

**U.S. Commercial Service
Exporter Focus Group Summary
Pacific Consulting Group
May 6, 2008**

Background

- Eight focus groups were conducted during the week of April 14th, 2008.
- Each group had a slightly different mix of participants, including manufacturers and wholesalers, with a few service companies.
- Each group had a mix of geographic areas represented.
- Participants were screened and recruited for the different groups based on the percentage of their business that is international (greater or less than 10%) and the types of services they have used (export financing, general export market information, trade mechanics, and post-shipping services).
- The goal of these groups was to gather feedback from the target audience to inform the development of a survey that will help the Commercial Service identify key segments of their target market and the service needs of those segments.

General Observations

- Recruiters were able to reach the right people for participation in the focus groups. The participants were knowledgeable about the subject-matter and could speak about their experiences.
- Companies that began exporting recently, or only conducted a small percentage of their business internationally (approximately <5%) seemed to have less of an awareness of the resources available to them through the government and had little to no experience with CS overall.
- Alternatively, companies that conducted a large percentage of their business internationally and/or had a great deal of experience exporting had:
 - experienced in-house staff;
 - had long-standing relationships with one or more entities (freight forwarders, brokers or distributors) who facilitated the exporting process;
 - were familiar with some, if not many of the available government resources; and
 - generally had established systems in place that made the exporting process a routine part of their business.
- A number of participants mentioned their concerns about compliance issues—both in terms of complying with documentation requirements and in terms of avoiding shipping to companies or individuals that are on “watch lists.” Many participants, particularly those who ship hazardous or potentially dual-use products, mentioned that this had become particularly challenging after 9/11.

Reasons to Start Exporting

- Many of the participants began exporting when they were approached by interested international customers, either through direct inquiries or referrals from others.

- Some noted that because they are in a niche market, and their products are specialized, their clients search globally to find their specific product; therefore, it was natural for them to begin exporting.
- Others indicated that although they have international competitors, their clients are looking for the higher-quality products that are produced in the United States.
- Others began to export once they recognized that they needed to expand and diversify their markets or they identified an untapped market in another country.

Prompts for Expansion to New Markets

- New contacts are often developed at trade shows, but most expressed that while they are always looking for new markets, expansion seemed to happen through the inquiries they received.
- Some mentioned that they looked for markets that “made sense” in terms of places where the dollar was more competitive.

Obstacles or Barriers to Exporting Success

- The space available in shipping containers was mentioned in early groups, but groups later in the week seemed to feel that the issue has been resolving. Some believed that because there are fewer imports, there are fewer shipping containers available for the exports.
 - Escalating freight costs were also cited as an issue.
- A number of participants cited intellectual property issues. Some participants had issues with “knockoffs” and found it very difficult to resolve the issue through the legal system in the respective countries.
- Some felt that new shipping policies were not well known, leading to a lot of confusion.
- Some who ship exotic materials cited stringent exporting laws around documentation, which makes the process very time consuming.
 - Logistics when dealing with a number of different countries can become complicated, particularly when they have different classifications for different types of materials.
- One participant cited the need for more free trade agreements, so that materials are not subject to tariffs (this person did a significant amount of business in Columbia, where a free trade agreement has been stalled).
- One participant cited steep fees for credit insurance issued by the Export-Import bank—this person indicated that 51% of the content must be produced in the US, otherwise there are additional fees. This person felt it was difficult to meet this criterion given all the component materials that come from overseas.
- There is confusion over regulations and paperwork.
 - A number of participants highlighted frequently changing rules and safety regulations in foreign countries. This can be a barrier to entry into certain international markets. This was often referenced among participants who shipped animal or food products.

- One participant who called the help lines at Commerce and DoD found that the representatives would re-state the regulation as it is written, without receiving counseling as to how this applies to their product or what the next steps should be.
- A number of participants indicated they needed further guidance as to whether they needed an export license in certain situations.
- Some participants indicated they had issues with money transfers and bank fees.
- One participant cited a barrier regarding making sure labels on packaging and contents are acceptable in certain countries—these approvals are valid for a limited time and are product-specific, so they must constantly renew certificates if they wish to ship multiple products. For this reason, they seek countries with less-stringent labeling rules.

