



Export Potential

Determine the export potential of a product or service.



## How to Analyze a Product or Service's Export Potential

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Is your company's product or service a good candidate to sell in overseas markets?

## PRODUCTS

What is your product or service's export potential? There are several ways to evaluate the export potential of your product or service in international markets. The most common approach is to examine the domestic sales. If your company is successful in the U.S. market, there is a good chance that it will also sell in markets abroad, at least in those markets where similar needs and conditions exist. If you are a wholesaler in the United States or if you want to be a manufacturer's representative, you'll have the means of assessing domestic sales. If you have a startup but haven't sold anything yet, you'll at least have a good sense of future prospects.

Another way to assess your company's potential in exporting is by examining the unique or important features of your product. If those features are hard to duplicate abroad, then it's likely that your product will be successful overseas. A unique product may have little competition so demand for it may be quite high. However, even if your product is not unique, don't be discouraged. Many products and services have competitors in their targeted overseas markets.

Advantages of "Made in the USA":

- Innovative, creative, cutting edge
- Flexible and prepared to modify products? and services
- High quality, durable, safe
- Positive brand values and awareness
- Reputation for excellent after-sales service and warranty coverage
- Creative marketing materials
- Easy to reach and communicate with
- Honest, ethical business dealings

**What is your company's exporting goal?** Whatever your goal, consider whether the expected benefits outweigh the costs. If a feature are hard to duplicate abroad, then it's likely that your product will be successful overseas.

**Product licensing.** Some classifications of products require special approval from the U.S. Department of Commerce before you export and some of those products require export licenses.

**Required training.** Products that require training to operate place a greater responsibility on your company and distributor or agent, and you must decide how to support that training.

**After-sales service.** Products that require considerable after-sales support must be handled by a distributor or agent who is well positioned to provide such a service. Providing the means to send the product back to you for repair and replacement is another option.

**Product distinctiveness.** Products that have unique features enjoy a competitive advantage and better reception in foreign markets. Such unique features include patents, superior quality, cutting-edge technology, and adaptability.

Rather than filling the occasional order from an international buyer. You could sell internationally via your own website or a third party e-commerce site. So-called passive or reactive exporting may be the dominant model among U.S. small and medium-sized enterprises. There is nothing wrong with this method of exporting, and it usually does not require elaborate planning or deep reflection on motives or capabilities. However, to take your business to the next level of performance, expertise, and growth, a strategic approach is needed. The first step is to create a written export plan.

## **SERVICES**

The United States is the world's premier producer and exporter of services. As the largest component of the U.S. economy, the service sector includes all private-sector economic activity other than agriculture, mining, construction, and manufacturing. The service sector accounts for 90 million jobs, which is nearly 80 percent of the private-sector gross domestic product .

In the future, the service sector will loom even larger in the U.S. economy. Small and medium sized entrepreneurial companies—those employing fewer than 500 employees—overwhelmingly lead this service-driven business expansion. Over 4 million small U.S. service companies account for more than 16 million jobs. Although small service companies make up most of the service sector, many of the most prominent U.S. service exporters are large companies.

The dominant role that services play throughout the U.S. economy translates into leadership in technology advancement, as well as growth in skilled jobs and global competitiveness. Major markets for U.S. services include the European Union, Japan, and Canada. Mexico is the largest emerging market for U.S. service exports.

Exporting services provides unique challenges, because the export is often invisible or intangible:

- Most likely this will mean travel. Without a tangible product, you may have to make special efforts to elevate the profile of your company and the credibility of your statements about its services.
- Awareness of labor requirements. You may be in-country for an extended period of time, or you may need to hire local workers. Be aware of your legal obligations, such as securing work permits.
- Intensive market research. Market research methodologies and business opportunity indicators are unique for service companies, often requiring more in-depth and detailed activities, information, and intelligence than are routine for exporting goods.

## **Examples of High Growth Service Exports**

### **Travel and Tourism**

The largest single category within the U.S. service sector encompasses all travel- and tourism-related businesses, including recreational and cultural services. The industry is diverse and encompasses services in transportation, lodging, food and beverage, recreation, and purchase of incidentals consumed while in transit. Export sales for this sector in 2018 were \$256 billion.

### **Pollution Control Services**

Pollution control, waste management, remediation of contaminated property, design and operation of key infrastructure and provision and delivery of pollution control resources is growing. The industry has evolved in response to growing concern about the risks and costs of pollution and about the enactment of pollution control legislation in the United States and around the world.

### **Transportation Services**

This sector encompasses aviation, ocean shipping, inland waterways, railroads, trucking, pipelines, and intermodal services, as well as ancillary and support services in ports, airports, rail yards, and truck terminals. Transportation is the indispensable service for international trade in goods, moving all manufactured, mining, and agricultural products to market as well as transporting people engaged in business, travel, and tourism. If you are welcoming international tourists to your service business, you are generating export sales.

### **Banking, Financial, and Insurance Services**

U.S. financial institutions are very competitive internationally, particularly when they offer account management, credit card operations, and collection management. U.S. insurers offer valuable services, ranging from underwriting and risk evaluation to insurance operations and management contracts in the international marketplace.

### **Telecommunications and Information Services**

This sector includes companies that generate, process, and export such electronic commerce activities as e-mail, funds transfer, and data interchange, as well as data processing, network services, electronic information services, and professional computer services. The United States leads the world in marketing new technologies and enjoys a competitive advantage in computer operations, data processing and transmission, online services, computer consulting, and systems integration.

### **Education and Training Services**

Management training, technical training, and English language training are areas in which U.S. expertise remains unchallenged. The export market for such training is almost limitless, encompassing most industry sectors for products and services.

### **Commercial, Professional, and Technical Services**

This sector comprises accounting, advertising, legal and management consulting services. The international market for those services is expanding at a more rapid rate than the U.S. domestic market. Organizations and business enterprises all over the world look to U.S. companies, as leaders in these sectors, for advice and assistance.

### **Entertainment**

U.S.-filmed entertainment and U.S.-recorded music have been very successful in appealing to audiences worldwide. U.S. film companies license and sell rights to exhibit films in movie theaters, on television, on video cassettes, and on DVDs and CDs. U.S. music has been successful in both English-speaking and non-English-speaking countries.

### **Architectural, Construction, and Engineering Services**

The vast experience and technological leadership of the U.S. construction industry, as well as special skills in operations, maintenance, and management, frequently give U.S. companies a competitive edge in international projects. U.S. companies with expertise in specialized fields, such as electric-power utilities, construction, bioremediation, and engineering services, are similarly competitive.

## **E-Business**

This sector, which can be service or product oriented, is expected to grow dramatically. It is estimated that there are already 600 million Internet users worldwide—but that figure represents only a small chunk of the world's population. China's B2C e-commerce platforms have become a popular means for Chinese consumers to purchase U.S. brands.

Service exports may be delivered in support of product exports, and you might find it sensible to follow the path of complementary product exports. Many large accounting and banking companies have exported by following their major international clients abroad and continuing to assist them in their international activities. Smaller service exporters who cooperate closely with manufacturing companies are operating internationally and aim to provide service support for those manufacturers abroad.

Also, your service company may seek affiliation with a foreign company. An agent, representative, or joint venture relationship could prove beneficial to your company. An indigenous service company already has knowledge of the applicable regulations and restrictions, as well as the identities of primary participants, potential clients, and competitors, and other aspects of marketing in a particular country. In addition, the indigenous company will have market research, exposure, and contacts that you can use to your advantage.

U.S. Commercial Service offices in foreign countries can help you sell your services in specific markets. Many of the offices have local buyer-focused websites and social media networks that can promote your company.