

#### **Things to Consider When Exporting**

- Determine if your product or service needs a U.S. Export License; most don't, but you still need to check to comply with the law. This applies to any product leaving the United States, no matter the value.
- 2. Review required documentation and shipping options.
- 3. Research foreign standards, certifications, and regulations that apply to your products.
- 4. Research the duties, tariffs (taxes), shipping and insurance costs. These can impact your profit margin.

#### Resources for each of the above steps

- 1. Comply with U.S. Export Regulations
- Documents and Shipping, <u>Customs</u>
   Requirements and Documentation & <u>Understanding HS Codes</u>
- 3. <u>Prepare Your Product for Export</u> & <u>Comply</u> with Foreign Import Regulations
- 4. Research Duties and Tariffs & Determine the Total Export Price

For more in-depth guidance on the export process, see Josh's presentation slides on pages 4-12.

#### **Recording:**

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#### **Trade Talk Tuesday**

Please join us for the next 20-minute free webinar discussing Incoterms.

#### **Date**

TBD - February 2025

Registration information will be available soon.

#### **Your Local Office**

U.S. Commercial Service Detroit & East Michigan
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#### Export 101 Q&A

- What is the definition of exporting?
  - When a company from one country sells their goods and services to a company or consumer in another country. This means that any orders you receive from buyers outside of the United States, including Canada, are considered an export.
- Should I approach an international sale the same way I'd approach a sale to a U.S. customer?
  - No, you should not. There are several factors that make international sales distinct, including legal and regulatory requirements, logistics and delivery, export and import regulations, and duties and tariffs.
- What risk does my company face if I don't follow the steps required when exporting?
  - o If your company makes a mistake in the export process, this can result in your shipment not clearing U.S. or foreign customs leading to delays and financial losses, seizure of goods by customs officials, nonpayment, legal or liability issues which includes fines and penalties, and reputation damage. The consequences are generally not catastrophic unless you break export controls laws or actively try to defraud the U.S. or foreign governments or your customers. Nonetheless, there are certainly more opportunities to incur extra costs, delays, and headaches for yourself and your customers in the export process than with U.S. domestic sales.
- Can I use a third-party company to handle the export process, including determining my HS Code?
  - Yes, you can utilize services to support your company through the export process.
     However, as the U.S. Principal Party of Interest (USPPI), your company is ultimately responsible for any mistakes made during the export process. Regardless of how you get your product to the foreign customer, your business remains accountable to customers and regulatory authorities.
- Is there a way to avoid duties and tariffs?
  - Yes, under the <u>De Minimis rule</u>, companies can avoid paying duties when shipping to a
    particular country if the value of your shipment does not exceed the De Miniums value
    established by the country of import. Find <u>De Minimis values by country here</u>.
- How can I become a proactive and strategic exporter?
  - You can become a more strategic exporter by developing an export plan and ensuring the market is right for your product. <u>Follow these key steps to develop your company's export plan.</u>





#### Export 101 Q&A cont.

- Why export?
  - Exporting can be profitable for businesses of all sizes. On average, sales grow faster, more
    jobs are created, and employees earn more than in non-exporting firms. For more
    information on why exporting is a good business decision, <u>check out this video</u>.
- What do I do if I still have questions about the export process?
  - Your local U.S. Commercial Service Trade Specialist is ready to help answer your questions about the export process. Contact them today for one-on-one expert guidance.

#### **Acknowledgments:**

Thank you to our speaker, Josh Halpern, for sharing your knowledge. Appreciation is also given to the <u>East Michigan</u> and <u>West Michigan</u> District Export Councils for supporting the Trade Talk Tuesday series.





View Trade Talk Tuesday Recordings: <a href="https://www.eastmichigandec.org/">https://www.eastmichigandec.org/</a>

For additional insights, contact your local U.S. Commercial Service office.

