Finding sales where others fear to tread – close to home

Toward the end of last year I received a special issue of a publication highlighting the 100 most powerful people in Miami. As I perused it my thought was, “all the usual suspects.”

It was full of realtors, lawyers, politicians, heads of organizations and a few bankers. Virtually all service-industry luminaries.

I was puzzled. Where were the exporters, heads of Latin American sales offices, freight forwarders and Customs house brokers, leaders of major regional offices with warehousing and purchasing in Miami?

The real “powerful” people

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Miami's international business community is often ignored

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were hardly even mentioned.

This is not a new phenomenon. The international community in Miami is often ignored and rarely takes part in the local power game.

And yet, these companies can serve as a strong market for the local providers of goods and services.

When I had my company out west of the airport, where many of these companies tend to settle, I never had one lawyer or accountant come calling on me for business. One banker was smart enough to hand deliver a letter of credit and ended up getting the mortgage on my building.

These companies can also serve as an important funnel for global sales. They are large users of local services and products. They can also serve as a gateway into new markets. Basically, they fall into one of three categories of export companies:

- the U.S. purchasing office of a domestic company with overseas operations;
- the U.S. purchasing office of a foreign company;
- exporters.

Perhaps you are already selling to the first category: U.S. companies with foreign operations or sales.

By VINCE DANIELS

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Many major and minor corporations have overseas operations, and do their purchasing through a Miami office. Visit with the people responsible for the export purchasing. Become familiar with the terminology. Visit the library and research the destination market.

Once you have built a relationship with the company, you may want to pay a courtesy visit to your customer's overseas operation, and perhaps gain an introduction to other potential customers.

One advantage of dealing with the U.S. companies is familiarity. There are listings in trade directories. Dun and Bradstreet knows them. Reputations and creditworthiness are easily available. This may not be true of the foreign company's purchasing office in North America.

Large foreign companies often rely heavily on products from the United States and other major manufacturing countries.

These products may be high-tech, heavy equipment, medical products, raw materials or even disposable diapers. The product mix is limited only by the difference between what we produce and what they do not.

These foreign purchasing offices may be co-located with a U.S. sales office, if the company produces an exportable commodity. Many of these companies will be located in Miami, but don't be afraid to look in Texas, California or the New York area.

As in the case with U.S. export purchasing offices, get to the library and do your research. Also, refer to trade associations and journals. You will find lists of natural resource companies, breweries, farms, factories and all manner of prospective clients.

You might still find the American purchasing agent, but there is a better chance that he speaks the language, or has visited the country he works for.

The higher-level managers will very often be nationals of the home country. Here is your opportunity to become more familiar with foreign languages and customs.

You will undoubtedly have the opportunity to meet with, and perhaps have lunch with, the foreign managers.

Do not be afraid to ask questions about his home country and company. He will probably be pleased that you are interested.

But, do your homework first. Get back to the library. Learn about his country before you ask questions. Study the map of the country, and be familiar with the main cities and industrial centers. Try to learn some of the history.

Then there are the exporters, the “five percenters” that the U.S. manufacturers love to hate. They steal sales from overseas distributors, and generally mess up the distribution network that the manufacturer has worked for years to build.

My question to the manufacturers is, if your network is so good, why do the so-called “five percenters” exist? This is the international free market working at its best.

The exporter is generally a small company. It might be an individual working from his home.

The first rule of the exporter is “keep the overhead low”. He probably started the company with little or no money. More than likely he will not last in business more than a few years.

The chances are great that he is a native of his customer's country. He probably relies on contacts back home, and may have only one or two clients. The business is risky, so be careful.

But as with any risky business, there are opportunities. Export orders often can be quite large, and payment terms quite secure. You will not have too much of a chance to learn about exporting from an exporter. He will be paranoid that you will be trying to contact his client directly. And he may be right.

Try to deal with exporters who have been in business three years or more, and who have good references and reasonable financial statements. An exporter who sells $2 million or $3 million of product a year might only be worth $20,000 on the books.

The key is that he is legitimate and intends to stay in business, and that his clients have good payment records.

I once had an exporter ask me for open account. His financial statements showed a loss for his first year in business, and a negative net worth.

When I asked him about this, he lowered his voice, and confided that he makes most of his profits in Panama. I declined his request.

I later discovered that he had two previous companies that had gone bankrupt. I wonder how wealthy his Panamanian company is, at the expense of his trusting suppliers.

How can you secure payment? It is not difficult. Ask for a letter of credit. Quite often his client is opening a letter of credit, and he can get a “back to back,” assuring your payment.

An easier method, if you are convinced that he is a reliable exporter, is to take an assignment of his letter of credit. As long as he gets his paperwork right, you will get paid. I will reserve a greater discussion of international financial rules and definitions to a later article. It is simple, but can be as intricate as a master's chess match.

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