

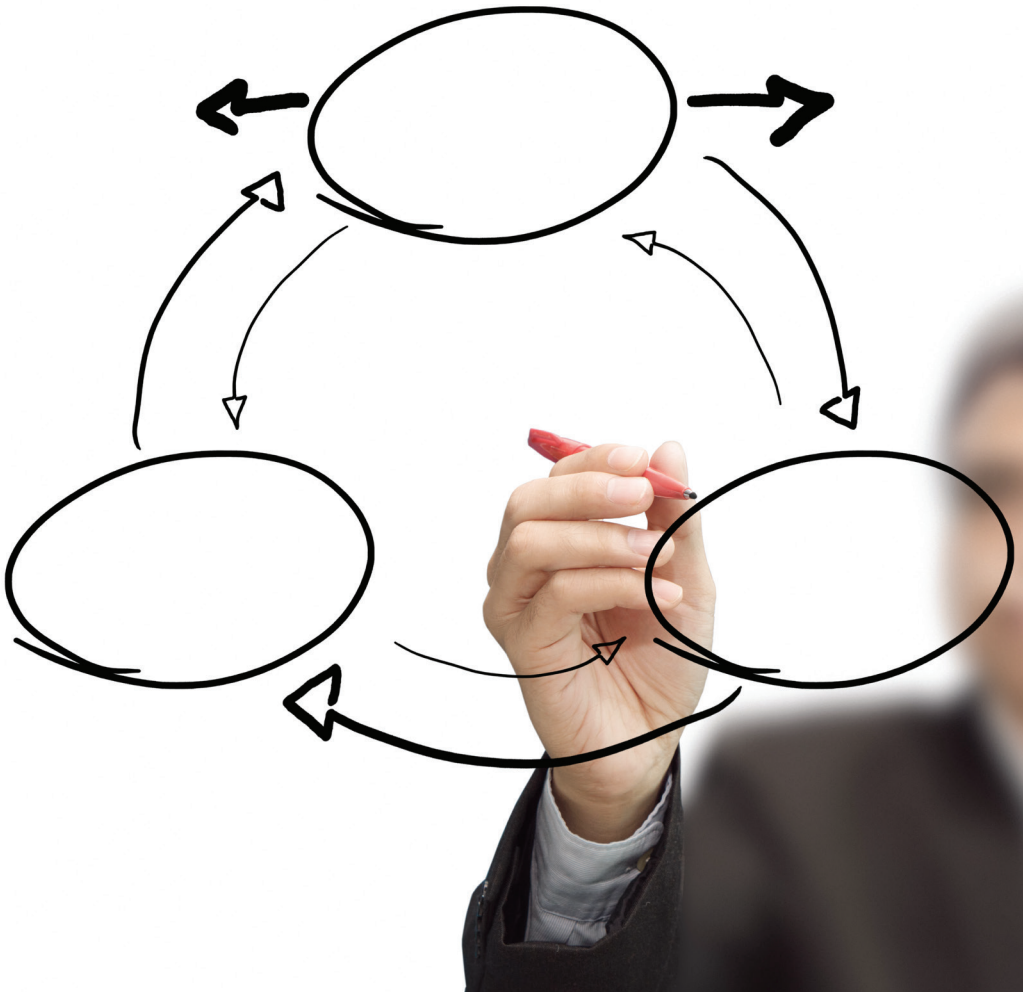


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*Empowered lives.
Resilient nations.*

A STEP BY STEP GUIDE FOR EXPORTERS



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Guide prepared by:

Karl Miville de Chene

Special contributions provided by:

United Nations Development Programme (UNDP) Kosovo Quality Assurance:

Teuta Purrini Xhabali, Project Manager, Aid for Trade

Anita Smailovic, Project Associate, Aid for Trade

Erblin Ribari, NUNV Project Officer, Aid for Trade

Artane Rizvanolli, External Consultant

Erëblina Elezaj, Research Analyst, Policy, Research, Gender and Communication Team

Iris Duri, Data Wrangler Statistician, Policy, Research, Gender and Communication Team

Burbuqe Dobranja, Communications Associate, Policy, Research, Gender and Communication Team

Danijela Mitić, Communication Analyst, Policy, Research, Gender and Communication Team

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Introduction

The Step-by-Step Guide to Exporters is intended to help learn about the world marketplace and how an SME of Kosovo¹ can do business there. It concentrates on the overall principles of exporting and describes the processes that businesses commonly use to develop export strategies tailored to the needs of SME.

Among other things, the guide will help you:

- ◆ Assess your company's export readiness
- ◆ Build an export plan
- ◆ Research and select your target market
- ◆ Create an export marketing plan
- ◆ Determine the best methods of delivering your product or service to your target market
- ◆ Develop a sound financial plan
- ◆ Understand the key legal aspects of international trade

Getting ready to do business outside Kosovo is a complex undertaking. But the basic principles of exporting are quite straightforward and thousands of firms of all sizes and in all sectors have learned to use them successfully. With careful planning and a solid commitment to becoming an exporter, your SME can join them in the global marketplace.

1 For UNDP, all references to Kosovo in this document are made in the context of UN Security Council Resolution 1244 (1999).

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STEP # 1

Getting Started: Assessing Your Export Potential

1.1 Exporting: What's in it for you

Exports and imports consistently account for large amount of most countries gross domestic product (GDP). As the liberalization of global commerce continues, more and more Kosovo's companies are joining the international market every year.

Why would a company that's already doing well within Kosovo consider becoming an exporter? There are several good reasons, including:

- ◆ Increased sales – if domestic sales are good, exporting is a way to expand your market, find foreign niche markets and take advantage of demand around the world.
- ◆ Higher profits – if you can cover fixed costs through domestic operations or other types of financing, your export profits can grow very quickly.
- ◆ Economies of scale – when you have a larger market base, you can produce on a scale that lets you make the most of your resources.
- ◆ Reduced vulnerability – if you diversify into international markets, you avoid depending on a single marketplace and suffering from a domestic downturn.
- ◆ New knowledge and experience – the global marketplace abounds with new ideas, approaches and marketing techniques that could also prove successful in Kosovo.
- ◆ Global competitiveness – the experience your company gains internationally will help keep you competitive in the global marketplace, and in Kosovo.
- ◆ Domestic competitiveness – if your company succeeds in the global marketplace, it will ensure your resilience when faced with foreign competition in Kosovo.

Exporting has many challenges, but you can surmount them through careful preparation and planning. Among these challenges are:

- ◆ *Increased costs* – you may have to modify packaging, or your products or services, and account for short-term costs such as extra travel, production of new marketing materials and additional staff to adapt to markets abroad.
- ◆ *Level of commitment* – it takes time, willingness, effort and resources to establish and maintain yourself in foreign markets.

- ◆ *Staying in for the long haul* – while exporting holds great economic promise for most companies, months or even several years can pass before you see a significant return on your export investment.
- ◆ *Language and cultural differences* – familiarize yourself with the differences in language, culture and business practices so you don't inadvertently offend your potential customer and lose a sale.
- ◆ *Paperwork* – there is no way around it, both Kosovo and foreign governments require a lot of documentation from exporters of products and services.
- ◆ *Accessibility* – you have to be easily available to your foreign clients.
- ◆ *Competition* – you must be sure you are thoroughly familiar with the competition in your target market.

Exporting Goods versus Exporting Services

Exporting goods and exporting services present quite different challenges. The former must deal with packaging, customs and physical delivery, for example, while the latter confronts issues such as work permits, credential validation, language, and travel to and from the market. When exporting goods it is also important to remember that there is often a service component that should be anticipated (installation, training, service, warranty, etc.).

1.2 Are you ready?

An export-ready business is one that has the capacity, resources and management to deliver a marketable product or service on a global scale at a competitive price. The trick is to determine whether this is true of your company – and if it is not, how to make it happen.

Your first step is to think about the resources and knowledge your business already has. Consider the following as a starting point.

Your expectations – do you have?

- ◆ Clear and achievable export objectives
- ◆ A realistic idea of what exporting entails and the timelines for results
- ◆ An openness to new ways of doing business
- ◆ An understanding of what is required to succeed in the international marketplace

HR requirements – do you have?

- ◆ The capacity to handle the extra demand associated with exporting
- ◆ Senior management committed to exporting
- ◆ Efficient ways of responding quickly to customer inquiries

- ◆ Personnel with culturally-sensitive marketing skills
- ◆ Ways of dealing with language barriers

Export Myth: *I am too small to be an exporter!!!!*

No, you are not!

To succeed in international markets, you don't have to be a big firm. Tens of thousands of small and medium-sized companies – with foreign sales of between 30,000 € and 5 million € – are currently exporting and are doing very well.

Financial and legal resources – can you?

- ◆ Obtain enough capital or lines of credit to produce the product or service
- ◆ Find ways to reduce the financial risks of international trade
- ◆ Find people to advise you on the legal and tax implications of exporting
- ◆ Deal effectively with different monetary systems and ensure protection of your intellectual property

Competitiveness – do you have?

- ◆ A product or service that is potentially viable in your target market
- ◆ Resources to do market research on the exportability of your product or service
- ◆ Proven, sophisticated market-entry methods

1.3 Evaluating your export potential

Can your product or service find a worthwhile market outside Kosovo?

Answering this question is crucial. If there is no demand for what you are offering, it would be unwise to proceed.

Tip: *Special events like seminars and business breakfasts can be excellent opportunities to profit from other people's experience with exporting.*

Below are some considerations to take into account when analysing the export potential of your products/goods or services.

Customer profiles

- ◆ Who already uses your product or service?
- ◆ Is your product or service in broad general use or limited to a particular group?
- ◆ Is your product or service popular with a certain age group?

- ◆ Are there other significant demographic patterns to its use?
- ◆ What climatic or geographic factors affect the use of your product or service?

Product modifications

- ◆ Are modifications required to make your product appeal to foreign customers?
- ◆ What is the shelf life of your product? Will this be reduced by time in transit?
- ◆ Can the packaging be easily modified to satisfy the demands of foreign customers?
- ◆ Is special documentation required? Does your product have to meet any technical or regulatory requirements?

Transportation

- ◆ How easily can your product be transported?
- ◆ Would transportation costs make competitive pricing a problem?

Local representation

- ◆ Do you require a local representative for marketing efforts?
- ◆ Do products require professional assembly or other technical skills?
- ◆ Is after-sales service needed? If so, is it available locally or do you have to provide it? Do you have the resources to do this?

Exporting services

- ◆ If you are exporting services, what is unique or special about them?
- ◆ Are your services considered to be world-class?
- ◆ Do you need to modify your services to allow for differences in language, culture and business environment?
- ◆ How do you plan to deliver your services: in person, with a local partner or by electronic means such as the Internet?

Capacity

- ◆ Will you be able to serve both your existing domestic customers and your new foreign clients?
- ◆ If your domestic demand increases, will you still be able to look after your export customers and vice versa?

1.4 Science and technology innovation and international business

If your company falls into this category, you will almost inevitably have to internationalize. Remember that “internationalizing” can also mean Research and Development (R&D) collaboration with an overseas company, forming an international partnership or investing in a foreign business that complements your own.

1.5 Export Quiz: Are you ready?

Is your business ready to start exporting? Take the quiz, check your score and be sure.

1. Is your management committed to sustaining your export effort?
Yes / No
2. Does your management have international business experience?
Yes / No
3. Have you undertaken any foreign market research?
A. Completed primary and secondary market research, including a visit to the target market
B. Completed some primary and secondary market research
C. No research
4. Do you have the surplus production capacity or available specialists to meet increased demand for your product or service?
Yes / No
5. Do you have the financing required to adapt your product or service to suit your target market and to promote it?
A. Financing is in place
B. Financing is being arranged
C. No financing available
6. Does your firm have a good track record of meeting deadlines?
Yes / No
7. Does your product or service have a distinct competitive advantage (quality, price, uniqueness, innovation) over your competition in your target market?
Yes / No
8. Have you adapted your packaging (labelling and/or promotional materials) for your target market?
Yes / No
9. Do you have the capacity and resources to provide after-sales support and service in your target market?
Yes / No
10. Is your promotional material available in the language of your target markets? (Business cards, brochures, websites)
Yes / No
11. Have you started marketing your product or service in your target market?
Yes / No
12. Have you engaged the services of a sales representative/distributor/agent, or partnered with a local firm?
Yes / No
13. Have you hired a freight forwarder or customs broker?
Yes / No

14. Do you have a Free on Board (FOB) or Cost, Insurance and Freight (CIF) price list for your product, or a rate list for your service?
Yes / No
15. Have you checked if you can sell or use the technology and trade name associated with your product in your target markets without infringing on existing intellectual property (IP) rights?
A. My IP strategy includes IP searches before entering new markets
B. My IP is registered in Kosovo only
C. What is IP?