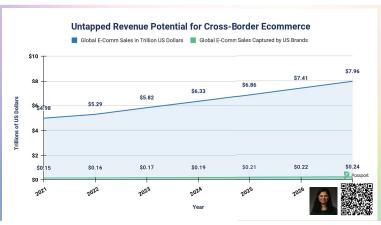












## Top considerations

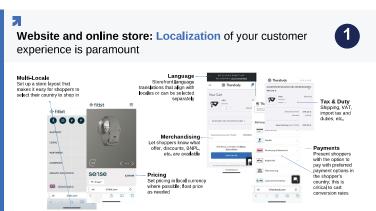
- 1. CHANNELS
  - A. MARKETPLACE OPTIMIZATION
  - B. SOCIAL COMMERCE
  - C. BRICK AND MORTAR
  - D. YOUR OWN WEBSITE
- 2. B2B OR DTC OR HYBRID
- 3. DIGITAL MARKETING
- 4. FULFILLMENT AND LOGISTICS
- 5. PAYMENT FACILITATION
- 6. FINANCING
- 7. LEGAL COMPLIANCE AND PROTECTION



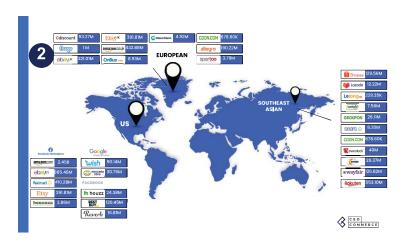


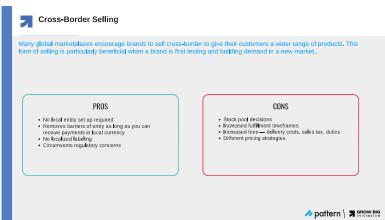




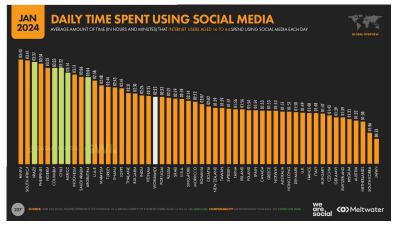


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# **LATAM Top Platforms:**

- WhatsApp: Key tool for direct sales and customer service.
- Facebook: Large user base and strong in marketplaces.
- **Instagram:** Popular among young people with significant visual impact.
- **TikTok:** Growing in social commerce, especially with short video formats.



# What sucks for cross-border sellers?

# Top challenges faced by cross-border sellers Shipments delayed in customs Added supply chall costs Accurately calculating international direct and bases Communication difficulties with international customers Lack of product demand Poor user experience for cross-border shoppers Customers rejecting shipments Lack of understanding of consumer behavior in international markets Other (please specify) 3%



# **HS Code** Classification

#### Meeting expectations starts with classification

Customs officials want to know what's in the box



- Inaccurate item classification
- Delays &
- added costs



#### **Classification requires HS codes**

Harmonized System (HS) codes are a system to classify globally traded products – the purpose is to enable the accurate calculation of customs duties



code for the same product.

• The first 6 digits are universal – they are the same for all countries for a specific product.

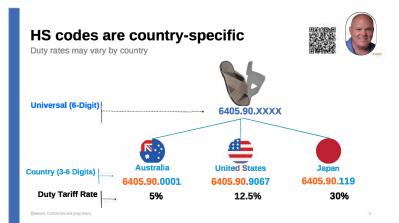
• The last 4-6 digits are country-specific

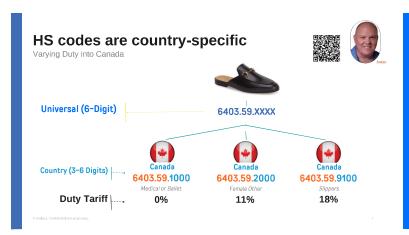
Each country may have a unique HS

- specific, Mapping HS codes is a pre-requisite to accurately calculate customs duties.
- HS codes tie directly to a country's tariff rates.

