Excellence in Managing Worldwide Customer Relationships
**The Global Warrior Series**
Series Editor: Thomas A. Cook

*Excellence in Managing Worldwide Customer Relationships*
Thomas A. Cook (2016)

*Growing and Managing Foreign Purchasing*
Thomas A. Cook (2016)

*Managing Growth and Expansion into Global Markets: Logistics, Transportation, and Distribution*
Thomas A. Cook (2016)

*Driving Risk and Spend Out of the Global Supply Chain*
Thomas A. Cook (2015)

*Mastering the Business of Global Trade: Negotiating Competitive Advantage Contractual Best Practices, Incoterms® and Leveraging Supply Chain Options*
Thomas A. Cook (2014)
Excellence in Managing Worldwide Customer Relationships

Thomas A. Cook
To Hunter Cook, whose dedication to his business is second to none and whose commitment to his clients and attribution to the art of personal training, physical therapy, and nutrition makes me proud every day!
Contents

Foreword .............................................................................................................. xvii
Preface .............................................................................................................. xix

Chapter 1  The Challenges of Business Development in International Business ................................................. 1

The Case to Go Global ..................................................................................... 1
Challenges of Going Global ........................................................................... 4
  Physical Issues ............................................................................................... 6
  Geographic Constraints ................................................................................. 7
  Economic Conditions ..................................................................................... 7
  Political Risks ................................................................................................. 9
  Cultural Issues .............................................................................................. 10
  Legal Differences .......................................................................................... 10
  Establishing a Foundation ........................................................................... 12
  Time Differences .......................................................................................... 12
  Performance Standards ............................................................................... 12
  Language Differences .................................................................................. 13
  Payment Terms ........................................................................................... 14
  Intellectual Property Rights ........................................................................ 15
  Transportation and Logistics ....................................................................... 15
  Customs Entry .............................................................................................. 16
  Trade Compliance ......................................................................................... 18
  Last Mile Delivery ......................................................................................... 18
  Terrorism and Security ................................................................................ 19
  Regulatory ................................................................................................... 20
  INCOTerms ................................................................................................. 21
  Across-the-Globe Training ......................................................................... 22
  Risk Management ......................................................................................... 23
  E-Commerce ............................................................................................... 24
Summary .......................................................................................................... 25
Chapter 2  Establishing a Robust and Aggressive Export Sales Strategy ................................................................. 27

