

1 Making the Export Decision

Exporting is crucial to America's economic health. Increased exports mean business growth, and business growth means bigger profits for U.S. companies—all of which ultimately result in more jobs for American workers. Yet only a small percentage of potential exporters take advantage of these opportunities. It is critical for more U.S. businesses to think globally.

Your decision to read this publication shows you are interested in exporting. You may have already discovered that your company is competing internationally because foreign-owned companies are competing with you in your “domestic” markets. The division between domestic and international markets is becoming increasingly blurred. In a world of over 6 billion people, global communication networks, next-day airfreight deliveries worldwide and CNN, it no longer makes sense to limit your company's sales to the local or even the national market. Your business cannot ignore these international realities if you intend to maintain your market share and keep pace with your competitors.

Making the decision to export requires careful assessment of the advantages and disadvantages of expanding into new markets. Once the decision is made to export, developing an international marketing plan is essential. This chapter presents the advantages and disadvantages of exporting. The remaining chapters will guide you through the steps necessary to master the “trade game.”

Advantages and Disadvantages of Exporting

Advantages

Consider some of the specific advantages of exporting.

Exporting can help your business:

- Enhance domestic competitiveness
- Increase sales and profits
- Gain global market share
- Reduce dependence on existing markets
- Exploit corporate technology and know-how
- Extend the sales potential of existing products
- Stabilize seasonal market fluctuations
- Enhance potential for corporate expansion
- Sell excess production capacity
- Gain information about foreign competition

Disadvantages

In comparison, there are certain disadvantages to exporting. Your business may be required to:

- Subordinate short-term profits to long-term gains
- Hire staff to launch the export expansion
- Modify your product or packaging
- Develop new promotional material
- Incur added administrative costs
- Dedicate personnel for traveling
- Wait longer for payments
- Apply for additional financing
- Obtain special export licenses

These disadvantages may justify a decision to forego direct exporting at the present time, although your company may be able to pursue exporting through an intermediary. If your company's financial situation is weak, attempting to sell into foreign markets may be ill-timed. The decision to export needs to be based on careful analysis and sound planning.