How did you score?

If you selected “A”, or answered “Yes” to 11–15 questions, congratulations!

You understand the commitment, strategies and resources needed to be a successful exporter. At the very least, you have the foundation in place to take on the world and succeed.

7–10: Not bad

There are weaknesses in your export strategy. It may be wise to seek advice and guidance from government experts, export consultants or the international trade branch of your financial institution.

Less than 7

While you may be ready to visit faraway lands, you’ll need to do more homework before you export. Consider getting help from the sources mentioned in this chapter.

Step #2

Globalization: Linking to Global Value Chains

2.1 About Globalization

The term “economic globalization” entered into common use in the early 1990s and refers to the rapid expansion of international trade and capital flows since that time. The economies of the world’s countries have become more closely integrated than ever before. Globalization has caused many businesses to divide their products or services into components. So instead of producing the components themselves or obtaining them from domestic suppliers, businesses outsource certain aspects of the work to other countries. Economists call this new co-dependency a Global Value Chain (GVC).

2.2 Understanding Global Value Chains

A value chain (whether global or not) consists of activities that bring a good or service from its conception to its end use and beyond. This includes design, production, marketing, distribution and support to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms. When those activities are no longer “contained within a single geographic location” such as a country, we have a Global Value Chain.

GVC’s are not a new concept. Trade and investment were becoming broadly internationalized in the late 19th and early 20th centuries. But with the outbreak of World War I, followed by the Great Depression and the Second World War, globalization didn’t really move to the forefront until the last quarter of the 20th century. International trade has evolved from companies who manufacture products in one country and sell them in another. It is also departing from the branch-plant approach, wherein a business produces its goods in a foreign market and sells them almost exclusively in that market. Instead, international trade is now increasingly characterized by intermediate inputs (for both goods and services) whose links may be anywhere in the world.

2.3 The growth of Global Value Chains

There are three major forces driving the growth of GVCs.

2.3.1 Declining costs of transportation

Unless time concerns dictate otherwise, companies can afford to move their goods and services in locations that offer the best competitive advantages.

2.3.2 Improved information and communication technologies

Advances in information and communication technologies (ICT) mean that companies are much less limited by distance when operating in foreign markets.

2.3.3 Reduced barriers to trade and investment

New bilateral trade and investment treaties, lower global tariffs and liberalized economies in developing markets such as China and India have allowed companies to gain access to markets that were formerly not accessible to them.

2.4 Global Value Chains and Kosovo's exporters

GVCs allow each link of the chain to specialize in what it does best. This leads to greater efficiency, increased productivity and lower consumer prices for higher-quality goods and services. At the same time, this trade environment stimulates the intense global competition that encourages innovation.

Companies worldwide have had to adapt with the evolution of GVCs. For example, non-core activities may be outsourced to suppliers, partners or affiliates in countries with lower labour costs or other competitive advantages. Alternatively, small and medium-sized enterprises (SMEs) may supply goods or services to a GVC established by another company, including a foreign multinational.

2.5 Global Value Chains and your business

You have a considerable range of strategies for benefiting from GVCs. The following are among the most common.

2.5.1 Provide an intermediate input for an existing value chain

If your product is something that another company (either Kosovo or foreign) uses as an intermediate input, you may be able to link into their GVC by becoming a supplier.

This is a very common approach and certainly the simplest. For SMEs, especially those with niche technologies or specializations, new opportunities are continually emerging to sell to multinationals or their suppliers.

2.5.2 Develop your own Global Value Chain through outsourcing

If your company manufactures either finished products or intermediate inputs, you can set up your own GVC. Acquiring intermediate inputs, such as raw materials, components, subsystems and other goods and services from foreign suppliers can help you manufacture your own products.

2.5.3 Use Foreign Direct Investment to connect to or establish a Global Value Chain

By investing abroad you can gain immediate access to a foreign market and expand your company's sales and promote its growth. There is a broad spectrum of investment approaches, ranging from the passive to the active.

You might, for example, join a GVC simply by investing in a foreign company while taking little or no part in its operations. Purchasing a foreign firm, or setting up a joint venture or partnership, is another way to increase your competitiveness in the local market. This approach can be very cost-effective if you obtain existing production and distribution capabilities through the investment and do not need to build them from the ground up.

At the active end of the spectrum, you could establish a wholly-owned subsidiary in a foreign market. This can help you drive and benefit from the GVCs of which your company is a part. The most important advantage is that you are not dependent on a partner, so you can control the direction your subsidiary will take. You also have direct contact with your end users, building solid customer relationships, and your identity isn't obscured by the presence of a partner. Finally, your overseas staff answer only to you, and all data related to your foreign operation is at your sole disposal.

2.5.4 Focus on service sectors

The service sector is opening up all over the world. Even if you are primarily a manufacturer, you may be able to move up the value chain by branching into value-added services related to your sector, such as design, distribution, marketing and logistics.

Secondary industries may provide additional opportunities. Companies are demanding an increasing variety of services to facilitate trade—such as financial, information processing, telecommunications, logistics, and legal services. Your company may have specialized expertise that is directly applicable to such activities.

STEP # 3

Charting your route: Developing your Export Plan

3.1 Why plan?

It is critical to understand your market and the major focus of your business before you enter the international marketplace.

If you plan your export project thoroughly, you'll have a better chance of doing well in your target market. Bad planning (or no planning) can lead to major failure abroad and could severely damage your domestic operations as well.

Financial institutions and other lending agencies will not normally provide funds to a business that lacks a well-developed export plan. In addition, potential partners and investors will want to see exactly how you plan to achieve your objectives.

In short, you will get nowhere without an export plan. This chapter will help you create one.

3.2 The foundation: Your business plan

A good export plan begins at home. Now is the time to review and renew your business plan. It is probably out of date. If you don't have one, this is definitely the time to create one.

Export Myth: *Exporting is too complicated!!!!*

Remember, you don't have to do everything yourself.

Outside experts can represent you, find overseas customers, manage sales orders, handle paperwork and deliver the goods.

3.3 Building on the foundation

Your export plan

Once you've polished up your business plan, you can start creating your export plan. It isn't something you'll finish in a week, though, and even after you've begun exporting, you'll need to update it regularly.

Tip: *Contact your industry association to find names of successful exporting companies who can provide you with practical advice.*

3.4 The elements of your export plan

An export plan is a business plan that focuses on international markets. It identifies your target market(s), export goals, necessary resources and anticipated results.

Your export plan should contain the following:

Introduction

✓ Business history	✓ Purpose of the export plan
✓ Vision and mission statements	✓ Organizational goals and objectives
✓ International market goals	✓ Short and medium-term objectives for exporting
✓ Location and facilities	

1. Organization

✓ Ownership	✓ Labour market issues
✓ Management	✓ Corporate experience and expertise in exporting
✓ Staffing	✓ Level of commitment by senior management
✓ Strategic alliances	✓ Relationship between exporting and other operations

2. Products and services

✓ Key features	✓ Production of products and services
✓ Description of products and services	✓ Adaptation and redesign required for exporting
✓ Future products and services	✓ Comparative advantage in production

3. Market overview

✓ Market research	✓ Purchasing process and buying criteria
✓ Political environment	✓ Description of industry participants
✓ Economic environment	✓ Market share held by imports
✓ Size of market	✓ Tariff and non-tariff barriers
✓ Key market segments	✓ Industry trends and other market factors
✓ Market outlook	

4. Market entry strategy

✓ Target markets	✓ Description of key competitors
✓ Product positioning	✓ Analysis of competitive position
✓ Pricing strategy	✓ Description of intermediaries and partners
✓ Terms of sale	✓ Promotion strategy/development of sales leads
✓ Distribution strategy	

5. Regulatory and logistical issues

✓ Other regulatory issues	✓ Intellectual property protection
✓ Trade documentation	✓ Use of trade service providers
✓ Modes of transportation and cargo insurance	

6. Risk factors

✓ Market risks	✓ Political and other risks
✓ Credit and currency risks	

7. Implementation plan

✓ Key activities	✓ Evaluation criteria and process
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8. Financial plan

✓ Revenues or sources of funding	✓ Marketing and promotion costs
✓ Operating budget	✓ Other expenses or expenditures
✓ Cost of sales	

STEP # 4

Setting Out: Identifying your Target Market

4.1 Understanding international market research

Take the time to examine the local culture, find out how things are done there and adapt. Part of the process includes finding the right local partner. After the export plan, market research can be the most important contributor to international success. There are about 190 countries in the world, and you want to target the right one(s) for your product or service.

To do this, you need information that will provide a clear picture of the political, economic and cultural factors affecting your operations in a given market. Market research is the key to understanding your opportunities. It can confirm that an opportunity actually exists, give you insight into how a new market can be developed or help you discover what is important to your potential customers.

The three basic steps of international market research, while detailed, are not particularly complex.

Step 1: Screen potential markets

Collect statistics related to your sector that show product or service exports to various countries.

Identify five to ten large and fast-growing markets for your product or service. Look at them over the past three to five years. Has market growth been consistent year over year? Did import growth occur even during periods of economic recession? If not, did growth resume with economic recovery? Select some smaller emerging markets that may not have as many competitors as an established market.

Target three to five of the most promising markets for further study.

Step 2: Assess target markets

- ◆ Examine trends that could influence demand for your product or service. Calculate the overall consumption of products or services like yours and identify the amount imported.
- ◆ Study the competition, both domestic and non-domestic. Look at each competitor's Kosovo and foreign market shares.
- ◆ For marketing purposes, become familiar with channels of distribution, cultural differences and business practices.

- ◆ Identify any foreign barriers (tariff or non-tariff) for the product or service being imported into the country, as well as any domestic barriers (such as export controls) affecting exports to the country.
- ◆ Search for local & foreign government incentives to promote the export of the product or service.

Step 3: Draw conclusions

After analysing the data, you may decide that you should restrict your marketing efforts to a few countries. In general, one or two countries are usually enough to start with. With these conclusions in hand, you can begin to develop your marketing strategy.

4.2 The types of market research

There are many ways to study a market, but the more detailed and objective your research, the better. There are two main types of market research, secondary and primary.

Tip: *Be prepared for additional expenses for market research, product launches and personal visits so you don't miss potential opportunities.*

4.2.1 Secondary research

You can do this in Kosovo, using data such as periodicals, studies, market reports, books, surveys and statistical analyses. Many of these are available online, as well as through chambers of commerce, economic development organizations, industry and trade associations, and Kosovo companies that are already doing business in your target market.

4.2.2 Primary research

After completing your secondary research, collect market information through direct contact with potential customers or other sources. Primary research almost always demands direct, personal involvement through interviews and consultations. State your company's objectives at the outset and present your questions clearly. For example:

- ◆ Company Description – give a brief description of your company, its history, industries/markets served, professional affiliations (if any), and your product or service.
- ◆ Objectives – briefly list or describe one or more objectives for your planned export product or service, based on your secondary market research.
- ◆ Product or service – clearly describe the product or service you want to export.

- ♦ *Questions* – base your questions on your secondary research and be as specific as possible. You will get a better response if it is clear that you have carefully researched your subject.

4.2.3 Profiling potential markets

Here is a checklist to help you summarize what you can learn about a possible market. After you have created two or three profiles, compare them to see which one(s) present the best overall opportunities.

Export Myth: I can't compete overseas !!!

That's not necessarily true.

If your business sells domestically, why wouldn't it find customers abroad?

Remember, price is not the only selling point- other factors such as need, utility, quality, service and consumer taste can make you competitive.