Why a Company Creates an Export Strategy..................27
Expands Markets and Reduces Business Risk ................. 28
Diversifies Market Reach .............................................. 29
  Some Truisms about American Exports ....................... 30
Greater Margin Potential ............................................. 30
Opens New Markets Where Other Business
  Advantages May Be Obtained .................................... 31
Necessary Components to Exporting ............................ 32
Landed Cost Modeling SOP Example ............................. 32
  What Is Landed Cost? ............................................. 33
  Landed Cost Definition .......................................... 33
Additional Considerations .......................................... 34
  How to Calculate Landed Cost When Importing
    from China ....................................................... 34
  What Is Landed Cost? ............................................. 35
Import Customs Duties and Taxes ................................. 38
  1. Find the HS Code of Your Products .......................... 38
  2. Declared Value .............................................. 39
     Duty/Tax Free Amount (de minimis Value) .............. 39
  3. Import Customs Duties ....................................... 40
     Duty ............................................................. 40
     Duty Calculation ............................................. 41
  4. Import Taxes .................................................. 43
     Value-Added Tax (VAT) ..................................... 43
     Goods and Services Tax ................................... 43
  5. Insurance ....................................................... 43
  6. Inland Freight ................................................ 44
Landed Cost Calculator ............................................. 44
Landed Cost Summary ............................................. 44
Understanding the Importance of INCOTerms ................. 48
  INCOTerms 101: Demystifying the Misnomers! ............ 53
Terms of Sale ...................................................... 54
Terms of Payment .................................................. 54
How Freight Is Managed .......................................... 54
How Insurance and Risk Is Managed ......................... 55
When and How Title or Ownership Is Transferred .......... 55
How and When “Revenue” Gets Recognized .................. 56
Who Is Responsible for Trade Compliance Issues ......... 56
Legal Jurisdiction ............................................................... 57
How Disputes Are Settled .................................................. 57
How Company Tax Issues (IRS or Equivalent) Are Mitigated .................................................. 58
Packaging, Marking, and Labeling .................................. 59
Intellectual Property Rights .............................................. 59
What We Need to Know about INCOTerms 2010 ............ 59
Rules for Any Mode(s) of Transport .................................. 60
Rules for Sea and Inland Waterway Transport ............... 61
Various Modes of Transit .................................................. 62
FOB “On Board” ............................................................... 63
Domestic Use .................................................................... 64
Best Practices in Customer Service on Export Sales ......... 68
Challenges of Global Customer Service ......................... 68
Differences in Culture and Language ................................. 69
Difference in Time .............................................................. 70
Difference in Contract Law ................................................ 70
Accommodating Market Demands .................................... 70
Customer Expectations .................................................... 71
Return Shipping ................................................................. 72
Creating a Robust Export Customer Service Capability: Ten Steps .................................................. 74
Respect the Customer’s Country and Culture .................. 75
Learn the Economic Factors in Your Customer’s Country .................................................. 75
Make It Easy for Your Customer to Do Business with You .................................................................... 76
Create Responsible Documentation .................................. 77
Common Export Documents .............................................. 78
  Commercial Invoice ......................................................... 78
  Export Packing List .......................................................... 78
  Pro Forma Invoice .......................................................... 78
Transportation Documents ............................................... 79
  Airway Bill ..................................................................... 79
  Bill of Lading .................................................................. 79
Electronic Export Information Filing (Formerly Known as the Shipper’s Export Declaration)....................79
Export Compliance Documents................................................................. 80
  Export Licenses .................................................................................. 80
  Destination Control Statement ............................................................ 80
Certificates of Origin ............................................................................. 80
  Generic Certificate of Origin ................................................................. 80
  Certificate of Origin for Claiming Benefits under Free Trade Agreements ........................................... 81
Certificate of Analysis ............................................................................... 82
Certificate of Free Sale ............................................................................. 82
Dangerous Goods Certificate .................................................................. 82
Fisheries Certificate .................................................................................. 83
Fumigation Certificate ............................................................................... 83
Halal Certificate ....................................................................................... 83
Health Certificate ..................................................................................... 83
Ingredients Certificate ............................................................................. 83
Inspection Certificate ............................................................................... 84
Preshipment Inspections .......................................................................... 84
Insurance Certificate ................................................................................ 84
Phytosanitary Certificate .......................................................................... 85
Radiation Certificate ................................................................................ 86
Other (Product-Specific) Certificates .......................................................... 86
Weight Certificate ..................................................................................... 86
Other Export-Related Documents ............................................................. 86
  Consular Invoice ................................................................................... 86
  Canadian Customs Invoice ................................................................. 86
  Dock Receipt and Warehouse Receipt ................................................... 87
  Import License ...................................................................................... 88
  ISPM 15 (Wood Packaging) Marking .................................................. 88
  Shipper’s Letter of Instruction ............................................................... 89
Temporary Shipment Documents ............................................................... 89
  CARNET/Temporary Shipment Certificate ........................................... 89
  Customs Certificate of Registration ..................................................... 90
  Transporting Goods by Truck to Canada ............................................... 90
  Documentation and Customer Service ................................................. 91
  Additional Documentation Concerns .................................................... 91
Develop Successful Logistics ..................................................................... 91
Chapter 3  E-Commerce ................................................................. 93
  E-Commerce Challenges ......................................................... 93
  International Overview ......................................................... 94
  Assessing Opportunity ......................................................... 95
Department of Commerce Case Study: Bass Pro Shops ........ 95
  Business Challenge ............................................................ 96
  Approach ......................................................................... 96
  Insights ......................................................................... 97
  Bass Pro and the U.S. Commercial Service ....................... 98
  Market Intelligence .......................................................... 98
  Marketing ................................................................. 99
Managing Web-Based Platforms ......................................... 100
  Logistics ................................................................. 101
    Shipping ................................................................. 101
  Customs ................................................................. 102
  Last Mile Delivery ......................................................... 104
Getting Paid ................................................................. 104
  Critical Concerns on E-Commerce Payment Risks ........ 105
  Customer Service ........................................................ 105
  E-Commerce Expansion .................................................. 106

Chapter 4  Cargo Loss Control .................................................. 109
  Risks ................................................................. 109

Chapter 5  Regulatory and Trade Compliance Concerns in International Trade ........................................ 125
  Compliance Overview ...................................................... 125
  Global Supply Chain Security for Imports ....................... 127
    Advanced Manifest Regulations ................................ 128
  Customs-Trade Partnership against Terrorism Program .... 129
  C-TPAT for Exporters ................................................... 131
  Exporter Minimum Security Criteria ................................ 132
  Business Partner Requirements ..................................... 133
  Security Procedures ..................................................... 133
  Point of Origin .......................................................... 134
  Participation/Certification in Foreign Customs Administrations Supply Chain Security Programs ........ 134
Other Internal Criteria for Selection .............................................. 134
Container Security ........................................................................ 135
Container Inspection ..................................................................... 135
Container Seals ........................................................................... 136
Container Storage ......................................................................... 136
Conveyance Tracking and Monitoring Procedures ...................... 137
Physical Access Controls ............................................................... 137
Personnel Security ....................................................................... 139
Procedural Security ...................................................................... 139
Physical Security ........................................................................ 140
Export Training and Threat Awareness ........................................ 142
Information Technology Security ................................................... 143
Importer Security Filing ................................................................. 146
  Air Cargo Advanced Screening ...................................................... 147
  Prior Notice FDA ........................................................................ 147
  Consumer Product Safety Commission ........................................ 147
  Consolidated Screening List for Denied Parties ......................... 148
Import Management Overview ....................................................... 148
  Importer of Record ................................................................. 149
  Reasonable Care ...................................................................... 149
  Ultimate Consignee .................................................................. 151
  Power of Attorney ................................................................... 152
Commercial Invoices ..................................................................... 153
Recordkeeping ............................................................................... 154
Transactional Valuation ................................................................. 155
Assists .......................................................................................... 156
Drawback ...................................................................................... 156
Harmonized Tariff Classification ................................................. 157
Country of Origin Marking ............................................................. 159
Payment of Duties and Taxes ......................................................... 159
  ITDS ......................................................................................... 160
ACE ............................................................................................ 160
Centers of Excellence and Expertise ............................................. 161
Globally Harmonized System of Classification and Labeling of Chemicals ......................................................... 162
Customer Service Responsibilities in Export Compliance .......... 162
Electronic Export Information ...................................................... 163
Denied Party Screening ................................................................. 166
Compliance with Antiboycott Regulations .................................... 168
Office of Foreign Assets Control ............................................ 169
Import/Export Compliance Management .......................... 170
Trade Compliance and Internalized Auditing .................. 171

