \$10,000 in second year and \$20,000 thereafter for annual salary expense and benefits of *current staff members only* based on the following:

First year: None allocated to exporting. Export sales volume is small and export administration is handled as part of your staff's normal daily duties.

Second year: \$10,000. A small portion of the administrative manager's time and 50% of one staff member's time is allocated to export-related activities.

Third, fourth and fifth years: \$20,000. One Administrative staff member is assigned full time to coordinate and administer your growing export activities.

Additional Staff Assigned to Export. You hire an Export Manager in the fourth year to administer and expand export sales. Annual salary is \$40,000 including benefits.

NOTE: Costs for service departments, i.e., engineering, accounting and legal, have not been allocated to your export budget. It is assumed that these departments are able to provide export services without creating additional costs for the initial five-year period.

Export Seminars and Conferences. To allow your personnel to learn more about new export techniques, regulations and international sales and profit opportunities. Amount increases in the fourth and fifth years with the addition of your new Export Manager.

24. Total Export Administration Costs:

Total of costs accrued by items 12 through 23. Excludes production costs, U. S. marketing costs and allocated G & A overhead.

25. Incremental Cost to Export:

Total of costs accrued by items 9 through 24. Excludes production costs, U. S. marketing costs and allocated G & A overhead.

26. Total Export Costs and Expenses:

Total of costs accrued by item 6 and items 9 through 25. Excludes U. S. marketing costs and allocated G & A overhead that have not been included in these budget calculations.

27. Annual Profit/(Loss) Before Tax:

In the first year, you sustain a loss of \$11,000 or 7.6 percent on export sales of \$144,000. You earn a small profit of \$4,500 in the second year. In the third, fourth and fifth years, your profits grow to \$24, 725, \$46,875 and \$131,325 respectfully. In the fifth year, your annual profit before tax reaches \$131,325 or 16.3 percent on export sales of \$804,000.

28. Cumulative Profit/(Loss) Before Tax:

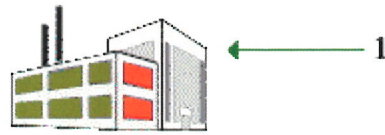
Five-year profit before tax is \$196,425 or 8.6 percent on total five-year export sales of \$2,287,000. Your profits of export may increase at an even higher rate in the future.

Cost Factors of Export-Import Goods

1. Materials, Labor & Overhead

- Custom packagings
- Inspection fees
- Licensing fees
- Royalties

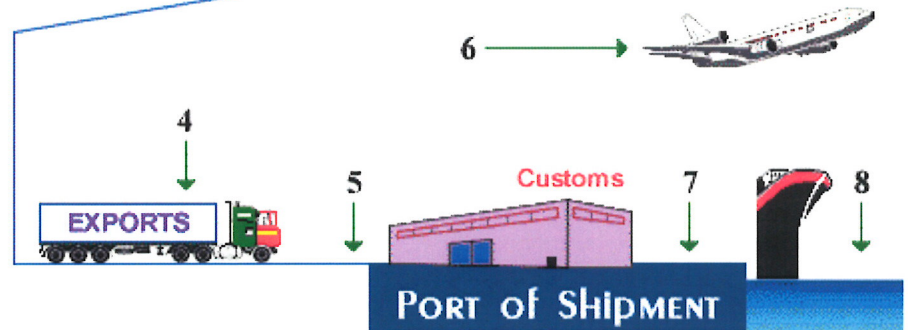
SELLER — Export-Manufacturer, Consignor



SELLER — Export-Trader, Consignor



- 2 Buying agent's commissions**
 - Trader's markups
- 3 Bank charges and commissions**
 - Overseas agent's commissions
 - Freight forwarder's charges
 - Documentation charges
 - Insurance premiums
 - Export license fees
 - Certification fees
 - Consular fees
 - Advertising
- 4 Road freight (cartage, drayage) and/or rail freight**
 - Routing costs (canal and inland waterway links)
 - Uninsured damages
 - Theft and pilferages
 - Handling charges
 - Demurrage
- 5 Brokerage fees**
 - Export levies
- 6 Insurance premiums**
 - Air freight
- 7 Theft and pilferages**
 - Overtime charges
 - Handling charges
 - Warehousing
 - Loading fees
 - Demurrage
 - Wharfage
- 8 Insurance premiums**
 - Ocean freight
 - Lighterage



- 9 Uninsured damages (e.g. war and acts of God)**
 - Pilferages



13 Road freight (cartage, drayage) and/or rail freight

- Routing costs (canal and inland waterway links)
- Theft and pilferages
- Uninsured damages
- Handling charges
- Demurrage

14 Warehousing

- Interest charges
- Advertising

- 10 Lighterage**
- 11 Theft and pilferages**
 - Quarantine charges
 - Overtime charges
 - Handling charges
 - Unloading fees
 - Warehousing
 - Demurrage
 - Wharfage
- 12 Import duties and taxes**
 - Bank charges and commissions
 - Import license fees
 - Brokerage fees