1. Market type - Is it:

✓ A developing market with rapid growth (China, India)
✓ A fully developed market (Japan, Germany, the U.S.)
✓ A developing market with marginal growth (many African nations)

2. Political highlights - Describe:

✓ The government	✓ Major political themes
✓ Who is who	✓ Relations with Kosovo, including agreements

3. Economic highlights - Describe:

✓ The domestic economy	✓ General imports and exports
✓ Economic trends	✓ Imports and exports to and from Kosovo

4. Business information - Specify:

✓ The currency	✓ Business practices and regulations
✓ The language(s)	✓ Differences in legal framework
✓ Work relationships	✓ Government procurement practices
✓ Office hours	

5. Partnering options - List:

✓ Options for local partners
✓ Kosovo's firms doing business in the target market
✓ Major firms from the target market doing business in Kosovo

6. Support for market-entry strategies - Identify:

✓ Industry associations	✓ Trade media
✓ Research facilities	✓ Trade events in the target market
✓ Other networking options	✓ Market research sources

7. Cultural considerations - Specify:

✓ Do's and don'ts	✓ Greetings and forms of address
✓ Cultural differences	✓ Attitudes toward Kosovo people
✓ General tips	

8. Travel tips - Describe:

✓ Business support services	✓ Visa, work permits or other requirements
✓ Suitable hotels	✓ Telecommunications standards
✓ Tipping customs	✓ Electrical voltage
✓ Religious holidays	

STEP # 5

Reaching the Customer: Developing Your Export Marketing Strategy

Treat all markets differently. There are cultural differences out there that you need to respect.

5.1 Understanding export marketing plans

Long before you fill your first order, you will need an export marketing plan. While you are developing it, remember not to confuse marketing with advertising, sales or promotion. Marketing is strategy. The other three are the tools your strategy will use to reach your target audience.

A good marketing plan should be built around your research and answer the following questions:

- ◆ What are the characteristics of your target market?
- ◆ How do your competitors approach the market?
- ◆ What is the best promotional strategy to use?
- ◆ How should you adapt your existing marketing materials, or even your product or service?

5.2 The many P's of international marketing

**Commonly referred to as the "marketing formula", the Four P's of Marketing include:*

- ◆ Product – what is your product or service and how must it be adapted to the market?
- ◆ Price – what pricing strategy will you use?
- ◆ Promotion – how will you make your customers aware of your product or service?
- ◆ Place – how and where will you deliver or distribute your product or service?

Tip: Building business relationships in foreign markets is best done face-to-face. Faxes, phone calls and email should be reserved for follow-up.

***International trade is more complicated. Add the following nine P's to the list to produce the 13 P's of International Marketing:**

- ◆ Payment – how complex are international transactions?
- ◆ Personnel – does your staff have the necessary skills?
- ◆ Planning – have you planned your business, market, account and sales calls?
- ◆ Paperwork – have you completed all the required documentation?
- ◆ Practices – have you considered differences in cultural and business practices?
- ◆ Partnerships – have you selected a partner to create a stronger market presence?
- ◆ Policies – what are your current and planned policies?
- ◆ Positioning – how will you be perceived in the market?
- ◆ Protection – have you assessed the risks and taken steps to protect your company and its intellectual property?

5.3 Building your export marketing plan

Your marketing plan is a work in progress that you will have to modify continuously. As you develop it, consider the following questions:

- ◆ What is the nature of your industry?
- ◆ Who are your target customers?
- ◆ Where are they located?
- ◆ What is your company's marketing strategy?
- ◆ What products or services do you plan to market?
- ◆ How will you price your products and services?
- ◆ Which segment of the market will you focus on?
- ◆ Does your marketing material accurately convey the quality and value of your products or services and the professionalism of your company?

Tip: Be prepared to translate documents into the language(s) of the target market. Current and potential customers will appreciate it.

As for content, a good marketing plan is closely related to your export plan and should contain the following:

- ◆ Executive summary – the purpose of your marketing plan and how your objectives will be used in your export strategy.
- ◆ Product or service analysis – a clear description of your export product or service, its unique selling points and how marketable it might be internationally.
- ◆ Market analysis – your target market's key economic, social, political and cultural characteristics, a profile of your target customer, buying patterns and factors influencing purchasing decisions.

- ◆ Competitive analysis – to decide pricing and marketing strategies of your product or service.
- ◆ Goals – how you will achieve your objectives in terms of market share, position, revenue and profit expectations.
- ◆ Marketing strategy – marketing strategy, including pricing recommendations, mode of delivery and proposed promotional methods.
- ◆ Implementation – activities and target dates you will undertake to carry out your marketing plan, including a detailed marketing budget.
- ◆ Evaluation – evaluate your marketing plan at various stages to determine if your goals are being achieved and what modifications may be needed.
- ◆ Summary – a half-page summary of your marketing plan goals, describing how they fit into your overall export plan.

5.4 Setting prices

Strategic pricing is one of the most important factors in achieving financial success. Part of setting a realistic export price, and therefore an appropriate profit margin, is to examine production, delivery and distribution costs, competition, and market demand. You should also understand the variables of your target market and other export-related expenses such as:

- ◆ Currency exchange rates and fluctuations
- ◆ Market research and credit checks
- ◆ Receivables/risk insurance
- ◆ Business travel
- ◆ International postage, cable and telephone rates
- ◆ Translation
- ◆ Commissions, training charges and other costs involving foreign representatives
- ◆ Consultants and freight forwarders
- ◆ Product or service modification and special packaging

Tip: Take sufficient time to collect background information on the consumer demand, the competitive landscape, local import laws, customs requirements and other important factors.

5.4.1 Market demand

As in domestic markets, demand in foreign markets can affect your price. In other words, what will the market bear? For most consumer goods, per capita income is a fairly good way to gauge a market's ability to pay.

Often, simplifying products or services to reduce the selling price may be the best option in less affluent markets.

Remember that currency valuations affect affordability. Try to accommodate currency fluctuations and the comparative value of the euro when setting your price.

5.4.2 Competition

In domestic markets, few companies can set prices without considering their competitors' pricing. This is also true in exporting. If you have many competitors in a foreign market, you may have to match or undercut the going price to win a share of the market. However, if your product or service is unique or new, you may be able to set a higher price.

5.4.3 Pricing strategies

How will each market affect your pricing? Include product modifications, shipping and insurance in your calculations. And as mentioned above, you cannot ignore your competitors' pricing. Refer to your market objectives when setting your price. For example, are you trying to penetrate a new market? Looking for long-term market growth? Or pursuing an outlet for surplus production?

You may have to tailor your marketing and pricing objectives to certain markets (e.g. developing nations). There are several pricing strategies available:

- ◆ Static pricing – charging the same price to all customers.
- ◆ Flexible pricing – adjusting prices for different types of customers.
- ◆ Full cost-based pricing – covering both fixed and variable costs of the export sale.
- ◆ Marginal cost – covering only the variable costs of production and exporting, while you pay overhead and other fixed costs out of domestic sales.
- ◆ Penetration pricing – keeping your price low to attract more customers, discourage competitors and gain quick market share.
- ◆ Market skimming – pricing the product high to make optimum profit among high-end consumers while there is little competition.

After you have determined your costs and chosen your pricing strategy, establish a competitive price for your product or service that gives you an acceptable profit margin.

5.4.4 Pricing checklist

Use this handy checklist to track your costs and develop your pricing strategy.

***Marketing and promotion**

✓ Agent/distributor fees	✓ Advertising, media relations
✓ Travel	✓ Communications
✓ Materials (brochures, business cards)	✓ Trade fairs and exhibitions

***Production**

✓ Unit cost of manufacture	✓ Increased R&D costs
✓ Product or service modification	✓ Labelling / Packaging
✓ Regulatory approval	✓ Packing / Marking

***Documentation**

✓ Inspection	✓ Cargo insurance
✓ Certification	✓ Freight forwarders fees
✓ Document preparation	

***Transportation**

✓ Lading and related charges	✓ Warehousing and storage
✓ Carriage	✓ Insurance

***Customs**

✓ Customs and others duties at port of entry
✓ Customs brokerage fees

***Financing**

✓ Costs of financing	✓ Exchange rate fluctuations
✓ Interest charges	✓ Export credit insurance

The table below outlines some of the differences between marketing goods and marketing services in an export environment.

✓ Marketing Goods Versus Marketing Services		
✓ Factor	✓ For Goods	✓ For Services
✓ Demonstrations	✓ Sample product	✓ Presentation of capabilities
✓ Initial marketing by...	✓ Sales representatives	✓ Firm's principals
✓ Stages of marketing	✓ Marketing your product	✓ Marketing your firm and your services
✓ Local market presence	✓ Sales/distribution facility	✓ Office or virtual office in target market

✓ Information Needs		
✓ Cultural factors	✓ Product design and packaging	✓ Interpersonal dynamics
✓ Local associations	✓ Distributors, marketers	✓ Service industry
✓ Local events	✓ Trade shows	✓ Conference (as speaker)
✓ Media	✓ Product advertising	✓ Press coverage
✓ Local partners	✓ Production/distribution firms	✓ Other service firms
✓ Government procurement	✓ Goods acquisition	✓ Services contracts

5.5 Promotion

The outcome of your promotional strategies can make or break your export venture.

In this context, promotion refers to any or all of the communications tools listed below that you may use to convince people to buy your product or service.

- ◆ Advertising – carefully select the media that have a wide circulation within your target audience. If few people have televisions, is radio a better bet? Or print? Or online advertising? Or social media? Word of mouth promotion (testimonials, samples, etc.)?
- ◆ Promotional materials – you may need to remove elements that are inappropriate, offensive or meaningless in the target market. Then have a commercial writer adapt these materials into the native language, and have it double-checked by a native of the country.
- ◆ Direct mail – a targeted direct mail campaign can be very effective if you do your research and gain experience in your target market.
- ◆ Media – prepare a media kit that includes a profile of your company, new products/services, newsworthy activities and any articles published about your company.
- ◆ Personal visits – many cultures value personal contact as the best means of promotion and building business relationships.
- ◆ Trade shows – attending or participating in international trade shows allows you to promote your business, check out the competition and do market research.
- ◆ Internet – be prepared to commit time and money to keeping your website up-to-date, useful to customers and maintained in other languages.

5.6 Marketing tools

Developing the right marketing tools is crucial to the success of your business. Below is a list of tools and tips to get you started:

***Business cards**

- ◆ Professionally designed and high quality
- ◆ Easy to read
- ◆ In the appropriate language(s)
- ◆ Consistent throughout your firm
- ◆ Distinctive and informative
- ◆ Up-to-date and complete, including area codes, country, telephone and fax numbers, postal code, email and website addresses

Tip: Be careful to look into the meanings that your name or corporate image may have in the target market.

***Brochures**

- ◆ Creative and appealing
- ◆ Informative and easy to read, highlighting your uniqueness
- ◆ Professionally designed and printed
- ◆ Visually pleasing

***Customer testimonials**

- ◆ Demonstrate that your company is highly recommended
- ◆ Represent your best customers
- ◆ Feature quotes from top executives
- ◆ Include in your brochure and on your website

***News articles**

- ◆ Clearly state that your company is a recognized leader
- ◆ Quote in your brochure
- ◆ Reproduce on your letterhead
- ◆ Display in your office
- ◆ Send to potential clients

***Videos**

- ◆ Sophisticated and interesting
- ◆ Professionally produced
- ◆ Oriented to the quality and benefits of your product or service
- ◆ Clear and concise
- ◆ Easily available (e.g. on your website)

***Website**

- ◆ Comprehensive and informative
- ◆ Professionally designed
- ◆ Easy to navigate
- ◆ Visually pleasing
- ◆ Up to date and reliable
- ◆ Email enabled
- ◆ Capable of allowing online purchasing (if appropriate)

Step #6

Opening the door: Entering your Target Market

It is very important for new exporters to partner with someone who is familiar with the local business culture.

6.1 Understanding entry strategies

Developing a market entry strategy simply means finding the best methods of delivering and distributing your goods. Or, if you are exporting services, it means setting up ways to obtain and manage contracts in the foreign country.

6.2 Refining your entry strategy

You have chosen the most promising markets for your product or service. Now, based on your market research, you must decide which entry method best suits your needs.

Some factors to consider are:

- ◆ How is business conducted in your target market and industry sector?
- ◆ What are your company's export strengths and weaknesses?
- ◆ What is your company's financial capacity?
- ◆ What product or service are you planning to export?
- ◆ How much service and after-sales support will your customers require?
- ◆ What trade agreements or barriers apply to your target market?

6.3 Methods of market entry

The traditional means of market entry fall into four broad categories: direct exports, indirect exports, partnerships and acquisitions/investments.

