

## 1.14: The Three Threads

### Learning Objectives

1. Understand how to contribute to customer value in exporting activities.
2. Explain how exporting can impact cash flow.
3. Explain how technology and the e-environment impact exporting.

### Customer Value Implications

Always remember that customers make the decision about whether the appropriate value is present, and that value will always be as they perceive it. Carefully adapting a product to the targeted country for an exporting venture is an important first step in providing customer value. This means knowing about the sources of value in a product or a service and then acting on them. It can mean a minor product adaptation—for example, serving beer in McDonald's in Germany or wine in McDonald's in France and Italy—or a new twist on distribution—for example, Procter & Gamble selling shampoo in single-use tubes in newsstands in India. Although these are large-company examples, the experiences can be easily translated into small business exporting practice.

Another important source of customer value is the company website. Whether the website is the only selling platform of a business or is part of a brick-and-click exporting business, foreign buyers are much more likely to buy if a business's website is in their language. Although translation and country-specific sites can be a costly proposition, the text, graphics, and colors of the website can either enhance or detract from an exporting business. A small business owner should find out what organizational services and website designers can provide assistance. It may be possible to link the website to the [Google translation tool](#) to get a rough translation in seconds. Anita Campbell, "How to Make Your Website Ready for International Business," *Small Business Trends*, October 29, 2010, accessed February 7, 2012, [smallbiztrends.com/2010/10/website-ready-international-business.html](http://smallbiztrends.com/2010/10/website-ready-international-business.html).

Once a sale is made, do not make the mistake of thinking that it is the end of the relationship between the business and an overseas customer. Providing after-sale service must be an integral part of a company's export strategy from the very beginning. US Department of Commerce, *A Basic Guide to Exporting*, 10th ed. (Washington, DC: International Trade Association, 2008), 219. This service should include regular thank-yous for their business; a plan for regular communication; and offering customers 24/7 availability via some combination of fax, Twitter, e-mail alerts, a wiki, a Skype account, and telephone voicemail services where messages can be retrieved around the clock. This level of access will be of great value to foreign customers because it lets them know that you are reliable, dependable, ready to serve, and willing to minimize risk. It is this proper care and feeding of customers that will keep them coming back because the business provides value that makes it worth their while. Laurel Delaney, "Building Global Bonds One Customer at a Time," *Small Business Trends*, June 27, 2008, accessed February 7, 2012, [smallbiztrends.com/2008/06/global-customer-bonds.html](http://smallbiztrends.com/2008/06/global-customer-bonds.html).

There is something else to consider as well. Research has shown that global online shoppers demand live customer service, with this service being more important than price. "Webinar: Online Retail and the ROI of Live Help—Why Global Online Shoppers Demand Live Customer Service," accessed February 7, 2012, [www.retailcustomerexperience.com/whitepapers/2508/Webinar-Online-Retail-and-the-ROI-of-Live-Help-Why-Global-Online-Shoppers-Demand-Live-Customer-Service](http://www.retailcustomerexperience.com/whitepapers/2508/Webinar-Online-Retail-and-the-ROI-of-Live-Help-Why-Global-Online-Shoppers-Demand-Live-Customer-Service). This has implications not only for how customer service is designed for the targeted country for exports but for buyers from other countries as well.

### Cash-Flow Implications

A small business exporter will face the same cash-flow challenges that affect any small business, but being an exporter presents additional cash-flow challenges that are unique to selling products overseas. One of these challenges comes from the value-added tax (VAT) in Europe. Having the proper VAT registration can be key because all non-European Union businesses must collect and remit the VAT on applicable transactions. A business is required to charge the VAT, and compliance requires periodic VAT filings, which means keeping VAT records on file and available for inspection by local tax authorities and anyone else who has reason and authority to inspect them. A failure to comply can result in significant penalties and cash-flow problems. Denise O'Berry, "Is Now the Time to Expand to Global Markets?," *AllBusiness.com*, April 14, 2008, accessed February 7, 2012, [www.allbusiness.com/company-activities-managements/company-strategy/8518731-1.html](http://www.allbusiness.com/company-activities-managements/company-strategy/8518731-1.html).

