Growing your Business Through New Markets

International Sales
What will we be discussing?

- E-Commerce
- International marketing
- Up and coming markets
- FTAs
- Resources for small businesses
Key Benefit to Market Expansion

- Mitigate Risk
  - Don’t put all your eggs in one basket
  - What happens if you lose your largest customer?
  - Global recession
  - Natural disasters
  - Geo-political conflicts
- Technological advances
- International competition
- Look beyond your “regular” customers
Let’s Look at the U.S.

• According to Pew Research, American adults:
  • 90% have a cell phone
  • 58% have a smart phone
  • 32% own an e-reader
  • 42% own a tablet

• 69% of consumers shop with a specific occasion or scenario in mind

• 52% of shoppers want more control over their shopping experience
  • Use their own language and preferences to find products
  • Don’t limit the options by “hard filtering” products that don’t match

• Create fresh, interesting product content

• Shoppers are savvy with technology on their side
Apple Users Are the Most Valuable Online Shoppers
Conversion rate and average order value of online shoppers in Q2 2014, by platform

<table>
<thead>
<tr>
<th>Platform</th>
<th>PC</th>
<th>Tablet</th>
<th>Smartphone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mac</td>
<td>3.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Windows PC</td>
<td>2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linux</td>
<td>0.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iPad</td>
<td>2.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Android Tablet</td>
<td>2.1%</td>
<td>$109</td>
<td></td>
</tr>
<tr>
<td>Kindle Fire</td>
<td>1.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iPhone</td>
<td>0.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Android Phone</td>
<td>0.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Windows Phone</td>
<td>0.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average order value

@StatistaCharts  Source: Monetate
Mobile Is Taking Over Digital Media Usage
Share of time spent with selected content categories in the U.S. in May 2014, by platform

<table>
<thead>
<tr>
<th>Category</th>
<th>Mobile</th>
<th>Desktop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
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<tr>
<td>Photo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instant Messengers</td>
<td></td>
<td></td>
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<tr>
<td>Games</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td></td>
<td></td>
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<tr>
<td>Downloads</td>
<td></td>
<td></td>
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<tr>
<td>Entertainment/Music</td>
<td></td>
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<tr>
<td>Social Networking</td>
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<td></td>
</tr>
<tr>
<td>Directories/Resources</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: comScore
<table>
<thead>
<tr>
<th>Activity</th>
<th>% of Americans Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online banking</td>
<td>71%</td>
</tr>
<tr>
<td>Online shopping</td>
<td>57%</td>
</tr>
<tr>
<td>Referencing photos of themselves</td>
<td>27%</td>
</tr>
<tr>
<td>Browsing pornography</td>
<td>16%</td>
</tr>
<tr>
<td>Browsing social media at work</td>
<td>14%</td>
</tr>
<tr>
<td>Checking out an ex on social media</td>
<td>10%</td>
</tr>
<tr>
<td>Looking up new jobs at work</td>
<td>9%</td>
</tr>
</tbody>
</table>

* based on a June 2014 survey among 2,100 U.S. adults ages 18+

Source: WP Engine Online Privacy Study
Consumers Wary of Mobile Payment Security
% of U.S. consumers saying they don't use digital wallets for the following reasons

- Concerned about security: 46%
- Easier to pay cash or with credit/debit card: 37%
- Never thought about it: 32%
- Don't see benefit: 18%
- Lack feature on phone: 8%
- Too time-consuming to set up: 7%
- Other reasons: 6%

n= 1,386 U.S. consumers aged 18+ who haven't used digital wallets; June 2014
Source: Thrive Analytics
Facebook Drives 20x As Much Traffic As Twitter Does
Social referrals as a percentage of overall traffic to sampled websites*

* data collected from 200,000+ websites reaching a global audience of more than 250 million unique visitors
Source: Shareaholic
Social Networking by Region - Facebook

Source: comScore
Did you know that . . .