We will examine each of these and then look at the question of intermediaries—agents, distributors and other go-betweens.

6.3.1 Direct exports

For products, you market and sell directly to the client. For services, you negotiate, contract and work directly with the client.

Advantages

- A higher return on your investment than selling through an agent or distributor
- Allows you to set lower prices and be more competitive
- Close contact with your customers

Disadvantages

- You don't have the services of a foreign intermediary
- Customers or clients may take longer to get to know you

6.3.2 Indirect exports

For products, you market and sell to an intermediary such as a foreign distributor. You can also retain a foreign agent or representative who does not directly purchase the goods.

For services, you contract with an intermediary who then negotiates and contracts on your behalf.

For many new exporters, an intermediary may be the best way to enter a market.

6.3.3 Partnerships

You might find it advantageous to partner with a local company whose strategic position complements or enhances your own. A well-structured partnership can benefit both parties in the following ways:

- ◆ Your partner can complement your capabilities and provide the local expertise, insights and contacts
- ◆ Each company focuses on what it does and knows best
- ◆ Both partners share the risk
- ◆ You can pool ideas and resources to help keep pace with change
- ◆ You can approach several markets simultaneously
- ◆ Your partner may provide technology, capital or market access that you might not be able to afford on your own
- ◆ Partnerships may help resolve problems related to professional accreditation, movement of personnel across borders, and tax and legal status
- ◆ In a highly competitive global market, combining the technical and financial strengths of two businesses can make both more competitive

You develop a partnership strategy in three steps:

1. Decide whether or not partnership can work for you. If your needs can be satisfied in-house, a partner may not be necessary. If you need financing, you may be better off looking for investors. But if you require special expertise or a local market presence, then a partnership might work very well.
2. Define the form, structure and objectives that a partnership must have to suit your needs. To do this, evaluate your company's goals, its ability to achieve them and where you need help in doing so. Then identify how the partnership must work in order to fill in those gaps.
3. Find a partner who meets these criteria and who will be a good "fit" with your company. It is very important to select a partner that has values and an approach to business that match your own for a partnership to be successful.

There are several different forms of partnerships. The major options are:

Licensing – a license is the grant of rights to another business so that it can legally use your proprietary technology and/or intellectual property. This usually does not involve granting all the rights to the property.

Franchising – more than licensing, the franchisee is given the right to use a set of manufacturing or service delivery processes, along with established business systems or trademarks, whose use is controlled by a licensing agreement.

Cross-licensing – each firm licenses products or services to the other for sales purposes.

Cross-manufacturing – a type of cross-licensing in which companies agree to manufacture each other's products.

Co-marketing – carried out on the basis of a fee or a percentage of sales to take advantage of existing distribution networks and domestic markets.

Co-production – the joint production of goods, enabling your business to use its skills and resources to provide cheaper manufacturing.

Joint venture – each business contributes capital to a newly created corporation that they operate together, or the Kosovo and the local business enter into a general partnership agreement and operate the joint venture as a partnership.

Using the expertise of lawyers, accountants, bankers and other professionals is vitally important when setting up any type of partnership.

All parties must be absolutely clear on who holds which rights and which responsibilities.

6.3.4 Acquisitions and investments

A partnership is not the only way to tap into the resources of a foreign company. Acquiring a firm in your target market, or making a substantial investment in it, can achieve the same results. You immediately gain access to the local market, as well as patents and other intellectual property, resource availability, access to capital, specialist expertise, proprietary technology and product differentiation. You may also enjoy lower operating and production costs in your foreign operation than at home.

Tip: Plan your alliances carefully and pay attention to the qualifications of a foreign agent or distributor.

6.3.5 Selling to foreign governments

Foreign governments can present a rich source of contracts for exporters. For example, the United States government alone procures more than 500 billion USD in goods annually. Your opportunities for selling to the U.S. government are not limited to defence and aerospace, of course. For more information about government tenders opportunity, please visit: www.globaltenders.com

6.4 Evaluating use of intermediaries

Before you jump on a plane and start knocking on doors, think about using an intermediary. The right one can save you an enormous amount of time and money. There are several types: agents, representatives, trading houses and distributors.

6.4.1 Agents and representatives

Agents and representatives are not exactly the same. An *agent* secures orders from foreign customers in exchange for a commission. A representative specializes in sales within a specific geographic area. Both may be authorized and commissioned to enter into contractual sales agreements with foreign customers on your behalf. This is usually less costly than setting up your own direct sales operation. Such an arrangement also gives you control over the price of your product or service – an important advantage. Good foreign agents or representatives can research markets, advice on financing and transportation options, clear goods through customs, provide access to potential customers, make collections, and supply information on local business practices, laws and cultural traditions.

6.4.2 Trading houses

Trading houses are domestic intermediaries that market your goods or services abroad. A full-service trading house handles most aspects of exporting, such as market research, transportation, appointing distributors or agents, exhibiting at trade fairs and preparing advertising and documentation.

Some act as “principals” or “export merchants”, buying products outright from Kosovo suppliers, while others act as “agents,” selling on commission. If you prefer not to sell directly to foreign customers or worry about finding a foreign intermediary, you might consider using a trading house.

Tip: Do your due diligence on a potential agent or representative to make sure they will serve your interests — for example, that they aren't pushing for an exclusive relationship just to keep your product or service out of the market. Consider negotiating a trial period.

6.4.3 Foreign distributors

Unlike agents, distributors actually purchase your product or service and resell it to local customers. Often, they set the selling price, provide buyer financing and look after warranty and service needs. A bonus is that the distributor can usually provide after-sales service in the foreign market. On the other hand, using a foreign distributor may reduce your profit margins and result in a loss of control over your product and/or price.

Tip: Treat foreign agents or distributors as true partners and equals to domestic distribution channels.

6.5 Selecting the right intermediary

Talk to several firms and then carry out your due diligence to make certain they're reputable before you meet. You can also protect yourself by entering into a limited term trial agreement.

To evaluate a prospective intermediary in detail, use the checklist below.

*Size of sales force

- ✓ How many field sales personnel does the agent or distributor have?
- ✓ What are its short- and long-range expansion plans, if any?
- ✓ Will it have to expand to accommodate your needs properly? If yes, would it do so?

*Sales record

- ✓ Has its sales growth been consistent over the past five years? If not, why not?
- ✓ What are its sales objectives for the next year? How were they determined?

*Territorial analysis

- ✓ What territory does it now cover? Is it consistent with the coverage you are looking for? Is it willing and able to expand?

- ✓ Does it have any branch offices in the territory you wish to cover?
- ✓ Are its branch offices located where your sales prospects are greatest?
- ✓ Are there plans to open additional offices?

***Product or service mix**

- ✓ How many product or service lines does it represent?
- ✓ Are they compatible with yours?
- ✓ Does it represent any other Kosovo firms?
- ✓ Would there be any conflict of interest?
- ✓ Would it be willing to alter its present product or service mix to accommodate yours, if necessary?
- ✓ What would be the minimum sales volume needed to justify handling your lines?
- ✓ Do its sales projections reflect this minimum figure?
- ✓ From what you know of the territory and the prospective agent or distributor, is its projection realistic?

***Facilities and equipment**

- ✓ Does it have adequate warehouse facilities?
- ✓ What is its method of stock control?
- ✓ Are their computers compatible with yours?
- ✓ What communications facilities does it have?
- ✓ If servicing is required, is it equipped and qualified to do so?
- ✓ If new equipment and training is required, to what extent will you have to share these additional costs?
- ✓ If necessary, would it be willing to inventory repair parts and replacement items?

***Marketing policies**

- ✓ How is its sales staff compensated?
- ✓ Does it have special incentive or motivation programs?
- ✓ Does it use product managers to coordinate sales efforts for specific lines?
- ✓ How does it monitor sales performance?
- ✓ How does it train its sales staff?
- ✓ Would it be willing to share expenses for sales personnel to attend seminars?

***Customer profile**

- ✓ What types of customers is it currently in contact with?
- ✓ Are its interests compatible with your lines?

- ✓ Who are its key accounts?
- ✓ What percentage of total gross receipts do these accounts represent?

***Principals represented**

- ✓ How many principals does it currently represent?
- ✓ Would you be its primary supplier?
- ✓ If not, what percentage of its total business would you represent? How does this percentage compare with other suppliers?

***Promotional thrust**

- ✓ Can it help you research market information?
- ✓ What types of media does it use, if any, to promote sales?
- ✓ How much of its budget is allocated to advertising? How is it distributed?
- ✓ Would you be expected to share promotional costs? If so, how will this amount be determined?
- ✓ If it uses direct mail, how many prospects are on its mailing list?
- ✓ What printed materials are used to describe its company and the lines it represents?
- ✓ If necessary, can it translate your advertising copy?
- ✓ Does it have its own website?

Step #7

Shippers and Shipping: Delivering the Goods

Choosing the right shipping method is vital to your export success.

7.1 International trade regulations

You will have to familiarize yourself with your target market's import regulations, product standards and licensing requirements. If you are a service exporter, you may have to acquire professional or other accreditation from the country where you will be operating.

Trade and international security

The World Customs Organization (WCO) has developed an initiative to help protect the international supply chain against terrorist exploitation. Called the SAFE Framework, it aims to establish and integrate standards for supply chain security and management, strengthen cooperation among customs administrations and promote the seamless movement of goods through well-secured international supply chains.

7.2 Export declarations

You have to check if you need to declare your exportations according to Kosovo regulations.²

7.3 Export permits

You have to check if you need to declare your exportations according to Kosovo regulations.³

7.4 Delivering products

There are four ways of getting your product to your customer's doorstep. Choosing the right shipping method, or combination of methods, is vital to export success—you want the product to get there on time and at the lowest cost.

2 Documents required for export are 1. Single Administrative Document (i.e. customs declaration) and Commercial Invoice

3 For more information on customs procedures please access the following link: <https://dogana.rks-gov.net>.

Truck – trucking is popular for shipments but service declines once you go beyond the major industrialized countries.

Rail – rail is widely used when shipping to and from seaports.

Air – shipping by air is more expensive than surface or sea transport, but the higher costs may be offset by faster delivery, lower insurance, cheaper warehousing, exotic markets and better inventory control.

Ocean – shipping large items, bulk commodities and goods to offshore markets that do not require fast delivery is more economical by sea.

Tip: *Avoid spreading yourself thin by entering too many different markets too quickly.*

Using Incoterms

To provide a common terminology for international shipping and minimize misunderstandings, the International Chamber of Commerce (ICC) (<http://www.iccwbo.org>) has developed a set of terms known as Incoterms.

7.5 Freight forwarders and brokers

You will need to deal with a lot of documents when delivering products to foreign countries. However, you don't normally do it all yourself—you use freight forwarders and customs brokers.

Freight forwarders –a freight forwarder will help you improve your delivery times and customer service. These agencies will negotiate rates for you with shipping lines, airlines, trucking companies, customs brokers and insurance firms. They can handle all your logistical requirements, or just negotiate your shipping rate; it's up to you.

7.6 Packing your goods

Assume your products will have a bumpy ride, particularly if you are shipping overseas. Pack them to survive rough-and-ready cargo handlers and poor roads. During transit, handling and storage, your goods may have to endure bad weather and extreme temperatures.

If they need special temperature controls or other protective measures, be sure they get them. The type of shipping may determine the kind of packing you should use. For example, if the goods are carried by ship, you need to know whether they will be placed above or below deck.

7.7 Labels and marks

Labelling regulations vary widely from nation to nation, so verify the required labels before you ship. Your product may not clear customs if labels don't conform to local requirements such as product weight or electrical standards. Marking distinguishes your goods from those of other shippers. Marks shown on the shipping container must agree with those on the bill of lading or other shipping documents, and may include some or all of the following:

- ◆ Buyer's name or some other form of agreed identification
- ◆ Point/port of entry into the importing country
- ◆ Gross and net weight of the product in kilograms and pounds
- ◆ Identification of the country of origin, e.g. "Made in Kosovo"
- ◆ Number of packages
- ◆ Appropriate warnings or cautionary markings

Tip: Proper packing can reduce the risk of theft during transit.

Provide a packing list identifying and itemizing the contents of each container. Each container must also contain a packing list itemizing its contents.

7.8 Transportation insurance

International carriers assume only limited liability and make the seller responsible for the goods up to the point of delivery to the foreign buyer. For this reason, you absolutely must have international transportation insurance.