Chapter 6  Utilizing Service Providers and Other Useful Third Parties to Enhance Your Customer Service Capabilities ................................................................. 173
Overview of Service Providers ........................................... 173
Service Portfolios and Expectations ................................ 176
Putting All Your “Eggs” in One Basket ............................. 176
Managing Freight RFPs ..................................................... 177

Chapter 7  Negotiating Skill Sets in Global Trade .................. 179
The Winning Premise of Negotiation ................................. 180
An Example Based on True Events ................................. 180
Negotiation or Problem Resolution Strategy .................... 182
Cultural Issues in Negotiation ......................................... 184
Relationship Is More Important than the Product or Service ................................................................. 184
Time Is Not as Important as It Is in the United States or in Other Western Countries Such as Germany or Switzerland ................................................................. 185
Confrontation Can Be Viewed as Very Offensive ............... 185
Price Can Be a Huge Factor Outweighing Any Other Aspect ....................................................................... 186
Contracts Don’t Have the Same Meaning as in the West ... 186
Looking into Someone’s Eyes Can Be Seen as Offensive and Confrontational .............................................. 187
Women Are Held in Less Regard ...................................... 188
Religion May Play a Big Part in Relationship and Attitude ... 188
Detail May Have Less Importance .................................. 190
Short-Term Considerations Seriously Outweigh Any Long-Term Benefits .................................................. 190
Certain Mannerisms of People Will Be Considered Strange, Rude, or Hard to Comprehend .......................... 191
Politics May Be “Verboten” to Discuss or Be a Major Point of Interest............................................................ 191
Compliance Will Have Little Meaning ............................................. 192
Key Elements in Global Negotiation ............................................. 193
Why Study Negotiation? ................................................................. 194
Negotiation .................................................................................. 194
Maslow and Negotiation ............................................................... 196
International Business ................................................................. 198
Relationship Building ................................................................. 209
Negotiation Character Traits ....................................................... 212
Negotiation Questions ................................................................. 213

Chapter 8  Best Practices in Sales, Business Development, and Customer Service ................................................................. 215

Senior Management Mind-Set ..................................................... 216
  Assessment .............................................................................. 216
  Goal Setting .......................................................................... 217
  Establishing Point Person and Committee ............................ 219
Creating Tactics and an Action Plan .............................................. 220
  Tactics .................................................................................. 220
  Action Plan .......................................................................... 220
Creating Reasonable Goals and Time Frames ............................. 223
Establishing SOPs ..................................................................... 224
Training .................................................................................... 226
Technology ................................................................................ 228
Intelligent Marketing Strategy ..................................................... 230
Marketing Guidelines for Foreign Sales .................................... 230
  Methods of Export Research .................................................. 231
  Market Research ................................................................... 233
  BizMove Outlines Sources of General Information
    Provided by the Department of Commerce (doc.gov) ......... 234
General Industry Information ...................................................... 235
  The Department of Commerce .............................................. 236
Aggressive Sales and Customer Service Management ............... 241
Structure a Security and Terrorism Strategy .............................. 242
  Manage RFPs Responsibly ..................................................... 245
Basic RFP Design Template ....................................................... 245
  Overview .............................................................................. 245
  Twelve Steps ........................................................................ 246
  Identify Stakeholders .......................................................... 246
Contents

Create a Committee............................................................ 246
Develop RFP Expectations: Strategic and Tactical ....... 247
Identify RFP Participants.................................................. 247
Create RFP Template, Time Frame(s),
and Expectations for RFP Actions ......................... 247
Invite Written Responses................................................. 248
Narrow the Field .............................................................. 248
Invite “Oral” Presentations ............................................. 248
Narrow the Field Again................................................... 248
Finalize Selection and Negotiate Final Terms ............. 248
Agreement, SOW, or Contract ........................................ 248
Implementation.................................................................. 249
Summary......................................................................... 249

Glossary........................................................................... 251
Appendix........................................................................... 265
Index................................................................................. 337
Author .............................................................................. 357
Foreword

I have always been impressed by Tom’s exuberance in global trade, his knowledge, and his proclivity in being able to articulate useful information for all of us who are engaged in international business.

He has authored numerous books, each one a plethora of comprehensive information for exporters, importers, supply chain executives, attorneys, financial personnel, and sales and customer service talent in this industry of buying and selling overseas.