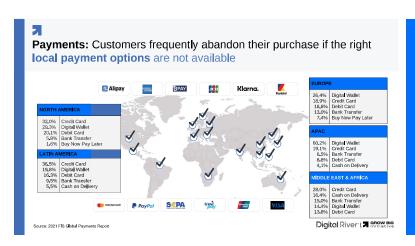








# Payments is not the same in all markets



**Logistics** 

Fulfillment operations: Choose Logistics partners that can enable you to scale





Cross-border and in-country support

As international sales grow and reach milestones in top countries
you need partners that can support local in-market (or region)
operations alongside your broader cross-border strategy

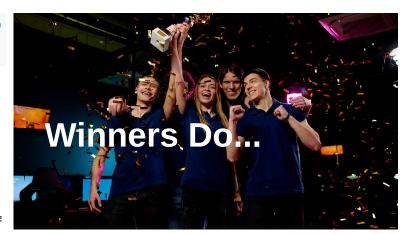
#### Product classifications

Shipping international packages is highly dependent on HS codes / country-specific tariff classifications; make sure you understand your product catalog and work with providers experienced in this area

#### **DDP** incoterms

Allow customers to pay duties/taxes during checkout and ship orders duties delivered paid (DDP) so there are no surprise costs upon delivery

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A carefully thought out pricing and ranging strategy should be a vital part of internationalization plan. Brands should answer the below questions before they determine their marketplace proposition

#### PRICING STRATEGY

- Does your pricing include or exclude local taxes?
   Have you factored in any additional logistical or operational costs to ensure you remain profitable;
   Does your pricing strategy take into account fluctuating foreign exchange rates?

#### RANGING STRATEGY

- Examine whether your product range will resonate in the chose marketplace
   Is the marketplace or update of discounted ranges?
   Remember you may need to consider and alternative range to enable you to meet the consumer needs and business objectives

#### REGULATORY & LABELLING

- Does the country you plan to launch in require local language product labelling?
   Does the marketplace you plant to launch on require additional product labelling?
   Are there any regulations that you need to comply
   Are certain ingredients banned?





#### **Brands Grow Faster with the Right Buyer Experience**

Lagging International Brands Non-Localized Digital Experiences High Shipping Costs Long Transit Times & Delays Poor Customer Support Cross-Border = Lower % of Revenue Lower Profitability Lower Conversions Fewer Repeat Buyers Lower Confidence in International





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WHAT DO BRANDS GET WRONG WHEN
IMPLEMENTING INTERNATIONAL ECOMMERCE
AS IT RELATES TO SEO?

• DIFFERENT TOP-LEVEL DOMAINS,
• POOR TRANSLATIONS.
• NOT USING AN SEO TOOL THAT CAN
ACCURATELY TRACK INTERNATIONAL SEO.

WHAT ARE SOME BIG DIFFERENCES IN DIGITAL MARKETING AND ECOMMERCE IN DIFFERENT COUNTRIES/REGIONS?

• DIFFERENT LAWS, GDPR FOR THE EU. PERSONALIZATION (COOKIES), EMAIL, ETC.

• NO MAP (MINIMUM ADVERTISED PRICE) IN EU.





2024







B2B ECOMMERCE – SUNNEN HAS BEGUN THE JOURNEY OF E-COMMERCE – OVER 100,000 SKU'S, WHAT ARE THE CHALLENGES?



GLOBAL ERP - SUNNEN HAS A GLOBAL GLOBAL ENF – SUNNEN HAS A GLOBAL FOOTPRINT WITH MORE THAN A DOZEN SUBSIDIARIES – HOW DOES SUNNEN MANAGE THE ERP SYSTEM VARIATIONS, EXAMPLES ARE ORACLE IN THE USA VS SELECTLINE IN SWITZERLAND.



COMPLIANCE – EXPORT COMPLIANCE IS A DYNAMIC TOPIC, DOES SUNNEN HAVE AN ORGANIZATIONAL STRUCTURE AND A COMPLIANCE PLAN TO ASSIST IN KEEPING UP TO DATE ON COMPLIANCE?





2024



- 1. AS AN EXPORTER, WHAT ARE THE TOP RED FLAGS THAT YOU LOOK AN AMERICAN AN ECOMMERCE PARTNER?