Marine transportation insurance protects both ocean and air-bound cargo. It also covers connecting land transportation. There are three main types of marine transportation insurance:

Free of Particular Average (FPA) is the narrowest type of coverage. Total losses are covered, as well as partial losses at sea if the vessel sinks, burns or is stranded.

With Average (WA) offers greater protection from partial losses at sea. All Risk is the most comprehensive, protecting against all physical loss or damage from external causes. Once the documents transferring title are delivered to the foreign buyer, you are no longer liable for the goods.

7.9 Export documentation

Export documentation identifies the goods and the terms of sale. It also provides title to the goods, evidence of insurance coverage and certifies a certain quality or standard. Several documents are required for overseas shipping and fall into two categories.

7.9.1 Shipping documents

Shipping documents are prepared by you or your freight forwarder. They allow the shipment to pass through customs, to be loaded onto a carrier and transported to the destination. Key shipping documents include:

- ◆ A commercial invoice
- ◆ A special packing or marking list
- ◆ A certificate of origin
- ◆ A certificate of insurance
- ◆ A bill of lading

A *bill of lading* is used for land and ocean freight, and an *air waybill* is used for air freight. Note that the ocean bill of lading can be a negotiable instrument that passes title to the goods. Other types of bills pass title to the consignee as soon as the goods are delivered.

7.9.2 Collection documents

The most important collection document is probably the *commercial invoice*, which describes the goods in detail and lists the amount owing by the foreign buyer. This form is also used for customs records and must include:

- ◆ the date of issue
- ◆ the names and addresses of the buyer and seller
- ◆ the contract or invoice number
- ◆ a description of the goods and the unit price — the total weight and number of packages
- ◆ shipping marks and numbers
- ◆ the terms of delivery and payment

Tip: Goods shipped by sea are typically insured for 110% of their value, to compensate for the extra costs involved in replacing lost goods.

Other collection documents include:

- ◆ certificates of origin
- ◆ certificates of inspection, used to ensure that goods are free from defect
- ◆ import and export licences as required (for example, a NAFTA certificate of origin)

7.10 Delivering services: How it's different

The challenges of delivering services to a foreign market are just as complex as those of delivering products. The challenges are different, however, and often depend on factors in your target market such as:

- ◆ Extent and reliability of telecommunications/Internet links
- ◆ Existence of a reliable IT infrastructure
- ◆ Frequency and convenience of air links between Kosovo and the market
- ◆ Technological sophistication, receptivity and flexibility of customers
- ◆ Potential support through official channels, government departments and international development agencies
- ◆ Ability to satisfy legal regulations governing work permits or professional certification
- ◆ Potential to enter into a local partnership

You will most likely be delivering your services by one, or a combination of, the following methods:

Provider visits client – this is the most common export activity; meeting the client repeatedly, often at the site.

Client visits provider – in industries such as tourism, thousands of the locals earn income by meeting the needs of foreign visitors.

Establishment in the market – large legal and accounting firms, as well as major banks, are most likely to use this method to establish their presence abroad.

Electronic delivery – E-business is increasingly more important for conducting global business.

Incoterms® 2010



COSTS **RISK** **INSURANCE**

■ All modes of transport ■ Sea and inland waterways

DESCRIPTION	FREIGHT/RISK														MORE DETAILS
EXW Ex Works	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller is only responsible for making the goods available at the seller's premises. The buyer bears the full risk from there to the destination.
FCA Free Carrier	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller is responsible for delivery to the custody of the carrier, which is provided by the buyer. Risk is transferred as soon as loading has taken place.
CPT Carriage Paid to	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport to the destination.
CIP Carriage and Insurance Paid to	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport and insurance to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport and insurance to the destination.
DAT Delivered at Terminal	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller delivers the goods unloaded at a specified place inside the agreed terminal. Risk is transferred as soon as the goods have been unloaded.
DAP Delivered at Place	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller delivers the goods to the disposal of the buyer on the arriving means of transport at the agreed place. Seller assumes the risk until the goods are made ready for unloading from the arriving means of transport.
DDP Delivered Duty Paid	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller is responsible for bringing the goods to the destination, paying any duty and making the goods available to the buyer. Risk is transferred as soon as the buyer has access to the goods ready for unloading at the agreed destination.
FAS Free Alongside Ship	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller is responsible for delivery of the goods at the quay alongside the ship. From this point onwards, risk lies with the buyer.
FOB Free on Board	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller is responsible for delivery of the goods loaded on board the ship. Risk is transferred as soon as the goods have been set down inside the ship.
CFR Cost and Freight	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller covers cost of freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.
CIF Cost, Insurance and Freight	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Seller covers cost of insurance and freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.

Step #8

Identifying your Export Financing Requirements

It is important to be diplomatic, especially when 'securing payment' for overseas sales. Demanding payment up front can be a terrible insult in some cultures.

8.1 Understanding the risks of export financing

If by chance your first international order is far larger than you expected, how are you going to finance the expansion you need? Payments can take months, and buyers may default or go out of business. Self-financing a growing export business can be very risky, especially for new or smaller exporters. Fortunately, however, there are options that can minimize your risks and even give you a competitive edge.

8.2 Leveraging capital

Your export drive will need a reliable cash flow. You will also need a comprehensive financial plan for the export venture. If you don't have one, it will be very difficult to arrange the financing the venture may need.

The most important objective of your plan, however, is ensuring that your company always has sufficient cash or operating lines of credit. To do this, the plan must include:

A cash budget – highlights your financing requirements over the next two or three years, so you can determine the timing and amount of your cash expenditures.

A capital budget – a longer-term overview of the funds you will need to complete your export project, it provides an operating plan against which you can measure actual expenditures and revenues and tells you when the project will start generating positive cash flows.

Export Myth: *I can't afford to export !!!*

Yes, you can! Expanding your capacity to fill foreign orders won't necessarily demand large capital outlays and a lot of new staff.

You will need to know the timing of both cash inflows and outflows. Cash flow planning can help you defend against such problems as:

- ◆ Exchange rate fluctuations
- ◆ Transmission delays
- ◆ Exchange controls

Tip: *Be prepared to meet increased demand from a successful foreign sale.*

- ◆ Political events
- ◆ Slow collection of accounts receivable

Accurate details are important to the overall effectiveness of your export plan.

8.3 Methods of collecting payment

There are several ways for customers to pay an invoice in international trade: cash in advance, letters of credit, documentary credit, documentary collection and open account. We will examine them in order of increasing risk to your company.

8.3.1 Cash in advance

Cash in advance is your most secure option because it eliminates all risk of non-payment and adds to working capital. Unfortunately, few foreign buyers are willing to pay cash in advance, although some will pay a portion when goods or services are specially ordered. For services, a retainer might be paid upon signing a contract, after which progress payments are matched to deliverables.

Tip: *International trade payments usually take longer to arrive than domestic ones, so allow for this in your cash flow planning.*

8.3.2 Letters of credit

Letters of credit (L/Cs) rely on banks to receive and check shipping documents, and to guarantee payment. An L/C can allow the costs of financing a transaction to be borne by either the exporter or importer. Both sight and term payment provisions can be arranged. Letters of credit can be *confirmed* or *unconfirmed*. For example, a Kosovo bank⁴ can *confirm* an L/C issued by a foreign bank, thus guaranteeing that the Kosovo bank will pay the exporter even if the foreign bank does not. This kind of L/C is much better for you than the unconfirmed one. L/Cs can also be *irrevocable*. This means they cannot be cancelled or amended without your approval. The most secure L/C is one that is both confirmed and irrevocable.

In practice, an L/C works like this:

- ◆ The customer arranges a letter of credit with his or her bank.
- ◆ The customer's bank prepares an irrevocable L/C. This includes specifications as to how you'll deliver the goods.
- ◆ The customer's bank sends the L/C to your Kosovo bank for confirmation.
- ◆ Your bank issues a letter of confirmation and sends the letter and the L/C to you.
- ◆ You check the L/C very carefully. In particular, you ensure that it agrees in all

⁴ List of the banks operating in Kosovo can be accessed at: <http://www.bqk-kos.org/?-cid=2,14>.

respects with the terms of your contract with the customer. If the L/C's terms and those of the contract are different, and if you don't meet the L/C's terms because you overlooked the discrepancy, the L/C may be deemed invalid and you might not get paid.

- ◆ You arrange shipping and delivery with your freight forwarder. Once the goods are loaded, you get the appropriate shipping documents from the forwarder; you use these to prove that you have fully complied with the terms of the contract.
- ◆ You take these documents to your bank, which sends them to the customer's bank for review. The customer's bank sends them to the customer, and the customer obtains the documents that will allow the goods to be claimed.
- ◆ The customer's bank pays your bank, which then pays you.

8.3.3 Documentary credit

Exporters can also use sight and *term* documentary credits, as follows:

- ◆ A documentary credit calling for a sight draft means that the exporter is entitled to receive payment on sight, i.e. upon presentation of the draft to the bank.
- ◆ A *term* documentary credit, in contrast, may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

Tip: Give your foreign markets adequate attention, even if your domestic economy booms.

8.3.4 Documentary collection

In a collection, you ship goods to an importer (your customer) and forward the shipping documents to a collecting bank. Next, the customer pays the collecting bank in exchange for the documents. You then obtain the money from the bank. With a collection, no bank has guaranteed that you'll get paid, and you're required to finance the shipment until your customer receives the goods and pays through a sight or term draft.

8.3.5 Open account

Open accounts require you to ship goods and pass title to the customer before payment is made. In these cases, you're fully exposed to any credit risk associated with the customer until payment is received. In addition, because open account terms usually allow 30, 60, 90 days (or even longer) before payment is due, you are in fact financing the transaction for your buyer.

8.4 Insuring against non-payment

The impacts of your buyer not paying can be severe and lasting.

Step #9

The Fine Print: Understanding the Legal Side of International Trade

It takes years to build a market, but only days to lose it.

9.1 Understanding international contracts

In international trade, contractual arrangements can be much more prone to complications than domestic ones. Language barriers may cause misunderstandings. Cultural and geographical impediments may crop up. Words may have different meanings in different places. International business contracts must, therefore, be specific and all-encompassing. This will go a long way toward reducing misunderstandings, misconceptions and disputes. Finding a legal professional who specializes in international trade will help you sidestep pitfalls of regulation and law and, if necessary, resolve disputes. You should also acquire some knowledge of international conventions, the business laws governing your target market, and existing trade agreements between that market and Kosovo.⁵

9.2 Understanding the “proper law”

Problems in international business contracts can occur because of differences in the laws of the countries involved. When different laws are applied, results may be inconsistent, and substantive rights may depend on whose law applies. For example, one law may require that a contract be written, whereas another may not. Or, under one law, persons who are not a party to the contract may have certain rights, whereas under another law they may have no rights.

You absolutely must, therefore, establish from the outset which law is the “proper law.”

9.3 Contracts for the sale of goods

A contract covering the sale of goods involves transferring, or agreeing to transfer, goods to a buyer for a sum of money.

The actual transfer of the property distinguishes the sale of goods from other transactions such as leases or property loans. The term “goods” includes all movable things, excluding real estate, and such intangibles as debts, shares, patents and services.

⁵ For more information on this, contact Department of Trade within Ministry of Trade and Industry <http://www.mti-ks.org/en-us/Trade-Department>

Furthermore, the fact that money changes hands distinguishes a sale of goods from other transactions, such as barter or counter-trade.

9.3.1 Transfer of title and the effects of transfer

Several factors hinge on the exact legal moment when the buyer takes ownership of the goods (in formal terms, when title passes or is transferred from you to the buyer).

- ◆ **Risk** – the transfer of title affects the parties' rights in case of total or partial loss, damage or destruction of the goods.
- ◆ **Rejection** – once it has occurred, transfer of title may preclude your buyer from rejecting the goods, despite valid complaints regarding quality, quantity or description.
- ◆ **Price** – once your buyer takes title, you can sue him or her for the full unpaid price, rather than merely for the lost profit.
- ◆ **Rights of Action** – after taking title, the buyer can enforce his or her property rights through court action or other methods.

9.3.2 Delivering the goods

You must deliver the goods to your buyer in one of two ways:

Physically, by delivering a legal document of title, such as a bill of lading; or
Symbolically, by delivering, for example, the key to where the goods are stored.