Shipping costs pose another threat to cash flow. Shipping products overseas is very expensive, with the fees sometimes being as high as the cost of shipping the merchandise itself. Add to that the differences in currencies and taxes, and a business is faced with the possibility of having to pay all or most of the shipping costs up front. While waiting for customers to pay, paying these costs

will have a negative impact on cash flow. Anita Campbell, “How to Make Your Website Ready for International Business,” *Small Business Trends*, October 29, 2010, accessed February 7, 2012, [smallbiztrends.com/2010/10/website-ready-international-business.html](http://smallbiztrends.com/2010/10/website-ready-international-business.html). Fortunately, there are cost-cutting approaches available. For example, Michael Katz, a small business owner who ships portfolio and art cases overseas, was able to reduce the extra expenses by negotiating a discount with UPS, cutting his shipping costs to 50 percent of the list rate. Elise Craig, “How to Get Your Small Business into the Export Game,” *CBS Money Watch*, March 3, 2011, accessed February 7, 2012, [www.cbsnews.com/8301-505143\\_162-46540438/how-to-get-your-small-business-into-the-export-game](http://www.cbsnews.com/8301-505143_162-46540438/how-to-get-your-small-business-into-the-export-game).

## Implications of Technology and the E-Environment

Inexpensive technology and the Internet have made it possible for small businesses to operate internationally with some of the same efficiencies as larger companies. Anita Campbell, “Preparing Your Business to Go Global,” *Small Business Trends*, November 19, 2010, accessed February 7, 2012, [smallbiztrends.com/2010/11/preparing-your-business-to-go-global.html](http://smallbiztrends.com/2010/11/preparing-your-business-to-go-global.html). The global reach of the Internet makes it cost-effective for small businesses to sell products and services overseas. Small businesses can broaden their presence internationally by adopting e-commerce and e-business practices that are user-friendly for non-English-speaking countries. US Department of Commerce, *A Basic Guide to Exporting*, 10th ed. (Washington, DC: International Trade Association, 2008), 219.

The small business owner can also look to several other sources of assistance for global endeavors. Consider the following three examples:

1. The self-service advertising product developed by Facebook gives small businesses an opportunity to reach a global audience. “Small Business News: The Global View,” *Small Business Trends*, January 18, 2011, accessed February 7, 2012, [smallbiztrends.com/2011/01/small-business-news-the-global-view.html](http://smallbiztrends.com/2011/01/small-business-news-the-global-view.html).
2. Shipping management software packages will automatically figure the costs and the delivery times for overseas orders, giving a close estimate. They also convert the currency for the buyer. Integrating this software into the website of a small business will provide a seamless experience for the customer, making an important contribution to customer value. Anita Campbell, “How to Make Your Website Ready for International Business,” *Small Business Trends*, October 29, 2010, accessed February 7, 2012, [smallbiztrends.com/2010/10/website-ready-international-business.html](http://smallbiztrends.com/2010/10/website-ready-international-business.html).
3. The Internet and mobile devices lower information and communication costs, providing new channels of distribution and permitting 24/7 global reach through Twitter, wikis, e-mail alerts, and [Skype](#).

## KEY TAKEAWAYS

- A small business can offer customer value in its global activities by carefully adapting its products to the targeted country, having a website that caters to the language and culture of the buyers, and providing excellent after-sale service.
- The small business faces potential cash-flow problems from the VAT and shipping costs.
- Inexpensive technology and the Internet have made it possible for small businesses to operate internationally with some of the same efficiencies as larger companies.

## EXERCISES

1. How can mobile devices be used to help the exporting operations of a small business?
2. How does the advertising product developed by Facebook work? How can it help increase the global reach of a small business? What are the costs for a small business?

## Disaster Watch

Michael has been very successful with his exporting business. Instead of choosing Canada, Japan, or Mexico, the top three countries for small business exporting, he decided on Babalacala, a small country in the Middle East that has a history of political stability even though it has been ruled by one man for more than thirty-five years. The risk has been worth it so far. Michael identified the demand for his product, and he was right on target with his marketing research.

Michael has a small manufacturing plant that employs 150 locals and 5 people from the United States. He has successfully adapted his product to the local cultural, legal, and economic environments. His prices and promotion strategy are good fits, and his distribution structure—with some minor tweaking—is proving to be very efficient and effective. Needless to say, Michael and his investors are very happy campers.

But not for much longer.

Michael awakened one morning to a large-scale revolt against the current governor of Babalacala. The streets of the capital city were filled with protestors. Things were peaceful at first, but violence erupted in the afternoon. Many of Michael's local workers left the factory to protest or because they were afraid. Telecommunications were out, transportation was spotty, and there was only intermittent power. Most of the local stores closed. The word on the street was that the protestors were in for the long haul. They planned to keep protesting until the current governor resigned or left the country.

What should Michael do? He has a lot of money, time, and passion invested in his exporting business, and there are investors to think about. He does not want to leave Babalacala, but this is a serious situation.

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