People succeed in international trade who continue to evolve through training, education, and knowledge gain. This book is an excellent resource for growth, information, and skill set development.

Tom plans out the flow of information is an easy-to-comprehend format with lots of detail but structured so it is easy to understand and retain, and more importantly, to utilize in our everyday business activity, which helps us succeed in our careers.

I think you will enjoy this reading, as I have and have always in all of Tom’s work, not only in his writing, but in his lecturing, public speaking, and as an advocate for all of us who are wrestling with the day-to-day challenges of international sales, customer service, and business development.

Joe Mantello
FDS, NY
Preface

When I entered global trade as a full-time business pursuit in 1981, global trade was exclusive to larger companies and trading companies. The middle market was just getting their feet wet.

As we approach 2017, a much larger share of companies is expanding globally. Most are in sourcing and purchasing, but many others are finding growth in exports and foreign markets.

Many products grown, produced, refined, and manufactured in North America have great panache in overseas markets and are in great demand. Many products demand a higher profit on foreign shores as compared to domestic more seasoned and matured markets.

With all this growth and expansion, corporate personnel can still do a better job protecting their companies’ interests by developing strategies of learning and managing into more comprehensive skill sets and resources.

Specifically, this comes into play with corporate personnel engaged in sales, customer service, and business development: three areas that are very different and similar at the same time.

This book dissects all the issues and concerns in these three areas and provides a foundation for executives to follow to avoid pitfalls and maximize a return on investments worthy of the best companies involved in global trade and world dominance.

The formulas, strategies, and plans of action with the proper information flow, skill set development, and ultimately comprehensive execution can mean successful export sales, business development, and excellence in customer service that can compete with any company in the world.

It is not a matter of size, but rather skill set, capability, and ability to work off of a solid foundation of the basics that are reviewed in great detail in every chapter of this book.

This book can be offered as a complete instruction manual for any executive or company looking to expand their business model in overseas markets.

The book identifies the risks, the challenges, and all the issues, but more importantly offers solutions, strategies, and a structure to minimize the impact of all the obstacles and pass them by successfully.
Selling to foreign markets need not be so concerning that it is not a valid strategy for any company here in North America. While the concerns are real and legitimate, the opportunities are vast and are worth the venture.

But managing the venture is what this book is all about. Managing the venture with due diligence, reasonable care, and comprehensive persistence will mitigate the issues and maximize the opportunity for success. And success as a by-product of managed execution is what this book provides!

Thomas A. Cook

The customer’s perception is your reality!

Katie Zabrieski
1

The Challenges of Business Development in International Business

We cannot emphasize sufficiently the case that going international creates risk. The challenges are enormous and sometimes overwhelming. This chapter outlines these issues and their relevance. The balance of this book outlines the strategies and solutions in each following chapter on how to make these issues disappear or at least be minimized to controllable levels.

THE CASE TO GO GLOBAL

Companies need to expand into international markets for a number of reasons:

- **Market expansion.** For North American companies there are potential limits to growth in their domestic markets. Mature Western markets and new and developing countries all present a huge potential in almost an unlimited market penetration and growth opportunity.
U.S.- and Canadian based products are in high demand in most places worldwide. While we are mostly big importers, there is a major demand for most of the products we grow, raise, farm, mine, and manufacture in the North American arena.

It is a misnomer that we are not competitive in global markets. Just the opposite; our products and services are in huge demand.

Selling globally for most companies is or can become a huge part of their overall sales strategy and even grow to become the most profitable area for margin and long-term opportunity.

Additionally, U.S.-based customer service is second to none. We are leaders in robust customer service deliverables and continually demonstrate to the world that we back our products and services with a team of operational staff that performs consistently, reliably, and cost effectively.

It is also a misnomer that we are not adaptable to other foreign cultures. While I would agree that we can do a better job at language and tolerance in the foreign domain, most of our personnel are very flexible when dealing and managing with foreign sales and customer service matters.

At the end of the day, business development on foreign shores potentially becomes an integral part of any business’s growth and expansion strategies.

Enhanced profit margins. I have had it argued both ways—exports reduce margin depth and also enhance it. But my experience in exports in over 60 countries in more than a dozen verticals has demonstrated that there is a definite opportunity for margin expansion on foreign shores, particularly in emerging and developing countries in Asia, Africa, the Middle East, and within all of Latin America.
It typically makes the case for creative and intelligent approaches to sales, marketing, and in customer service for those foreign markets, which also includes intense levels of flexibility, tolerance, and patience customized to the nuances of each country and culture around the globe. This will be discussed in detail in Chapters 2 and 3.

Keep in mind that North America and particularly the United States produce an enormous volume of products from natural sources that are in huge demand along with a host of high-tech, pharma, defense, aerospace, and medical equipment, to name a few industrial areas that are favored by many countries and consumers around the world.

**Meeting competitive pressures.** Every industry vertical and every company within that vertical is always under significant pressure to:

- Expand
- Gain greater market share
- Add value and differentiation

Some companies must expand globally to keep pace with their competition so they protect their client base and market share.

An example of this would be a smaller industrial products company that is successful in their domestic sales but is now is faced with the threat of competitors who can service the international needs of their existing domestic clients.