Your contract should specify where the delivery will take place. In international matters, this is usually defined by using such International Commerce (INCO) terms as Cost, Insurance and Freight (CIF) or Free on Board (FOB).

9.3.3 Acceptance or refusal of goods

If you meet all the conditions of the contract, your buyer must accept the goods. Refusal to accept them without justification gives you the right to sue for damages. But if you breach a condition of the sale, the buyer can legally reject the goods. Upon request, you must allow your buyer to examine the goods. The buyer can accept or reject them by:

- ◆ Conveying his/her acceptance to the seller
- ◆ Acting in a manner that is inconsistent with the seller's ownership of the goods, e.g. by reselling the goods after they are delivered
- ◆ Keeping the goods without notifying the seller that he or she has decided to reject them
- ◆ Once any of these types of acceptance or rejection have taken place, the buyer can no longer refuse the goods, even if you have breached a condition of the contract.

Tip: Unless otherwise specified, the place of delivery is understood to be your place of business.

9.3.4 Unpaid seller's rights

Your best protection as seller is payment in advance or upon delivery. Next is payment by confirmed letter of credit (preferably irrevocable). If neither is possible, then you should take out security for the unpaid purchase price. This can take several forms, but the most common method is to reserve title or to take a secured interest in the goods.

9.4 Contracts for the sale of services

Service contracts can range from a handshake to pages of legal and technical specifications.

Tip: *Modify products in compliance with foreign regulations and cultural preferences to avoid conflicts.*

Whatever the form, both parties should have the same understanding of:

- ✓ The service(s) to be provided
- ✓ The personnel who will provide the service
- ✓ The facilities to be made available to the client
- ✓ The date on which the provision of service is to begin and end
- ✓ The payments to be made
- ✓ The benchmarks or dates when payments are to be made
- ✓ The circumstances under which the contract may be terminated, and any implications in terms of completion of the work, handing over the work completed to date, partial payments, penalties, and so on
- ✓ The procedure in case the client is unable to provide the agreed personnel, information or facilities
- ✓ Conditions for holdbacks
- ✓ Conditions for the return of bid or performance bonds or guarantee
- ✓ Procedures for resolving disputes

9.5 Negotiating in other business cultures

The usual Western business practice is to negotiate a transaction and then build a buyer-seller relationship around it. In the business cultures of many countries, however, this process is reversed. One starts out by building a personal relationship with a prospective customer and, once that relationship has been established and everyone is comfortable with it, the actual business negotiations can begin.

While the ultimate goal of all parties is to sign a contract, the immediate objective in a relationship-based business culture is to establish the personal connections. Your non-Kosovo counterparts often see this as a necessary precondition for serious negotiations.

9.6 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is generally defined as the voluntary activities undertaken by organizations to operate in an economically, socially and environmentally sustainable manner. Socially responsible practices can enhance the ability to manage stakeholder relations, prevent conflicts, mitigate risks and contribute to the sustainable development of communities, regions and countries.

Successful CSR activities are characterized by the integration of social, environmental and economic considerations into an organization's values and operations in a transparent and accountable manner.

***Tip:** Be patient – pushing negotiations onto someone who isn't ready will be seen as rudeness, and that can greatly diminish the possibility of a sale.*

Operating according to CSR principles

Kosovo institutions encourages and expects Kosovo companies working internationally to respect all applicable laws and international standards, to operate transparently and in consultation with host governments and local communities, and to continue to develop and implement CSR best practices. There are good business reasons for implementing sound, ethical CSR policies and practices. Among them are:

- ◆ Establishing a good corporate reputation
- ◆ Improving management of social, environmental, legal, economic and other risks
- ◆ Enhancing the company's ability to recruit and retain staff, and better staff morale
- ◆ Obtaining higher operational efficiencies and cost savings
- ◆ Improving access to markets and capital
- ◆ Maintaining better relationships with regulators
- ◆ Maintaining stronger compliance with local laws and regulations

CSR tools and practices can contribute to an organization's long-term business success by helping them to develop sustainable business practices that respect local needs.

9.7 Meeting international standards

There are standards for almost everything, from the ingredients in food to the certification of electrical equipment. If you are an exporter, you need to ensure that the standards you use in your export product or service comply with those of your intended target market. Adopting international standards will increase your competitiveness, make it simpler for you to exchange technical information with foreign experts, and save you money and effort when it comes to testing and recertifying when you move into a new market.

9.8 Protecting intellectual property rights⁶

Intellectual property (IP) rights are valuable tools to protect various aspects of innovative business activities. IP rights very broadly mean legal rights that result from intellectual activity in the industrial, scientific, literary and artistic fields.

Patents, trade-marks, copyrights, and industrial designs are referred to as “IP rights.”

- ◆ Trade-marks represent branding and goodwill
- ◆ Patents represent technology and technological improvements
- ◆ Copyrights represent all original forms of creative works and their expressions
- ◆ Industrial designs represent a product’s shape, look and configuration

IP rights are “property” in the sense that they are based on the legal right to exclude others from using the property. Ownership of the rights can also be transferred. Like physical assets, IP assets must be acquired and maintained, accounted for, valued, monitored closely and properly managed in order to extract their full value. Every country has an intellectual property office, whose main responsibility is to administer their national IP system.

9.8.1 Protecting your business’ intellectual property assets

Note: Many of these steps would benefit from the guidance of an IP specialist.

1. Learn the basics of IP rules and laws where your business is based and in the major countries in which you intend to do business. IP knowledge within your target markets can help you save time and money. The World Intellectual Property Organization (WIPO) www.wipo.int/portal/en/index.html offers useful information and resources specifically for businesses.
2. Take stock of your IP assets. Don’t make assumptions – get clear on the IP assets you actually hold. IP can provide a foundation for mergers, joint ventures or for research and development agreements.
3. Conduct “freedom to operate” searches on trade-marks and patent before commercializing products and services which may conflict with the IP rights owned by others in the marketplace.

Develop an IP Strategy. You will be in a better position to understand how intellectual property can support you in achieving your business goals.

4. Search IP Databases. Search international databases in the markets you are interested in developing to:
- ◆ Identify potential competitors

⁶ Intellectual property rights are registered and administered by the Agency for Property Rights which operates in the Ministry of Trade and Industry.

- ◆ Find possible partners and markets
- ◆ Anticipate changes in the marketplace
- ◆ Avoid possible infringement
- ◆ To find a comprehensive list of national IP offices, visit (www.wipo.int/directory/en/urls.jsp)

Export Myth: *By slightly modifying a patented invention, I can go “around” the patent and sell my modified product without any worry !!!*

WRONG...

If a patent has been properly written and filed with the help of a registered patent agent, chances are it would stand as a solid defense.

5. Formally protect your IP rights. Seek professional advice for protecting your products and services as the formal IP system can be complex.
6. Properly mark your products and services. The following are some examples for indicating your IP rights on products and packaging.
 - ◆ Trade-marks: Trade-mark owners often indicate their registration through certain symbols, namely, ® (registered), TM (trade-mark), SM (service mark), MD (marque déposée) or MC (marque de commerce). The symbols TM, SM or MC may be used regardless of whether the trade-mark is registered. The ®, or MD, on the other hand, can be used only if the mark is registered.
 - ◆ Patents: You may wish to mark your invention with «Patent Applied For» or «Patent Pending» and the patent application number. These phrases have no legal effect but may warn others that you will be able to enforce your exclusive right to make the invention, once a patent is granted.
 - ◆ Copyrights: You may mark your work with the symbol ©, the name of the copyright owner and the year of first publication. Marking serves as a general reminder that the work is protected by copyright.
 - ◆ Industrial Designs: The proper mark is a capital «D» in a circle and the name, or abbreviation, of the design's proprietor on the article, its label or packaging.
7. Preventing/Remedying Infringement. When conflict arises, it is preferable to attempt to reach a negotiated settlement. IP litigation, especially in foreign jurisdictions, should be taken as a last resort. With awareness and proper strategic planning, however, this outcome can usually be avoided. Ask for IP advice from a registered professional as early as possible.

IP professionals, like registered patent or trade-mark agents or IP lawyers, can help you avoid the common IP pitfalls made by exporters such as:

- ✓ Not covering IP issues in contracts with distributors or outsourcing partners
- ✓ Infringing others' IP rights

- ✓ Assuming laws are the same everywhere
- ✓ Not checking trade-mark registrations
- ✓ Not using regional/international systems to streamline IP registration
- ✓ Using inappropriate local branding
- ✓ Applying for protection too late
- ✓ Disclosing information too early

Export Myth: *My Kosovo IP right protects me worldwide...!!!*

WRONG...

IP rights are territorial — recognized and enforceable only within the country or region where they were granted.

Take advantage of expert services for searching and registering your IP as the realm of IP is a legal one and you would be ill-advised to go it alone or even ignore IP all together.

9.9 Resolving disputes

Many issues can become controversial in international trade transactions. For example:

- ◆ Disputes with agents
- ◆ Collection of payments due
- ◆ Breach of contract or warranty
- ◆ Intellectual property rights
- ◆ Secured creditors' rights, e.g. seizure of assets
- ◆ Enforcement of foreign judgments

However, consultation with legal counsel in the jurisdiction of the contract is suggested in regards to options for dispute resolution. In certain circumstances, arbitration could be an option. Also called alternative dispute resolution, arbitration uses a tribunal to consider the questions over which the parties are in conflict and to decide how to resolve them.

Export Myth: *Exporting is too risky...!!!*

Exporting doesn't need to be riskier than doing business at home....

It's just different. Letters of credit, export credit insurance, and reference checks through banks and international credit reporting agencies can help protect your business. Trade laws also tend to be straightforward and legal advice about them is easily available.

Step #10

Selling Online: E-Business for exporters

Since adopting our new e-business strategy, our company's success at home and abroad has significantly increased.

10.1 Understanding E-business

E-business is a viable approach for both large and small businesses which can increase efficiency and productivity and lower costs. Indeed, if you don't move at least some of your business operations to an online model, you can face major threats from those competitors who are already doing so. This chapter assumes that your business is already a potential exporter of goods or services through the Internet. If you don't have such a Web presence, now is the time to acquire one.

10.2 E-business applications and benefits

E-business has many applications, including sales, customer relations, finance, market research, market intelligence and procurement. Some of the benefits these applications can bring to exporters are:

- ◆ Reduction of the time needed to deliver and update information about products or services
- ◆ Flexibility and adaptability of online marketing and advertising
- ◆ Customer access to your products or services 24 hours a day, every day of the year
- ◆ Faster responses to customers' needs
- ◆ More efficient ordering and order processing
- ◆ Easier access to intelligence about export essentials such as demographics, market characteristics and competitors
- ◆ Electronic rather than physical delivery of certain products and services
- ◆ Access to world markets, leading to more export opportunities

Of course, you'll still have to deal with the traditional side of exporting – shipping, customs regulations and work permits – just as you would if you were doing business without the Internet.

Seen from this angle, e-business hasn't changed exporting all that much. What it *has* done is make all kinds of export-related communication and connection much easier.

10.3 Assessing your E-business potential

If you're going to succeed in e-business, you have to start with a clear-sighted evaluation of your company's e-business potential.

Ask the following questions:

Your IT resources – how sophisticated is your Web presence? How much experience do you have in managing IT projects? Are you aware of new technology and how you can use it?

Your management – your e-business strategy needs to be developed in the context of your overall corporate objectives. Do you know what parts of your business should be put online? Is senior management committed to going in this direction?

Your personnel – do your employees understand your e-business strategy? Have you asked for their input? Do you have a plan for training them in the new skills they might need?

Your customers – do you use online resources to track competitive trends and identify potential new business? Does your e-business strategy address the security and privacy concerns of your customers? Is your website customer-friendly?

Your competition – are you aware of the e-business initiatives of your competitors and how this could affect your competitiveness?

Your suppliers – do you know if you can reduce procurement costs by purchasing online? Do you use the Internet to look for suppliers? Have you used supplier input to help plan your e-business strategy?

Your profitability – have you done cost-benefit analyses for your e-business strategy? Do you know how long will it take to amortize the start-up costs?

At the end of the diagnostic, you'll have a detailed analysis of how ready you are to adopt an e-business strategy. The tool will also give you recommendations for improving your competitiveness in this venture.

Are Ready for E-Business?