- Only 27% of online shoppers speak English
- Asia & Europe have more web users than North America?
- 99% of individuals with internet access shop online in South Korea
- 97% of British, Germans and Japanese are online too?
- 94% of U.S. internet users are willing to shop online
- High income families shop online the most
Internet Users Worldwide

Asia 1.1 billion

Europe 519 million

North America 274 million

Latin America 255 million

Africa 167 million

Middle East 90 million

Oceania/ Australia 24.3 million

Source: http://pingdom.com
Percent of Total Online Population

By Percent

North America  Europe  Asia Pacific  Middle East & Africa  Latin America
Internet Population by Age

Source: comScore

Latin America
North America
Europe
Asia Pacific

Age Groups:
- 15-24
- 25-34
- 35-44
- 45-54
- 55+
International Sales

How do you get started?
Why think about International E-Commerce?
Internet retail sales
Global E-Commerce

- $680 billion was spent online globally in 2011
  - Of that, only $187 billion was spent in the U.S.
  - $493 billion was spent in the global marketplace

- Online retailing is considered a top sector for significant growth
  - Expected to reach $370 billion by 2017
    - Up from $262 billion in 2013
  - European online sales are expected to hit €191 billion by 2017
    - Up from €128 billion in 2013
    - The UK is one of the most mature markets in Europe, will see online retail sales increase to €64 billion in 2017, up from €45 billion in 2013.

- What are the key drivers responsible for such significant increases?
Global E-Commerce

- 85% of the world’s online population uses the internet to make purchases
- Number of online shoppers has grown to 875 million
- Highest percentage of internet users who shop online:
  - South Korea (99%)
  - United Kingdom (97%)
  - Germany (97%)
  - Japan (97%)
  - United States (94%)
Global E-Commerce Payments

- 60% of global online customers use credit cards for online purchases
- 25% use PayPal
- 59% in the U.S. and United Kingdom use debit cards
Alibaba

- Conglomerate of Chinese e-commerce businesses
  - Taobao.com
  - Tmall.com
  - Payment platform Alipay

- Alibaba
  - Goal is to make it easy to do business anywhere
  - Its marketplaces transacted $296 billion in sales in 2013
  - Provides a platform that connects buyers and sellers
  - Doesn’t have inventory or warehouses like Amazon
Top Global Web Searches

Unique Visitors

Minutes per Visitor

Source: comScore
Various Internet Speeds

These Countries Have The Fastest Internet Speeds
Average internet connection speed in Q2 2014

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Average speed in Mbps</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Korea</td>
<td>24.6</td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong</td>
<td>15.7</td>
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<tr>
<td>3</td>
<td>Switzerland</td>
<td>14.9</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>14.9</td>
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<tr>
<td>5</td>
<td>Netherlands</td>
<td>14.3</td>
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<td>6</td>
<td>Sweden</td>
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<td>7</td>
<td>Latvia</td>
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<td>8</td>
<td>Ireland</td>
<td>12.6</td>
</tr>
<tr>
<td>9</td>
<td>Czech Republic</td>
<td>12.6</td>
</tr>
<tr>
<td>10</td>
<td>Romania</td>
<td>11.8</td>
</tr>
<tr>
<td>11+</td>
<td>United States</td>
<td>11.4</td>
</tr>
</tbody>
</table>

Source: Akamai
1 in 4 U.S. Internet Users Watches Online Videos Daily

% of internet users watching online videos every day

- Russia: 44%
- China: 33%
- Italy: 33%
- Spain: 28%
- USA: 24%
- India: 20%
- UK: 17%
- France: 16%
- Netherlands: 12%
- Germany: 10%

Survey conducted between March and June 2014
Source: TNS
Online Video Consumption

- 1.3 billion total unique viewers
- 257 billion videos
- 475 million average daily unique viewers
- 17.8 hours per week
- 191 videos per viewer
It’s a big world . . . Where do you begin?

- Website analytics
- Industry news
- Research
- Competition
First Step

• Shift from “reactive” to “proactive” mindset
• Look to available resources
  • Federal
  • State
• Begin to research
Reasons to Think About International Sales

![Bar chart showing household income by type of country and year]

- Households with an Annual Disposable Income over US$10,000 (PPP), million households

- Developed Countries
- Emerging and Developing Countries

- 2012
- 2020
Market Research

- Learn about your product’s potential
- Start with 2-3 best markets
- Country Commercial Guides
- Work with your local resources to find and identify the best markets
- Many online research databases
- Companies can get customized market research reports
Federal Resource – U.S. Commercial Service
Industry: Aerospace & Defense
Sector: Aircraft/Aircraft Parts

Records Found: 26

Country Commercial Guide
- Slovenia 2013 Country Commercial Guide
  2013 Country Commercial Guide for Slovenia...
  (Enter CCG)
- 2013 Country Commercial Guide for Jamaica
  Country commercial guide for US companies interested in doing business in Jamaica...
  (Enter CCG)
- 2013 Country Commercial Guide for Dominican Republic
  2013 Country Commercial Guide for US Companies interested in doing business in the Dominican Republic...
  (Enter CCG)
- 2013 Country Commercial Guide Haiti
  Guide to exports for Haiti...
  (Enter CCG)
- 2013 Country Commercial Guide Belgium
  Guide to exports for Belgium...
  (Enter CCG)

more...