As their clients grow their businesses overseas they have supply needs to these foreign locations. There is now an expectation that you can service these foreign locations just as you do for all their domestic facilities.

Your competitors that currently have that global reach are talking to your clients. This forces you into the global arena just to maintain and develop with your clients’ needs.

This is a “reactive” reasoning process, which is not as productive as a process that preempts and anticipates clients’ needs, but it does often work to keep clients happy.

**Business development risk management.** Risk management is a growing and integral management task in any business model.

The risk associated with sales, business development, and customer service is that if we only are in our domestic market, what happens when the economy in that market goes south? What happens if one competitor buys up another competitor and creates certain leverages? What happens if we lose market share? How do we combat these potential risks?
Excellence in Managing Worldwide Customer Relationships

One option is to provide a “balanced approach” and have a certain percentage of sales outside of our domestic market. This provides a “risk management” approach as we are “spreading out” potential areas of concern and exposure to a greater demographic.

It both reduces risk and creates opportunity at the same time!

Management

Risk management is a healthy part of any sales, business development, or customer service program.

The author contends that as we approach 2018, risk management will become an integral part of every aspect of how a company does business, including customer service and more particularly the supply chain in the international arena.

CHALLENGES OF GOING GLOBAL

Where there is opportunity in foreign sales there is also risk. The key is to identify the risks, mitigate them, and increase the odds for success.

We need to understand the generic risks, which are outlined below:
Ocean shipping is fraught with risk and exposure. Understanding and mitigating risk should be a central focus for all foreign initiatives.

Twenty-One Challenges of Going Global:

1. Physical issues
2. Geographic constraints
3. Economic conditions
4. Political risks
5. Cultural issues
6. Legal differences
7. Establishing a foundation
8. Time differences
9. Performance standards
10. Language differences
11. Payment terms
12. Intellectual property rights (IPR)
13. Transportation and logistics
14. Customs entry
15. Trade compliance
16. Last mile delivery
17. Terrorism and security
18. Regulatory
19. INCOTerms
20. Across-the-globe training
21. Risk management

The challenges of global trade are expansive, as is our physical planet, but manageable through best practices.

Physical Issues

When goods move internationally they can travel over 15,000 miles, in all sorts of weather conditions, modes of transit, and geographic challenges. Steps must be taken to properly mark, label, and package the shipments for the intended journey. Contemplation must be made as to what risks will be faced when determining all the available packing and marking options.

Many insurance companies and underwriting agencies report that on average anywhere from 1% to as high as 5% of freight transiting internationally can be lost or damaged.

Rough handling, improper packing, water damage, and poor choice of shipping options are primary culprits, as depicted in these two photos.
Geographic Constraints

In the past 25 years the world has become significantly smaller with respect to global trade. Some supply chains deliver on all seven continents and to almost every nook and cranny where people and businesses are domiciled. In some cases, these supply chains can deliver the same day or the next day depending on where the origin and destinations are located and timing of product availability.

The challenges of distance, geographic variables, and shipping constraints possess potential pitfalls.

Most exporters and importers utilize the skill sets of freight forwarders and other types of transportation providers to navigate through these challenges and pitfalls to make for the best opportunity for a favorable outcome.

Economic Conditions

The economies of the world change every decade, year, month, day, and even hour. There are cycles that have reoccurred over the past 100 years and there are aberrations such as the global recession of 2009.
Executives engaged in export sales need to pay attention to economic conditions globally and certainly in those markets they are currently serving and those in which they are looking to develop future sales. In larger companies this monitoring activity can be a full-time job, and in smaller and medium-sized operations, it is usually a part-time responsibility. Regardless, it is an important topic to have as a central focus in export management.

Not paying attention to economic uncertainties can lead to loss of markets, customers, sales, profits, and receivables. There are both short- and long-term consequences to aberrant economic circumstances. Conversely, when economics improve, not paying attention and expanding business development initiatives can reduce opportunities. Economic growth and expansion typically translates into export opportunities for American companies along with operations in all countries around the globe.

Global gross domestic product (GDP) growth improves the overall economy and creates export opportunities. The real challenge for companies is not how to react to economic change but to spend time and resources in understanding economic change so it can be predicted better, allowing for preemptive actions as a result of anticipating correctly.
This then affords time to adapt, modify, and tweak proactively, optimizing more favorable results as economic changes occur for the better or worse.

We know from an absolute historical perspective that economic conditions change.

The ability to anticipate these changes would be very beneficial so action steps can be taken to various extremes to be conservative or liberal in your international business development strategies.

This allows expansion or retraction prior to need so the impact is either heightened or lessened based on preemptive actions.

This is a “risk management” as well as a general business development strategy to achieve better results.

**Political Risks**

Political risk events in Cuba, Sudan, Syria, and Ukraine are recent examples of C, N, E, and D risks facing companies operating in the world arena.

The politics of the world change daily. Most political changes are concerning for global trade. But in rare instances it is a boon.

The international executive who pays attention to global politics will always be in a better position to react proactively in qualified anticipation of potentially threatening circumstances.