If you are thinking about making e-business a bigger part of your daily operations, you should first determine if your company is ready for e-business and the Return on Investment (ROI). If the picture looks good, you can follow-up with a plan.

10.4 Localization

As an exporter, adapting your website to suit your target market is called *localization*. At least part of an exporter's website has to speak the native language of the target market. Completely translating a website can be expensive, so you may prefer to begin by having professional translators localize only the most important pages.

Other suitability issues to consider are branding, currency denomination and payment methods. Branding that reflects the market's customs, laws and traditions, as well as language, will make a potential buyer feel more at home. Using local currency for pricing, shipping and tax calculations will do the same and will allow customers to compare prices more easily. Related to this is the ability to accept payment in local or U.S. funds, and to do so efficiently and simply. As international search engine optimization (SEO) requirements present additional challenges to traditional SEO, a targeted domain name and hosting strategy could help ensure your site will be easily found by your international customers.

10.5 The technical side of e-business

Trying to set up your own online presence using in-house resources is usually not a good idea, unless your business is quite small and you have access to some very adept IT people. As a rule, you'll get much better results if you outsource the creation of your Web presence to a service provider specializing in website development.

10.6 Finding E-leads

The Internet is a fruitful source worldwide of electronic business leads, usually called e-leads. There are several ways to track down such opportunities. Two major ones are:

International marketplaces – One good path finding tool for e-market places is available at eMarket Services (<http://www.emarketservices.com>)

10.7 Checking E-leads

The precautions you take in traditional exporting also apply to the world of e-business.

Some guidelines are:

- ◆ Be sure you know who you're dealing with. Always verify addresses and if you can't identify a potential customer or the country in which an order originates, don't proceed with the deal.
- ◆ Other characteristics of the potential customer's country are also important. How good is its communications infrastructure? How stable are its financial systems? What level of political risk does it represent?
- ◆ Market research is a key component of evaluating e-leads. The principles of market research are the same for e-business exporting as they are for traditional exporting.
- ◆ Credit assessments are just as important in e-business.

Tip: As in all export operations, due diligence is an essential precondition of success.

Shipping and documentation

You can transmit documents electronically via the Internet, which is much faster than moving the information around on paper and can be just as secure. Internet tools and systems can also give you better control of your shipping logistics.

10.8 E-payments

An e-business exporter can, of course, be paid by any of the traditional methods. Retail customers, though, tend to pay by credit card. When a credit card payment is not possible or advisable, you might consider using the services of a company that, for a transaction fee, obtains the customer's payment and then remits it to you. These specialized businesses often integrate their payment systems with services such as:

- ◆ Creation of online storefronts including catalogues, stock control and order processing
- ◆ Fraud protection
- ◆ Multilingual and multicurrency support
- ◆ Letters of credit
- ◆ Online, real-time transaction processing

10.9 Supporting your online customers

Support for your customers is crucial to ensuring repeat business. You can do this, of course, through traditional methods such as telephones, faxes and the postal system. But a good E-business customer support system can give you an edge.

The potential impact of social media — positive and negative — should also be considered, especially when dealing with tech-savvy customers.

Privacy is a major concern for potential online customers. You'll need to convince them that any electronic transactions they make with you are secure, and that their privacy and personal information will be protected.

Appendix A: Your Exporting Checklist

Here is a checklist you can use to track the general progress of your exporting venture, or simply to get an overview of the entire process.

1. Planning and preparing

Whether you export goods or services, many of the following preparatory steps will be similar:

- ◆ Research the market using techniques and resources described in this guide.
- ◆ Visit cities in the region and talk to potential buyers and intermediaries.
- ◆ Develop a network of contacts and potential partners.
- ◆ Find out who your competitors and potential allies are, and who are the key importers, distributors and agents for your product or service.
- ◆ Develop a profile of the ideal agents and distributors; then make a short list of the ones whose skills and experience best complement your export objectives.
- ◆ If exporting a service, consider the possibility of finding a local partner to represent your interests.
- ◆ Put together a promotional package describing your company and its products or services.
- ◆ Attend a regional trade fair to do preliminary promotion and establish contacts with potential buyers and associates.
- ◆ Make arrangements with key export service providers such as freight forwarders, trading houses and customs brokers.

2. Making the deal

The following summarizes the way you arrange a deal and ship goods to your buyers. If you are a service exporter, you won't have to deal with documentation, freight forwarding, shipping or customs clearance.

Check references of prospective customers

Whether you are dealing with end users, retailers or intermediaries, check their references. Use your network of Kosovo exporters, commercial banks, and people in the industry to do the following:

- ◆ Verify the prospect's credit rating
- ◆ Contact other exporters who have had dealings with the prospect
- ◆ Verify the prospect's business profile

Visit prospects

Visits to important prospects in your market(s) are strongly recommended because they let you gather insight into the prospects' needs.

Finalize the sale

Finalization normally begins when your sales department receives a purchase order from the buyer. You should respond with an acknowledgment of the order or a sales confirmation. Be sure to confirm the following detail:

- ◆ Quantity
- ◆ Payment terms
- ◆ Shipping/trade terms
- ◆ Transportation method
- ◆ Price

Prepare a letter of credit (L/C)

The process for a letter of credit is as follows:

- ◆ The buyer issues an instruction to his or her own bank
- ◆ The buyer's bank sends your bank the L/C
- ◆ Your bank sends the L/C to you

Review the L/C carefully with your freight forwarder, banker and legal counsel. It must be consistent with your sales agreement, and you must comply with all of its provisions. Remember that it pays upon receipt of correct documents, not upon successful completion of the transaction. If a name or address is misspelled, if the shipping date is wrong, or if all charges are not included, you may be unable to collect.

Prepare other documentation

Your shipment must be accompanied by all relevant documentation, including:

- ◆ Commercial invoice
- ◆ Packing slip
- ◆ Shipper's instructions
- ◆ Certificate of origin
- ◆ Standards documentation (if necessary)
- ◆ Health/sanitary certificate (if necessary)

Freight forwarder involvement

Your freight forwarder prepares the following documents and delivers copies to you, your buyer and your commercial bank:

- ◆ Customs invoice
- ◆ Consular invoices (if required)
- ◆ Special packing or marking list
- ◆ Insurance and certificate of insurance
- ◆ Bill of lading

Shipment

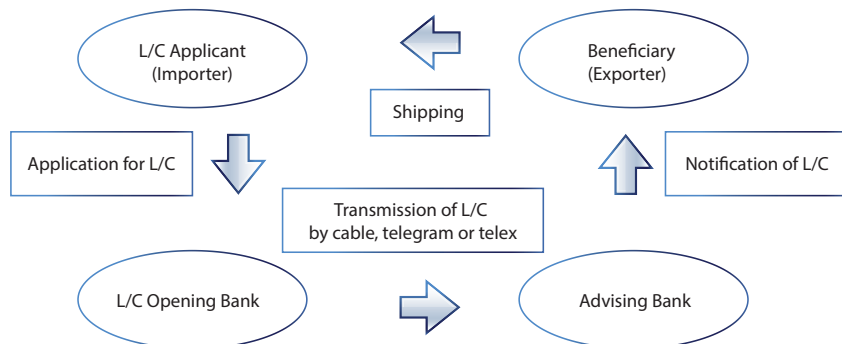
The shipment process works like this:

- ◆ Your freight forwarder sends the goods to the carrier
- ◆ Your customer receives all relevant documentation, allowing the shipment to clear customs
- ◆ The goods clear customs at the destination entry point

Collection

After the shipment has been sent:

- ◆ The freight forwarder presents your bank with the L/C and all accompanying documentation
- ◆ You present your bank with a sight draft (demand for payment)
- ◆ Your bank passes the documentation to the buyer's bank with a demand for payment
- ◆ The buyer's bank accepts the documentation and lets you know when the funds will be transferred
- ◆ Your bank transfers funds to your account



Appendix B: Glossary of International Trade Terms

Exporting is more complex than selling in a domestic market. It is important to understand key trade expressions, techniques and requirements, such as:

- ◆ The laws, regulations and practices governing your product or service in your target market
- ◆ Export documentation, including invoices, bills of lading, certificates of origin and health and safety certificates
- ◆ Tariffs, customs duties and processing fees, as well as taxes payable on your shipment
- ◆ Export-related services offered by brokers, trading houses, agents, freight forwarders and insurance companies
- ◆ How to label, pack, transport and store your products
- ◆ Payment options such as letters of credit, bills of exchange and open account transactions

General Terms

International trade carries its own particular terminology. The following are general trade expressions that new exporters will encounter in published sources and trade discussions.

Anti-dumping Duty: A special duty imposed to offset the price effect of dumping that has been determined to be materially harmful to domestic producers. (See also *Dumping*)

Counter-Trade: A general expression meaning the sale or barter of goods on a reciprocal basis. There may also be multilateral transactions involved.

Countervailing duties: Additional duties imposed by an importing country to offset government subsidies in an exporting country, when the subsidized imports cause material injury to domestic industry in the importing country.

Dumping: The sale of an imported commodity at a price lower than that at which it is sold within the exporting country. Dumping is considered an actionable trade practice when it disrupts markets and injures producers of competitive products in the importing country. Article VI of the General Agreement on Tariffs and Trade permits the imposition of special anti-dumping duties against dumped goods equal to the difference between their export price and their normal value.

Export Quotas: Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain exports designed, for example, to protect domestic producers and consumers from temporary shortages of the goods affected or to bolster their prices in world markets.

Export Subsidies: Government payments or other financially quantifiable benefits provided to domestic producers or exporters contingent on the export of their goods and services.

GDP/GNP (Gross Domestic/National Product):

The total of goods and services produced by a country.

Subsidy: An economic benefit granted by a government to producers of goods, often to strengthen their competitive position. The subsidy may be direct (e.g. cash grant) or indirect (e.g. low-interest export credits guaranteed by a government agency).

Surcharge or Surtax: A tariff or tax on imports in addition to the existing tariff, often used as a safeguard measure.

Tariff: A duty (or tax) levied on goods transported from one customs area to another. Tariffs raise the prices of imported goods, making them less competitive within the market of the importing country.

International commerce terms INCOTERM

To provide a common terminology for international shipping, the following INCO terms have been developed under the auspices of the International Chamber of Commerce

Cost and Freight (C&F): The exporter pays the costs and freight necessary to get the goods to the named destination. The risk of loss or damage is assumed by the buyer once the goods are loaded at the port of embarkation.

Cost, Insurance and Freight (CIF): The exporter pays the cost of goods, cargo and insurance plus all transportation charges to the named port of destination.

Delivered at Frontier: The exporter/seller's obligations are met when the goods arrive at the frontier, but before they reach the "customs border" of the importing country named in the sales contract. The expression is commonly used when goods are carried by road or rail.

Delivered Duty Paid: This expression puts maximum responsibility on the seller/exporter in terms of delivering the goods, assuming the risk of damage/loss and paying duty. It is at the other extreme from Delivered ExWorks (see below), under which the seller assumes the least responsibility.

Delivered Ex Quay: The exporter/seller makes the goods available to the buyer on the quay or wharf at the destination named in the sales contract. There are two types of *ex quay* contracts in use: *ex quay duty paid*, whereby the seller incurs the liability to clear the goods for import, and *ex quay duties on buyer's account*, whereby the buyer assumes the responsibility.

Delivered Ex Ship: The exporter/seller must make the goods available to the buyer on board the ship at the location stipulated in the contract. All responsibility/cost for bringing the goods up to this point falls on the seller.

Delivered ExWorks: This minimal obligation requires the seller only to make the goods available to the buyer at the seller's premises or factory. The seller is not responsible for loading the goods on the vehicle provided by the buyer, unless otherwise agreed. The buyer bears all responsibility for transporting the goods from the seller's place of business to their destination.

ExWorks (EXW): The price quoted applies only at the point of origin and the seller agrees to place the goods at the disposal of the buyer at the specified place on the date or within the period fixed. All other charges are for the account of the buyer.

Free Alongside Ship (FAS): The seller quotes a price for the goods that includes charges for delivery of the goods alongside a vessel at the port. The seller handles the cost of unloading and wharfage; loading, ocean transportation, and insurance are left to the buyer.