  A. LACK OF EXPERIENCE

  B. UNCLEAR OR NON-TRANSPARENT PRICING AND COST
- - STRUCTURES C. WEAK REGULATORY COMPLIANCE PROCESSES
  - WHAT ARE YOUR PRODUCT-SPECIFIC REGULATORY
    REQUIREMENTS, CERTIFICATIONS, AND COMPLIANCE STANDARDS?
     U.S. FDA ADHERENCE

    STANDARDS STANDARDS
  - GMPS CERTIFICATE OF PHARMACEUTICAL PRODUCTS
  - MANY IN-COUNTRY DISTRIBUTORS ASK FOR PRODUCT PACKAGING
    TO BE COUNTRY SPECIFIC. HOW DO YOU MANAGE THIS REQUEST?
    STICKERING PROGRAM WITH IN-COUNTRY LANGUAGE
    IF MOY'S ARE MET, WE CAN PRODUCE COUNTRY-SPECIFIC

  - PACKAGING
  - STICKERING TO BE DONE IN COUNTRY AT IN-COUNTRY LABOR COSTS.

    WHAT DOES THE COST/EXPENSE STRUCTURE LOOK LIKE FOR SELLING INTERNATIONALLY WITH IN-COUNTRY ECOMMERCE

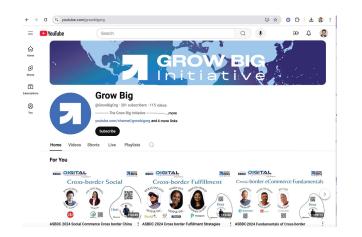








- Regulatory Restrictions: Some countries may classify certain natural remedies or ingredients as pharmaceuticals, requiring a much stricter approval process. Failure to obtain proper licensing or approval can lead to heavy fines or product seizures.
- 2. Prohibited Ingredients: Ingredients that are legal in one cou-be banned or restricted in another due to safety concerns, diffe scientific evaluations, or cultural taboos. This can result in products being denied entry or even recalled.
- Product Liability and Safety Concerns: Cross-border markets may impose different liability laws. If a product is found to cause harm, it may lead to lawsuits, recalls, or reputational damage. Be mindful of product safety documentation and adverse event reporting requirements in foreign markets.
- Counterfeiting Risks: Entering certain markets can increase the risk of counterfeiting, especially for health-related products. This can dilute brand value and pose health risks to consumers. Vigilant monitoring of the supply chain and intellectual property protection are essential.
- Complex Labeling Requirements: Each country will have specific labeling requirements that differ significantly from others. These include warnings, usage instructions, precident listings, and calims about health benefits. Mislabeling or inadequate information can lead to non-compliance and product removal from the market.





### The World is Open for Your Business

Our global network of experienced trade professionals is located throughout the United States and in U.S. Embassies and Consulates worldwide. Whether you're looking to make your first export sale or expand to additional markets, we offer the expertise you need to connect with lucrative opportunities and increase your bottom line.



#### **Export Counseling**

- Develop effective market entry and sales strategies.
- Understand export documentation requirements and import regulations of foreign markets.
- Navigate U.S. government export controls, compliance and trade financing options



#### **Market Intelligence**

- Analyze market potential and foreign competitors.
- Obtain useful information on best prospects, financing, laws, and cultural issues.
- Conduct background checks on potential buyers and distributors.



#### **Business Matchmaking**

- Connect with pre-screened potential partners.
- Promote your product or service to prospective buyers at trade events worldwide.
- Meet with international industry and government decision makers in your target markets



#### **Commercial Diplomacy**

- Overcome trade obstacles to successfully enter international markets.
- Benefit from coordinated U.S. government engagement with foreign governments to protect U.S. business interests.

#### Let Our Global Network Work for You

#### **Worldwide Reach**

As the U.S. government, we can open doors that no one else can. With trade experts in more than 80 countries, we can provide you with on-the-ground knowledge and results.

#### **Local Connections**

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# U.S. Commercial Service Offices

Find detailed contact information for each of our offices at trade.gov/commercial-service-office-lookup

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