As we enter 2017 the threat of North Korean nuclear proliferation, terrorism, specifically ISIS, and economic declines that impact political issues are but a few of the serious challenges in the political arena.

Specific consequences of these issues can be categorized as confiscation, nationalization, expropriation, and deprivation. These acts on a political level are ways in which hostile governments seize assets or prevent global companies from operating in their countries.

These risks, sometimes categorized as C, N, E, and D, have threatened Western interests repeatedly since the 1800s.
Cultural Issues

Negotiating deals with Middle Eastern interests will fail greatly if you do not pay attention to all the cultural behaviors and customs that dictate successful sensibilities with your trading.

Every country in the world is identified by its culture. In larger countries like China, the United States, Brazil, and Russia, this can be further differentiated by geographic boundaries, provinces, states, and the origins of the various peoples in each country.

Culture can dominate behavior, making how you approach sales, customer service, and business development critical to your success.

Failure to pay attention to culture in certain parts of the world will

- Eliminate your company from any opportunity to sell
- Make your process of developing successful relations nearly impossible
- Reduce margins
- Reduce opportunities for tenured relationships and sustainability

There are numerous government, books, and Internet resources available to learn everything you need to know about cultural issues in global trade and how best to approach these areas for the best outturns.

Legal Differences
Most companies don’t put enough resources into the legal requirements of global trade in their initial foreign expansion.

The typical occurrence is to seek legal help when the fire is burning and not proactively.

You don’t want to “lawyer up” to such an extent that the initiative is made less valuable, but you want to consult with legal expertise proactively and responsibly to make sure your basic interests are being protected.

It is important that you obtain legal expertise

• That is knowledgeable in global trade
• Has expertise in international business
• Has a reach into local regulatory issues inside the countries you are going to sell into and provide customer service to

Regulations will vary from country to country and are not one size fits all. You must customize your legal considerations on a country-by-country basis. This will apply to areas such as, but not limited, to

• Import and export regulations
• Other government agency regulations, such as those from the Food and Drug Administration (FDA), U.S. Department of Agriculture (USDA), Center for Disease Control (CDC), Alcohol, Tobacco and Firearms (ATF), in those equivalent agencies in the countries you sell and service to
• Legal consequences, fines, penalties and restrictions
• Contract requirements
• Agency and distribution terms and agreements

An excellent source of international trade legal advice is a New York City attorney, Richard Furman with CMK, at rfurman@cmk.com, 646–625–4000, who I have dealt with for over 25 years.
Establishing a Foundation

Companies competing in global trade need to structure a solid platform or foundation for their business mantra, one that separates them from their competitors and creates a clear agenda that affords business differentiation and leverage. Competition is stiff on a global basis and in most verticals there are numerous players grabbing for both a finite and infinite market share.

Differentiation under a foundation of direction and mission is a must so a company can have the best opportunity to deliver the highest degree of customer service to its client base.

Time Differences

Recognize that the world can operate as much as a whole day ahead or behind and any number of hours in between.

This will modify how and when you communicate internationally and your expectation for responses.

When most personnel enter global trade they become frustrated in customer service deliveries as a result of their clients operating in time zones with a total reversal of operating hours.

Providing customer service in a global economy requires a significant restructuring of hours of operation and meeting customer needs 24/7/365!

Performance Standards

Quality and operating standards vary all over the world. It can be argued who has raised the bar of standards, but westernized countries like the
United States, Germany, and Switzerland have clearly been identified with guidelines that enhance quality and operating standards.

In global customer service, there is an imperative to adjust your standards to meet the local needs of where you are servicing in the world.

In certain countries where the expectation is to raise the bar, then you will succeed when this is accomplished.

In other countries where standards are lower, then it is critical to make an attempt to keep standards high as a product or service differentiator. But keeping competitive as well must also be factored in within certain markets.

the bar” of standards for the diverse markets they sell in.

This subject can be a little dicey and must be carefully maneuvered when making “standards” decisions as the long-term implications could be impacted, particularly in consideration of “corporate branding.”

Language Differences

Language is the foundation of global trade and binds international customer service as one of the most important aspects of client relationships.

Thomas A. Cook

We are all familiar with the array of languages spoken in every county around the world and the various dialects within certain countries and regions in which we do business.

English is the primary language that most international businesspeople respond to on every continent.

Having said that, we all must be respectful of three issues:

1. That we should realize that speaking English and quality comprehension of English are two separate subjects. We have encountered numerous problems over the years where we thought the other party understood what we just agreed to. They even acknowledged it. But at the end of the day, they really did not comprehend what we said and that was later evidenced when a dispute surfaced.

2. Although English is the language of global trade, there are huge advantages when we can speak and understand the languages of the countries we provide customer service to.
I have witnessed time and time again the advantages and business leverages that can be obtained when there is an ability to speak the language of the country in which you are doing business.

Language skills are important and must not be lost in our educational and training programs.

3. Recognize that differences in language and interpretation will also impact how contracts and agreements are written that cross international borders.

Hence the important need for professional global and local legal representation in the countries we service.

Learn the basics of the languages of the countries in which you do business.

