

■ e IS FOR EXPORTS

GLOBAL SALES POWERED BY THE INTERNET

by Danielle Kriz

Office of Computers & Business Equipment, Trade Development

E-Poxy Industries is a world leader in the adhesives industry, helping to build bridges, buildings, stadiums and airports. When it came to the Internet, though, E-Poxy used to be just another small manufacturer relying on a single-line dial-up account and one email box for 15 employees.

Built on innovation, the Albany, NY, firm was convinced that it could benefit, particularly in its work with international clients, from the innovations that were making the Internet an essential business tool.

The firm turned to IBM and its Small Business WebConnections for help, and

■ SMES & IT OPPORTUNITIES

Small U.S. businesses are rapidly embracing the benefits of Internet technology. An estimated 70 percent of small businesses are online, almost 40 percent now have a web presence and about 3 million are doing business over the Internet.

When it comes to international markets, however, many small U.S. firms are missing out on potentially big opportunities. Forrester Research discovered that, thanks to the global reach of the Internet, a typical U.S. company can expect 30 percent of its web traffic to come from overseas, starting on the day its website goes live. It can also expect 10 percent of its orders to come

than non-exporting companies. Workers are happier, too, as wages for employees in jobs supported by exports are about 15 percent higher than the national average.

The Internet is making exporting more accessible to smaller companies because it is a tool that extends a company's market reach without detracting from core clients in home markets. And, it isn't necessary to be a world leader with a roster of international clients, like E-Poxy Industries, to see some returns. The following are just some of the ways that companies are using the Internet to support their international business goals.

First, the Internet is a great and improving source of research. Most early stage

THE INTERNET IS MAKING EXPORTING MORE ACCESSIBLE TO SMALLER COMPANIES BECAUSE IT IS A TOOL THAT EXTENDS A COMPANY'S MARKET REACH WITHOUT DETRACTING FROM CORE CLIENTS IN HOME MARKETS.

watched international sales jump 23 percent. IBM provided E-proxy with an intranet, website, Internet access and email for its employees, all hosted by the vendor so the firm did not need dedicated IT staff. Individual email accounts proved to be a significant step forward for this small company.

"It can be very difficult to stay in close contact with someone who is overseas, but communication is essential to keeping our business running smoothly," says Joel Dzekorius, manager of engineering for E-Poxy Industries. Email helps companies avoid problems associated with international calls, such as costs, time differences and poor lines, and enables the exchange of complex documents, like AutoCAD drawings. "We're able to provide much better service now for customers in different time zones," says Dzekorius.

from abroad. However, nearly half the international orders received by U.S. companies go unfilled, according to the Forrester survey.

By not further utilizing technology in exporting, these U.S. firms are turning their backs on a huge potential market and may even lose market share as some transactions migrate online or overseas competitors harness the Internet to compete in core markets.

■ IT EXPANDS SMES' REACH

To some, exporting may seem like just another over-hyped distraction, but the diversified revenue stream and greater profit margins that it provides can come in handy if the U.S. market takes a downturn. Research also shows that exporters enjoy, on average, faster sales growth and employment gains

homework, such as learning exporting basics and conducting market research, can now be done online. Many Federal and state agencies have websites loaded with how-to information, market research, country specifics, events and contacts that will help any firm get oriented towards exporting. The only drawback is the need to sort through the abundance of available information.

Second, the Internet is playing an increasingly valuable role in generating contacts that might lead to direct sales. For many smaller companies, joining a virtual trade show (such as the Department of Commerce's e-expo), an online exchange or a vertical hub may lead to useful contacts, and offer an easy and inexpensive first step into the international arena. Many of the hubs do not target international buyers, but they generate surprising results that can pro-

vide useful international experience for beginning exporters.

For example, VerticalNet, a pioneer of the business-to-business vertical marketplace model, began tracking country domains of its users and discovered that nearly half the visitors to its 56 vertical industry sites came from outside the United States, even though the company did nothing to attract those visitors. Although VerticalNet does not track resulting sales, no doubt many of these international hits came from businesses looking for U.S. suppliers, widely renowned for high quality and competitive prices.

Other sites play a very direct match-making role. Exintel.com is a business-to-business marketplace for Latin American companies that want to purchase industrial spare parts and equipment from suppliers in North America.

Increasingly, in the business-to-consumer segment, new shopping sites can broaden a company's international exposure and generate sales. US-Style.com launched an online community-based shopping mall, targeting Japanese consumers, who are seeking U.S. goods and services. The site is written in Japanese and features a Japanese user interface and customized versions of select U.S. retailers' existing websites.

Despite greater exposure such sites, in many cases, leave the details of exporting, including pricing, documentation, financing and shipping, to the seller. Fortunately, a growing number of international trade portals have emerged that provide extensive information on the services available to help small businesses export successfully.

Once a firm has a few international clients, a more proactive approach, using the Internet to attract and service overseas prospects, is worth considering. Steps include "internationalizing" the company website by translating core content and including local content, and by adding multi-currency pricing and total delivered costs (which take into account duties, taxes and shipping costs).

These steps can be accomplished by working with a specialist that helps firms integrate additional features into its website. For example, PC vendor TigerDirect.com was having problems with shipping across borders and quoting total delivered costs to a growing international clientele. The company worked with From2.com to create a new venture, TigerExport.com, that handles international orders for the Miami-based firm, greatly enhancing the company's services to international customers.

As global business grows, some firms may find an overseas presence is the most logical next step. The high level of interest in their products from outside the United States prompted VerticalNet to map out its own global strategy, and the information it gathered by tracking domain names led it to concentrate its efforts in Europe and Japan. To launch the new operations, VerticalNet partnered with British Telecom and the Internet Capital Group in Europe, and with Softbank Commerce Corp. in Japan.

GetThere.com, a business-to-business travel website, recently opened a London office. It expanded mostly to meet the needs of U.S. multinational clients who wanted their overseas offices to use the same services as their headquarters. Since Europeans rely much more on ferries and trains for business travel, GetThere.com found it needed to be closer to its client base to be effective, leading to the new office.

Well known online pioneers such as Amazon.com, eBay and Yahoo have used varying approaches, such as partnerships, acquisitions and wholly owned subsidiaries, to expand into overseas markets.

Once a firm turns to establishing a physical presence overseas, the Internet may play a less central role in generating international sales. Yet, it will still be an important part of a firm's business strategy because of its ability to facilitate communication between distant offices, information sharing and a consistent global message. ■

FALL SEMINAR SERIES

To help SMEs understand the nuances of exporting and the issues that underlie a good global e-commerce strategy, the U.S. Department of Commerce is partnering with the Software and Information Industry Association (SIIA) to organize a seminar series entitled "e is for Exports: Global Sales Powered by the Internet." The seminars will highlight issues essential to a successful international e-commerce strategy, such as marketing and branding, internationalization, multi-currency pricing, online payments mechanisms, fulfillment and delivery, and important legal and regulatory issues that impact overseas sales, such as privacy, tariffs and taxes. The seminars will also feature a hands-on workshop highlighting U.S. Department of Commerce e-services available to U.S. exporters.

The seminars will be held in more than a dozen cities throughout the United States in fall 2000. To locate a seminar near you, contact Carol Frausto of the Department of Commerce at Tel: (202) 482-1289 or Eric Fredell of SIIA at Tel: (202) 452-1600 x377, or visit www.sii.net and look under "conferences." ■