Free Carrier. (named port): Recognizing the requirements of modern transport, including multi-modal transport, this principle is similar to Free on Board (see below), except that the exporter's obligations are met when the goods are delivered into the custody of the carrier at the named port. The risk of loss/damage is transferred to the buyer at this time, and not at the ship's rail. The carrier can be any person contracted to transport the goods by road, sea, air, rail or a combination thereof.

Free of Particular Average (FPA): This type of transportation insurance provides the narrowest type of coverage — total losses, and partial losses at sea if the vessel sinks, burns or is stranded, are covered.

Free on Board (FOB): The goods are placed on board the vessel by the seller at the port of shipment specified in the sales contract. The risk of loss or damage is transferred to the buyer when the goods pass the ship's rail.

Free on Board Airport (FOB Airport): Based on the same principles as the ordinary FOB expression, the seller's obligation is fulfilled by delivering the goods to the air carrier at the specified airport of departure, at which point the risk of loss or damage is transferred to the buyer.

Free on Rail and Free on Truck (FOR/FOT): Again, the same principles apply as in the case of ordinary FOB, except that the goods are transported by rail or road.

With Average (WA): This type of transportation insurance provides protection from partial losses at sea.

Transportation and delivery terms

The following are common terms used in packing, labelling, transporting and delivering goods to international markets. They are in addition to the above INCO terms.

Area Control List: A list of countries to which any export (except humanitarian items) requires an export permit.

Bill of Lading (Ocean or Airway): A contract prepared by the carrier or the freight forwarder with the owner of the goods. The foreign buyer needs this document to take possession of the goods.

Certificate of Origin: A document that certifies the country where the product was made (i.e. its origin). A common export document, a certificate of origin is needed when exporting to many foreign markets.

Commercial Invoice: A document prepared by the exporter or freight forwarder, and required by the foreign buyer, to prove ownership and arrange for payment to the exporter.

It should provide basic information about the transaction, including description of goods, address of shipper and seller as well as delivery and payment terms. In some cases, the commercial invoice is used to assess customs duties.

Consular Invoice: A statement issued by a foreign consul in the exporting nation describing the goods purchased. Some foreign governments require Kosovo exporters to first obtain consular invoices from their consulate in Kosovo. A fee is usually charged.

Customs Declaration: A document that traditionally accompanies exported goods bearing such information as the nature of the goods, their value, the consignee and their ultimate destination. Required for statistical purposes, it accompanies all controlled goods being exported under the appropriate permit.

Customs Invoice: A document used to clear goods through customs in the importing country by providing documentary evidence of the value of goods. In some cases, the commercial invoice may be used for this purpose.

Dock Receipt: A receipt issued by an ocean carrier to acknowledge receipt of a shipment at the carrier's dock or warehouse facilities. (See also *warehouse receipt*)

Ex Factory: Used in price quotations, an expression referring to the price of goods at the exporter's loading dock.

Export Control List: A list of goods and technologies that require export permits to be exported.

Freight Forwarder: A service company that handles all aspects of export shipping for a fee.

Insurance Certificate: A document prepared by the exporter or freight forwarder to provide evidence that insurance against loss or damage has been obtained for the goods.

Landed Cost: The cost of the exported product at the port or point of entry into the foreign market, but before the addition of foreign tariffs, taxes, local packaging/assembly costs and local distributors' margins. Product modifications prior to shipment are included in the landed cost.

Packing List: A document prepared by the exporter showing the quantity and type of merchandise being shipped to the foreign customer.

Pro Forma Invoice: An invoice prepared by the exporter prior to shipping the goods, informing the buyer of the goods to be sent, their value and other key specifications.

Quotation: An offer by the exporter to sell the goods at a stated price and under certain conditions.

Warehouse Receipt: A receipt identifying the commodities deposited in a recognized warehouse. A non-negotiable warehouse receipt specifies to whom the deposited goods will be delivered or released. A negotiable receipt states that the commodities will be released to the bearer of the receipt.

Financial and insurance terms

The following are the most commonly used terms in international trade financing.

All Risk: This is the most comprehensive type of transportation insurance, providing protection against all physical loss or damage from external causes.

Bid Bond: When an exporter is bidding on a foreign contract, a bid bond guarantees that the exporter will take the contract if the bid succeeds. An exporter who refuses the contract must pay a penalty equal to the amount of the bond.

Cash in Advance (Advance Payment): A foreign customer pays a Kosovo exporter prior to actually receiving the exporter's product(s). It is the least-risk form of payment from the exporter's perspective.

Confirming House: A company, based in a foreign country, that acts as a foreign buyer's agent and places confirmed orders with Kosovo exporters. They guarantee payment to the exporters.

Consignment: Delivery of merchandise to the buyer or distributor, whereby the latter agrees to sell it and only then pay the Kosovo exporter. The seller retains ownership of the goods until they are sold, but also carries all of the financial burden and risk.

Document of Title: A document that provides evidence of entitlement to ownership of goods, e.g carrier's bill of lading.

Documentary Collection: The exporter ships the goods to the foreign buyer without a confirmed letter of credit or any other form of payment guarantee.

Documentary Credit (sight and term): A documentary credit calling for a sight draft means the exporter is entitled to receive payment on sight, i.e. upon presenting the draft to the bank. A term documentary credit may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

Draft (Bill of exchange): A written, unconditional order for payment from one party (the drawer) to another (the drawee). It directs the drawee to pay an indicated amount to the drawer. A sight draft calls for immediate payment. A term draft requires payment over a specified period.

Export Financing House: A company that purchases a Kosovo exporter's foreign receivables on a non-recourse basis upon presentation of proper documentation. It then organizes export arrangements and provides front-end financing to the foreign buyer.

Factoring House: A company that buys export receivables at a discount.

Letter of Credit: An instrument issued by a bank on behalf of an importer that guarantees an exporter payment for goods or services, provided the terms of the credit are met.

Letter of Credit (Confirmed): A Kosovo bank confirms the validity of a letter of credit issued by a foreign bank on behalf of the foreign importer, guaranteeing payment to the Kosovo exporter provided that all terms in the document have been met. An unconfirmed letter of credit does not guarantee payment so, if the foreign bank defaults, the

Kosovo exporter will not be paid. Kosovo exporters should accept only confirmed letters of credit as a form of payment.

Letter of Credit (Irrevocable): A financial institution agrees to pay an exporter once all terms and conditions of the transaction are met. No terms or conditions can be modified without consent of all parties.

Open Account: An arrangement in which goods are shipped to the foreign buyer before the Kosovo exporter receives payment.

Partnership, alliance and market entry terms

The following expressions define the various types of partnership or alliance arrangements as well as methods of market entry common in international trade.

Agent: A foreign representative who tries to sell your product in the target market. The agent does not take possession of - and assumes no responsibility for - the goods. Agents are paid on a commission basis.

Co-marketing: Carried out on the basis of a fee or percentage of sales, co-marketing is an effective way to take advantage of existing distribution networks and a partner's knowledge of local markets.

Co-production: This arrangement involves the joint production of goods, enabling firms to optimize their own skills and resources as well as take advantage of economies of scale.

Cross-licensing: In this form of partnership, each firm licenses products or services to the other. It is a relatively straightforward way for companies to share products or expertise.

Cross-manufacturing: This is a form of cross-licensing in which companies agree to manufacture each other's products. It can also be combined with co-marketing or co-promotion agreements.

Distributor (Importer): A foreign company that agrees to purchase a Kosovo exporter's product(s), and then takes responsibility for storing, marketing and selling them.

Franchise: This is a more specific form of licensing. The franchise is given the right to use a set of manufacturing or service delivery processes, along with established business systems or trademarks, and to control their use by contractual agreement.

Joint Venture: An independent business formed cooperatively by two or more parent firms. This type of partnership is often used to avoid restrictions on foreign ownership and for longer-term arrangements that require joint product development, manufacturing and marketing.

Licensing: Although not usually considered to be a form of partnership, licensing can lead to partnerships. In licensing arrangements, a firm sells the rights to use its products or services but retains some control.

Trading House: A company specializing in the exporting and importing of goods produced or provided by other companies.

Legal Terms

The following are some of the more common legal terms encountered in international transactions.

Arbitration: The process of resolving a dispute or a grievance outside of the court system by presenting it to an impartial third party or panel for a decision that may or may not be binding.

Contract: A written or oral agreement which the law will enforce.

Copyright: Protection granted to the authors and creators of literary, artistic, dramatic and musical works, and sound recordings.

Intellectual Property: A collective term used to refer to new ideas, inventions, designs, writings, films, and so on, protected by copyright, patents and trademarks.

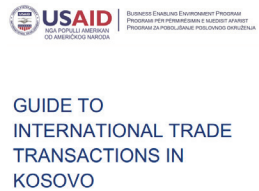
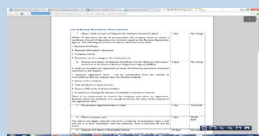
Patent: A right that entitles the patent holder, within the country which granted or recognizes the patent, to prevent all others for a set period of time, from using, making or selling the subject matter of the patent.

Trademark: A word, logo, shape or design, or type of lettering which reflects the goodwill or customer recognition that companies have in a particular product.

Appendix C: Relevant Institutions

- ✓ Ministry of Trade and Industry, <http://www.mti-ks.org/>
- ✓ Ministry of Economic Development, <http://mzhe.rks-gov.net/>
- ✓ Ministry of Finance, <https://mf.rks-gov.net/>
- ✓ Ministry of Agriculture Forestry and Rural Development, <http://www.mbpzhr-ks.net>
- ✓ Kosovo Business Registration Agency (business registration), <http://www.arbk.org/>
- ✓ Kosovo Investment and Enterprise Support Agency (information for foreign investors on starting a business, investment opportunities, potential business partners, etc.), <http://www.invest-ks.org/>
- ✓ Tax Administration of Kosovo (tax payment), <http://www.atk-ks.org/>
- ✓ One stop shops in municipalities (information sources and counselling services)
- ✓ Kosovo Customs (information on customs duties and procedures), <https://dogana.rks-gov.net>
- ✓ Main Business Associations (business networks, fairs, trade missions, advocacy, etc.): Kosovo Chamber of Commerce, <http://www.oek-kcc.org/2013/sq/>
- ✓ American Chamber of Commerce, <http://www.amchamksv.org/>
- ✓ Kosovo Business Alliance

Appendix D: Internet links to export guides

✓ Kosovo International Trade Guide	✓ www.itg-rks.com/en-us/Getting-Started	✓ 
✓ USAID guide to international trade transactions in Kosovo	✓ www.itg-rks.com/repository/docs/ITG_Final-eng_419999.pdf ✓ http://www.itg-rks.com/repository/docs/ITG_AlB_Branded_24324.pdf	✓ 
✓ Export Business Planner ✓ US Small Business Administration	✓ www.sba.gov/sites/default/files/SBA%20Export%20Business%20Planner.pdf	✓ 
✓ Ministry of Trade and Industry in Kosovo	✓ http://invest-ks.org/en/welcome ✓ http://invest-ks.org	✓ 
✓ Business Startup Procedures ✓ Kosovo International Trade Guide	✓ http://216.67.253.147/repository/docs/DOC_List_of_Startup_Procedures.pdf	✓ 
✓ Business registration ✓ Kosova Business registration Agency	✓ www.arbk.org/en/Businesses-registration	✓ 
✓ Legalization ✓ Kosova Business registration Agency	✓ http://www.arbk.org/en/Statute-models	✓ 

✓ Documents ✓ Kosovo Business registration Agency	✓ www.arbk.org/en/Documents	✓ 
✓ Lawyers, Law Firms Listed by Areas of Law	✓ www.hg.org/lawyer-kosovo.html	✓ 
✓ Customs And Other Border Procedures ✓ Kosovo International Trade Guide	✓ www.itg-rks.com/en-us/Customs-and-Other-Border-Procedures	✓ 
✓ Helpful Trade Associations ✓ Kosovo International Trade Guide	✓ www.itg-rks.com/en-us/Helpful-Trade-Associations	✓ 
✓ Banks And Other Financial Institutions ✓ Kosovo International Trade Guide	✓ www.itg-rks.com/en-us/Banks-and-Other-Financial-Institutions-in-Kosovo	✓ 
✓ Helpful Government Agencies ✓ Kosovo International Trade Guide	✓ www.itg-rks.com/en-us/Helpful-Government-Agencies	✓ 
✓ Customs	✓ http://dogana.rks-gov.net/en/Home ✓ http://dogana.rks-gov.net	✓ 