**Payment Terms**

Getting paid on global sales is a serious challenge. Offering terms makes you more competitive but also opens the door for additional risk. The risk does not mean that you do not offer competitive terms, but it means that you must “manage” the risks to keep them minimal and to take measures to mitigate proactively.

Payment in advance is preferred but is not competitive. Letters of credit are traditional but come with risk, cost, and administration. Drafts … time, sight and drawn are reasonable options.
On terms and open accounts are more competitive options that add potential risk into the export transaction.

**Intellectual Property Rights**

IPR in some countries is as protected as it is in the United States. In other countries, such as China, IPR protections are at a bare minimum and can pose significant exposures to the products and services we offer to Asian customers.

IPR is a very legitimate concern for any company selling and servicing in overseas markets. In some countries, such as, but not limited to, China, this can be a full-time endeavor.

IPR protections must be built into every marketing, business development, and customer service decision in certain foreign markets. Having legal expertise in IPR is of real value and can protect or offer some mitigation of a company’s rights in various countries.

Recognize that in some instances there are no protections for IPR. A risk with certainty that must be calculated into global expansion.

**Transportation and Logistics**

Moving freight globally creates a whole set of challenges with respect to distances, mode choices, risks, customs, documentation, and so on. This is covered throughout various sections in this book.

Logistics can be a huge expense in landed costs and can make the difference between being competitive or losing money on a transactional basis.
The global supply chain is operated via transportation modes in the science of logistics management. Over the past 25 years this expense has grown significantly as a component of costs of goods sold.

It has also become an integral management function in most companies and part of both strategic planning and tactical and operational functions.

Education and training in global logistics (AMANET.org and NIWT.org) has become increasingly important in providing high levels of customer service for international customers and has grown tenfold in the past 15 years.

Learning your transportation and logistics options is an important ingredient to being competitive in global customer service and expansion.

**Customs Entry**

One of the trickier challenges of providing global customer service is navigating the risks of “Customs” in all the countries in which we do business.
The Challenges of Business Development in International Business

Customs utilizes dogs in the execution of their responsibilities. Here puppies are being trained in the “art of strategic sniffing.”

When goods, merchandise, and services pass through borders they must clear each country’s customs authorities.

The United States customs department is the Customs and Border Protection (CBP). This name has been in place since 2002 after the events of 9/11, when “security” became a large component of customs responsibilities, not only in the United States, but globally as well.

Customs around the world has numerous responsibilities:

- To protect their country from people, goods, or services entering that may be illegal or harmful
- To make sure paperwork, documentation, and regulatory concerns are being met
- Collection and validation of documentation
- Managing security regulations
- Collection of duties and taxes such as value added tax (VAT) and general services tax (GST)
- IPR and gray market protections
- Front line on other government agencies that regulate energy, communications, agriculture, pharma, food, and so on
Managing “Customs” is a huge responsibility and also a big frustration for most personnel who engage with them directly. Failure to comply halts the supply chain from advancing as anticipated.

Larger companies have now created positions in trade compliance management that manage this responsibility as its own area of expertise and professional capabilities.

One such company, Dragonfly Global (dragonfly-international.net), specializes in trade compliance management, which can be a significant resource in your arsenal to manage customs responsibilities anywhere in the world.

**Trade Compliance**

As discussed previously, trade compliance management deals with customs issues but it actually is a much greater capability in most companies.

Trade compliance is often viewed only as a “regulatory” issue … but when utilized effectively can also impact the transactional processes in a business to make it more competitive.

*Thomas A. Cook*

- Any customs issues for imports
- Any regulatory concerns in exports
- Manage other government agency requirements, such as in the United States (e.g., FDA, USDA, CDC, ATF, Department of Transportation [DOT])
- Manage landed cost modeling
- For public companies, deal with Sarbanes–Oxley Act of 2002 (SOX) concerns in the supply chain
- Manage free trade agreements
- Harmonized Tariff Schedule of the United States (HTSUS)
- Documentation, record keeping, origin data
- Drawback programs

**Last Mile Delivery**

When companies move freight internationally, the INCOTerms choice, FOB, DDP, and so on, will determine at what point in the supply chain the seller and buyer are each responsible for handling the freight.
For certain types of shipments, the buyer has an expectation that the seller or exporter will deliver the goods to the final point of utilization or to where it brings utilization or value.

This can be referred to as the “last mile delivery” and in INCOTerms this can be referred to as DDP or DAP, depending on to what extent it is utilized.

The seller would then need to have a service provider or logistics solution to be able to accommodate this need.

In some markets and countries, the last mile delivery is not an easy find, and for particular sizes of shipments, values, verticals, product nuances, and so on, this can be even more difficult.

Last mile delivery needs to be well thought out. Chapter 3 will discuss this in more detail.

**Terrorism and Security**

The events of 9/11 in the United States changed the world forever and in global supply chains made a huge impact on how companies sell and service companies in foreign markets.

Regulations and security protocols grew in mass and in complexity for companies servicing clients in foreign markets.