Best Market Report
- 2013 Aerospace Market Resource Guide
  The 2013 Aerospace Market Resource Guide provides market intelligence on aerospace markets in forty locations, including information on market dynamics, competitors, market entry, and local prospects for US firms. Learn valuable information on opportunities for US aerospace manufacturers and service...
- The Importance of the Mexican Customs Broker for Success in the Export Process
  Mexico is among the top countries preferred by US exporters to start exploring markets overseas. Since the implementation of the North American Free Trade Agreement (NAFTA), the import-export process has become more efficient, but there are still many potential challenges that U.S. exporters face...
Doing Business in SLOVENIA

2013 Country Commercial Guide for U.S. Companies


- Chapter 1: Doing Business In ...
- Chapter 2: Political and Economic Environment
- Chapter 3: Selling U.S. Products and Services
- Chapter 4: Leading Sectors for U.S. Export and Investment
- Chapter 5: Trade Regulations, Customs and Standards
- Chapter 6: Investment Climate
- Chapter 7: Trade and Project Financing
- Chapter 8: Business Travel
- Chapter 9: Contacts, Market Research and Trade Events
- Chapter 10: Guide to Our Services
Step 2: Do it for the “Right Reasons” . . .
There is Good News

GLOBAL CONSUMER CONFIDENCE

60 COUNTRIES – 3-MONTH TREND
Q1-2014 NIELSEN CONSUMER CONFIDENCE INDEX

• DECREASE • INCREASE • NO CHANGE

GLOBAL AVERAGE
(42 change from Q4 2012)

NORTH AMERICA • LATIN AMERICA • EUROPE • AFRICA, MIDDLE EAST • ASIA-PACIFIC

*Survey is based on respondents with Internet access. China survey results reflect a mixed methodology. Index levels above and below 100 indicate degrees of optimism/pessimism.

Source: Nielsen Global Survey of Consumer Confidence & Spending Intentions, Q1 2014
FTA’s

• U.S. FTA markets are a good place to begin
  • Agreements with 17 countries around the world
  • Most small firms begin by selling to NAFTA partners first

• SME’s represent the vast majority of U.S. exporting companies to these countries
USCS FTA Tariff Tool
FTA Tariff Tool

- Searches for tariff treatment for specific industrial products under each U.S. FTA
- Shows you
  - Current tariff
  - Future tariff
  - Date products will become duty free through tariff elimination schedules
- [http://www.export.gov/FTA/FTATariffTool](http://www.export.gov/FTA/FTATariffTool)
VAT Taxes

- Value added tax
  - Consumption tax
- Different from tariffs
- Not excluded with trade agreement preferences
- Can make a market not as attractive
  - Some VATs can be as high as 25-35%
## Current Free Trade Agreements

- Australia
- Bahrain
- Canada - NAFTA
- Chile
- Colombia
- Costa Rica
- Dominican Republic – CAFTA-DR
- El Salvador – CAFTA-DR
- Guatemala – CAFTA-DR
- Honduras – CAFTA-DR
- Israel
- Jordan
- Korea
- Mexico - NAFTA
- Morocco
- Nicaragua – CAFTA-DR
- Oman
- Panama
- Peru
- Singapore
Look South Initiative
Trends to Look at

• Aging populations
• Women
  • China
  • India
• Middle class consumers
• Emerging markets
  • BRIC + Indonesia countries make up:
    • 60% of the world’s population
    • 40% of global GDP growth
    • By 2020, 30% of middle class consumers will be living in these countries
Why is this important?
Step 4: Future Projections

Importance of Emerging Markets in Next 5 Years

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent</th>
<th>Major Priority</th>
<th>Top Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>57</td>
<td>26</td>
<td>38</td>
</tr>
<tr>
<td>Brazil</td>
<td>19</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>India</td>
<td>19</td>
<td>11</td>
<td>35</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>11</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Russia</td>
<td>12</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Mexico</td>
<td>6</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>6</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>Latin America</td>
<td>6</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>4</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>7</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>
Factors Affecting Market Selection