Where Participants Turned for Help with Exporting Services

- Many participants rely on their freight-forwarders or distributors for assistance with exporting services.
- *Commerce Department*
 - Participants’ experience with the DOC varied considerably—some of this seemed to be a function of how long they had been exporting and the percent of their business that was international.
 - Some had contacted the DOC regarding guidelines and certificates.
 - One participant was a member of the gold key program (a few others had heard of it), and a few had participated in trade missions.
 - Some participants had found the DOC to be very helpful with market research, questions about documentation, Internet resources, seminars, and trade missions.
 - One participant received help from a DOC contact tracking down a customer regarding a payment issue.
 - A number of participants use the Web site to get the information they need.
 - Others had difficulty getting information, were transferred multiple times, had difficulty reaching a knowledgeable resource, found that decisions would change mid-stream.
 - Some found the Web site was only helpful to a certain level, and that the language needed to be simplified “for people who aren’t lawyers.”
 - Some had not considered using the DOC before hearing about it during the focus group.
- *Export-Import Bank*
 - Use of the Export-Import bank was less consistent among participants and generally limited.
 - Some had used it for credit insurance
 - Two participants pointed out that this is only useful for products that are predominantly American-made.
 - One participant indicated that it is not worth the cost unless the sale is for a large dollar amount, and the exporter must find a bank that is willing to work with them. This participant looked into this insurance for more “troublesome” markets, but found it was still too expensive.

- A few people had used it for letters of credit—but few participants used these letters of credit.
- *MEP Centers*
 - None of the participants stated they had used the MEP centers, or recognized the name, although some of them described using services provided by universities or other public/private consortia that sounded very similar to these organizations.
- *Census*
 - Some participants used the Census Bureau to gather data and identify companies they should avoid.
- *Others*
 - Google
 - Freight-forwarders
 - Independent contractors
 - Chambers of Commerce
 - Trade associations
 - Web sites provided by the country of import
 - US Customs
 - USDA
 - Customers
 - FedEx

Post-Sales Issues

- Few participants had post-sales issues, as most required pre-payment, particularly for new customers. Once a customer has a good track-record, they will often set up terms for that customer.
 - Some had used letters of credit, but a number of participants had bad experiences with this approach. One participant mentioned that if the letters are not exact, extensive fees may be incurred.
- Some mentioned delays or significant bank fees with wire transfers.

Most Valuable Outside Organizations

- In most groups, this question was addressed in response to earlier questions. In most cases, the most valuable organization was the freight-forwarder.
 - Participants had established relationships with these organizations, had good experiences with them, and had come to rely on their services.

Assistance that would be Most Useful to Exporters

- Push and pass free trade agreements.
- Uniform regulations that are clearly disseminated so there is clarity and consistency among the shipping firms.

- An up-to-date “Master Play Book” that describes the rules and helps with problem-solving.
 - Clarity on rules and requirements.
- A knowledgeable resource that will make decisions.
- Help small businesses translate their Web pages into other languages—not just a literal translation, but a translation that conveys the marketing message and supports brand recognition.
- Provide a list of countries where products need to be inspected.
- Information about the reorganization occurring at US Customs.
 - Get Customs to work with the exporter.
- Consistency in paperwork needed for different countries.
- Checklist of what is needed for each country.
 - FAQs by country.
- More facilitation of trade fairs and follow-up on trade missions, with a focus on small businesses to facilitate market entry.

Additional Advice for Federal Agencies from Exporters

- Avoid duplication and try to create more efficiency.
- Create more awareness of DOC services through advertising.
- Restrictions need to be clearly defined and readily available to look up.
- Standardize paperwork requirements for shipping companies.
- A readily available list of countries that are on a “do not ship” list and a list of countries that are on watch lists.
- Provide clarification on when an export license is needed.
- Provide clarification on how to protect trademarks and intellectual property.
 - Help exporters prevent reverse engineering and pirating of designs.
- Provide clear and simple information about licensing.
- Provide clear information on how to find a carrier.
- Promote American products.
- Provide a tax credit for people paying to have their companies listed on Google or Yahoo.
- Provide more trade mission opportunities (not trade shows).
- Provide country-specific information resources, including a person to contact with questions who is knowledgeable about the rules for exporting to that country.
- Dealing with US Customs—timing and paperwork.
- DOC should provide dialogue and communications with individual firms or trade unions.
 - Help firms identify opportunities proactively.
 - Help identify scams.