In every supply chain, it became necessary to

- Deal with new compliance, security, and terrorist regulations
- Add additional time, resources, and expense to goods moving internationally
• Raise the bar of how corporate staff navigated through supply chain responsibilities with respect to security and terrorism
• Train executives in new controls in security and terrorism
• Have companies enter security programs such as Customs-Trade Partnership Against Terrorism (C-TPAT), Authorized Economic Operator (AEO), and Partners in Protection (PIP)

The bottom line is that the events of 9/11 have caused corporations to manage their overseas sales and customer service entwined with security, compliance, and antiterrorist procedures that have added cost, SOPs, and process differentiators to the overall supply chain business model.

This is both a necessary evil and a security enhancement that adds to the overall antiterrorist efforts with regard to international commerce within the United States and throughout the world.

Regulatory

When we do business in the United States there are considerable regulations we have to contend with.

Many of these regulatory requirements follow us when we enter sales and customer service responsibilities on foreign shores.

Sometimes these regulatory issues are much less strict and sometimes significantly stricter. For sure they are different.

We have a basic responsibility in foreign sales and customer service to understand the regulatory requirements in the local country so we can effectively and easily sell to and service our clients’ needs.

These regulatory needs may be governed in human resource issues, compliance concerns in pharma, food, cosmetics, customs, or in other regulated areas.

Many times the regulations mirror what happens in the United States, and many times it can be 180 degrees different.

C-TPAT is an important regulatory program!
**INCOTerms**

INCOTerms are an internationally recognized term of sale, presented by the International Chamber of Commerce (ICC) in Paris, France.

There are currently 11 INCOTerms: Ex Works, FOB, FCA, FAS, CIF, CIP, CPT, CFR, DAP, DAT, and DDP.

**ICC, Paris France**

The intent is to obtain census from countries belonging to the United Nations in “evening out” and “standardizing” terms of sale for goods and services crossing international borders.

This means that the FOB term in Germany would carry the same definition and shipping implications as the FOB term in China, or the DDP term in New York City would carry the same meaning for those in Sydney.

INCOTerms have changed and are updated approximately every 10 years. In the latest update in 2010, utilization of INCOTerms was expanded to include domestic shipping as well.

In some countries this works suitably, while in others such as the United States it does not.

INCOTerms determine a point in time that the responsibility and costs for a transaction transfer from a seller to a buyer (and internationally, from an exporter to an importer). This is covered in more detail in various chapters.
Across-the-Globe Training

Risk management is a legitimate business process to protect company assets.

Where does someone learn the skill sets of global trade and international customer service? The majority of personnel are trained on the job! If their instructor or mentor is doing it wrong, that process may continue until it causes great pain!

There is a definite need for training of the necessary skill sets of global trade and international business. Most institutions of higher learning view this subject from a broad view and strategic perspective.

The training need comes from a level that is more tactical and hands-on so execution of shipment activity can be at a purchasing, sales, and operational level.

The National Institute for World Trade (NIWT.org) is one such training institute, along with the American Management Association (AMANET
The Challenges of Business Development in International Business

...org), who specialize in strategic training classes that help train corporate staff in those necessary skill sets.

Customer service is what differentiates one company from another. Training customer service personnel is therefore a critical component of maintaining and developing new clients, increased margins, and overall profitability.

Risk Management

The mindset that protects a company from adverse operating challenges is often referred to as “risk management.” It is both an art and science that comprises how company executives view risk and chose one of four steps:

1. Ignore risk, roll the dice, and hope for the best!
2. Budget for risk and the financial consequence
3. Transfer risk to a third party
4. Be proactive and take steps to mitigate risk

The last two steps are usually followed, but many times after steps 1 and 2 have been followed, failure occurs and no one is happy with those consequences.

Risks to a company in global trade can be found in numerous areas that are all outlined in this chapter.

Central areas of concern are financial, liability, and property.

However, business risk in areas of strategic sales, purchasing, and operations can also be of concern and must be weighed in as areas of risk review, evaluation, and risk strategy.

Most companies build risk management in two areas as they mature into larger entities and expand globally:

- Build a risk management department with dedicated risk professionals managing these challenges
- Build a risk management mindset into all of critical management teams so that awareness and due diligence will pay back in efforts to recognize and mitigate risks in their business silos
E-Commerce

The majority of companies with consumer products and services have moved in a direction with E-commerce in their marketing, business development, and growth strategies.

Some companies have moved in a big way or 100% into the world of e-commerce.

E-commerce poses potential problems around the world where the supply chain infrastructure has not yet caught up with the requirements of e-commerce shipping needs.
E-commerce places demand in areas such as, but not limited to

- Last mile delivery
- Customs clearance
- Duty, tax, and VAT application
- Return shipments
- 24/7 customer service

In more westernized countries like the United States, Great Britain, and Germany there is a more matured process for e-commerce sales and customer service. In countries like Mexico, China, and Saudi Arabia, e-commerce is less matured and faces more difficult challenges. This is covered in more detail in Chapter 3.

### SUMMARY

The challenges as outlined in this chapter are vast, comprehensive, and daunting, but they are also manageable when identified, understood, and managed responsibly and proactively.

The balance of this book will revisit these risks and challenges and offer both strategic and tactical solutions.

The goal as a company is to have customer service that is not just the best but legendary.

*Sam Walton*
*Founder of Wal-Mart*