Market
- Macroeconomic Stability
- Consumer Market Size and Growth
- Middle Class
- Openness

Population
- Size and Growth
- Age Structure
- Life Expectancy
- Urbanization

Access
- Infrastructure
- Internet
- Retail Landscape
- Ease of Doing Business

Business Environment
- Regulations
- Corruption
- Human Capital

Business Environment
- Ease of Doing Business
- Regulations
- Corruption
- Human Capital

Macroeconomic Stability
- Size and Growth
- Age Structure
- Life Expectancy
- Urbanization
Market Attractiveness

- What is the size of the market
- Growth rate
- Potential
- Competition
  - Brand loyalty
- Lay a foundation for future development
  - Put together a group of experts for the area
  - Identify Key Performance Indicators (KPI)
  - Tie it in with the overall strategy of the company
- Look for hidden opportunities
  - Possible niche markets in emerging economies
Does the Market Fit with your Company?

• Culture
• Objectives
• Brand
• Offerings
  • Understand the needs of consumers in that area
    • What do they want?
    • What do they need?
  • Adopt local business models
  • May require developing a simplified version of an existing product, which is less expensive
Weighted Table

- Developed by Jim Foley at Bradley University
- Great way to let the numbers tell the story
- Here’s how you do it:
  - Create an excel spreadsheet with countries you are considering
  - Decide what’s important for your company
    - Create rankings based on importance
  - Calculate and analyze the final result
# Weighted Table

## Foreign Market Assessment for 8518.40.2000

<table>
<thead>
<tr>
<th>Country</th>
<th>U.S. Exports</th>
<th>Weight</th>
<th>Rank</th>
<th>Category Points</th>
<th>Country Imports</th>
<th>Weight</th>
<th>Rank</th>
<th>Category Points</th>
<th>Political Stability</th>
<th>Weight</th>
<th>Rank</th>
<th>Category Points</th>
<th>Population</th>
<th>Weight</th>
<th>Rank</th>
<th>Category Points</th>
<th>Tariff Rate</th>
<th>Weight</th>
<th>Rank</th>
<th>Category Points</th>
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</thead>
<tbody>
<tr>
<td>Canada</td>
<td>$638,825,485</td>
<td>$12</td>
<td>94</td>
<td>$12,838,274</td>
<td>2</td>
<td>12</td>
<td>24</td>
<td>parliamentary democracy</td>
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<td>12</td>
<td>60</td>
<td>34,800,083</td>
<td>9</td>
<td>27</td>
<td>8.00%</td>
<td>6</td>
<td>12</td>
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<td>77</td>
<td>$7,151,131</td>
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<td>10</td>
<td>50</td>
<td>64,047,162</td>
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<td>11</td>
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<tr>
<td>Greece</td>
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<td>5</td>
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<td>$244,032</td>
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<td>$15,273</td>
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<td>16</td>
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<td>$16,112</td>
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<td>9</td>
<td>45</td>
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<td>55</td>
<td>509,074</td>
<td>1</td>
<td>3</td>
<td>1.85%</td>
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<td>$1,299</td>
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<td>3</td>
<td>6</td>
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<td>20</td>
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<td>10</td>
<td>30</td>
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<td>$3,325</td>
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<td>4</td>
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<td>3</td>
<td>15</td>
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<td>18</td>
<td>6.00%</td>
<td>12</td>
<td>7</td>
<td>72</td>
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<td></td>
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<tr>
<td>Uganda</td>
<td>$208,757</td>
<td>$2</td>
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<td>33,640,833</td>
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<td>24</td>
<td>11.81%</td>
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<td>42</td>
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</tr>
<tr>
<td>Ghana</td>
<td>$119,280</td>
<td>$1</td>
<td>7</td>
<td>$1,099</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>constitutional democracy</td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>24,650,402</td>
<td>5</td>
<td>15</td>
<td>12.45%</td>
<td>6</td>
<td>6</td>
<td>36</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Weighted Table**

- **Client Assessment**

- **Excel**
Considerations

- Regulations
  - Will you need a certificate to export?
  - Import regulations
  - Testing
    - Labeling requirements, etc.
- Intellectual Property Rights
- Increased competition – international players
- Cost
  - How much will this market cost?
  - Setting-up
  - Registrations
- Supply Chain
Identify Your Market

- What will be the most profitable markets?
- Thorough market research is a key to success
- Do not choose too many markets
  - SME’s – initially three are more than enough
  - Move to secondary markets as you gain experience
  - Focus on regional or geographic clusters
Exit Strategy

• Always important
• What if you don’t succeed in the market?
• Are there exit costs?
• Can you withdraw your money?
• What about workers’ rights?
Initial Thoughts
Source: U.S. Commercial Services

• Website
  • Domain name
  • Each country has a special extension
  • Easier for customers to find you if you are registered with popular search engines in specific countries
  • Work with a reputable web hosting service for a localized website
  • Tailor your website to the local languages and tastes
  • Review any local regulations
Initial Thoughts (continued)

- Sizing - European versus U.S.
- Use metric weights and measures
- Plugs, wires, voltage variances are noted
- Warranty/service information
Where are midlife women? 45-64 year olds by region

720 million midlife women

3,491 million women

7,026 million people in the world
Middle Aged Women Globally
Countries with Highest Time Spent Online by Women
Source: comScore MMX, Jan 2013, Worldwide, Females Aged 15+

- United States: 42.1
- Canada: 41.9
- United Kingdom: 41.7
- Netherlands: 35.6
- Poland: 29.5
- France: 29.2
- Thailand: 29.1
- Turkey: 28.8
- Taiwan: 27.9
- Brazil: 27.6

Average Hours per Visitor
Decile 1 Household Disposable Income as Percentage of Decile 10

Decile 1 Hh Disp Income as % of Decile 10 Disp Income, 2012
- 12%+
- 9-11.9%
- 6-8.9%
- 3-5.9%
- 0-2.9%
- Not Illustrated

Most Equal Countries
Gini Index, 2012
- Czech Republic
- Slovakia
- Finland
- Hungary
- Sweden
- 0%
- 65%

Most Unequal Countries
Gini Index, 2012
- South Africa
- Ecuador
- Guatemala
- Colombia
- Costa Rica
- 0%
- 65%

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Your “Contact Us” Page

- Make sure this page reflects that you welcome international inquiries
- Possibly have a separate page for international sales
- Display your address without abbreviations
- Be sure to include USA in address
- Provide direct dial phone number, with country code
- Make it easy for questions to be asked
Translations

- Sometimes just translating the home page can help SEO efforts
- Hire native speakers of the target language for translation
- Can affect the website design
  - Translated English is 30-40% larger in some European languages
  - 30-50% smaller in Asian languages
- Do not use machine translators
International Social Media

• Know the environment
  • Rules and regulations
  • Adoption rates

• Listen first

• Develop a plan

• One size approach does not work

• Localization
Company Website

- Internationally friendly
  - Colors
  - Fonts
  - Languages

- Allow for direct purchasing from website?
  - Letters of credit
  - Wire transfers

- Communication infrastructure for questions
Unexpected export order . . .

• What do I need to do?
  • Choose to accept or reject the order
  • Arrange for payment
  • Shipping documentation
  • Shipment
  • Plan for continuing sales
Testing the Waters

• International Trade Shows
  • Good first step
  • Many have U.S. government representatives
    • U.S. Commercial Services

• Visit the country to gain first-hand knowledge

• Talk to customers, distributors, etc.
Surrounded by Screens?

% of respondents* agreeing they’re "constantly looking at screens these days"

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>78%</td>
</tr>
<tr>
<td>UK</td>
<td>71%</td>
</tr>
<tr>
<td>US</td>
<td>67%</td>
</tr>
<tr>
<td>Brazil</td>
<td>64%</td>
</tr>
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<td>Russia</td>
<td>60%</td>
</tr>
<tr>
<td>Japan</td>
<td>59%</td>
</tr>
<tr>
<td>Germany</td>
<td>57%</td>
</tr>
<tr>
<td>South Korea</td>
<td>49%</td>
</tr>
<tr>
<td>France</td>
<td>47%</td>
</tr>
<tr>
<td>Spain</td>
<td>39%</td>
</tr>
</tbody>
</table>

* based on a survey among ~9,000 respondents aged 16-64 (18-64 in the U.S.) conducted in October 2013

Source: Ipsos
Problems

- Security and privacy
- Disposable income
- Competition from everyone for people’s time
- National internet sales tax
- Maintaining system availability 24/7
- Building strong brand awareness
Conclusion

• Remember, if you have a website, you are international!
• Don’t be afraid of expanding into new markets.
• Resources to help you along the way.
• Contact information: Luanne Mayorga
  lmayorga@niu.edu
  www.niu.edu/springboard