

Going Global

by Connie Myers, 11.20.2007 MT

Taking your company to the global marketplace can be a formidable venture. You'll face a variety of cultural, language, regulatory and distance-related challenges. But you don't have to face those challenges alone. Several international Utah-based companies recently shared with Connect the tools and tips that can help you grow globally — and successfully.

When should you take your company international? "Probably right now," says Lew Cramer, president and CEO of World Trade Center Utah. "Particularly with high-tech companies, international should be on your mind from the start."

Cramer says companies considering international expansion should be two things: profitable and brave. "Traditionally, half a million in revenues would be a place to evaluate those other opportunities," he says. "I always say we don't have as much a trade deficit as an attitude deficit. The fear of the unknown is the biggest challenge at the outset."

Stampin' Up!, a Riverton-based craft company, expanded its operations to English-speaking Canada in April 2002. Since then, it has continued to expand to French-speaking Canada, Australia and New Zealand, and plans to spread to

the U.K., Germany and France by the end of this year.

"I think that's always been part of co-founder and CEO Shelli Gardner's plan, to grow the business internationally," says Dave Baugh, vice president of international operations for Stampin' Up! "It wasn't purely a financial decision. We help make a difference in people's lives by providing them business opportunities. That helped drive some of our decision-making."

If you're looking at taking the international leap, start first by evaluating your U.S. business, Baugh says. "The right time to look to expand is while you're still growing in the U.S. market, instead of waiting until your U.S. sales are flat, and then expanding," he says.

"International expansion takes a lot of effort, study and commitment. Generally, it takes about a year to enter into an international market."

Salt Lake City-based FatPipe Networks sells wide-area communications products, which provide its customers with Internet traffic backup and redundancy. The company went global in 2003 by customer request. It has since expanded to the U.K., France, Italy, Spain, India and Australia. "Our global customers wanted us to have local presence, so we followed

the customers," says CEO and President Ragula Bhaskar.

Wing Enterprises, producer of the Little Giant Ladder, began as an international company. "The product was originally a German product," says Art Wing, president of the Springville-based company. "We were living abroad as a family when my dad ran across the product and we started importing it." Now manufactured in Springville with additional manufacturing plants in China, the company's ladders are sold worldwide.

Resources Can Help

The U.S. Department of Commerce and the Small Business Development Centers are just two of the many valuable resources that Cramer suggests owners should seek out when going global. "They help you with business plans," he says. "If it gets more complicated, the World Trade Center stands ready to help. There are a lot of resources that can give people confidence."

The World Trade Center Utah is one of 300 nonprofit World Trade Centers in the world, all with one goal in mind: to increase international trade. "The World Trade Center is intended to be a one-stop shop so that anyone who is interested in international

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business can come here to get answers and connections,” Cramer says. “We’re here to motivate, educate and facilitate international business in Utah.”

Hire Locals

Doing business in another country is easier when you’ve got a local resident on your team. You may choose to take on a local partner, hire a local agent or manager or join forces with a reputable local firm.

“Having someone who’s been there is a very big help,” Cramer says.

Personnel issues alone are daunting to an outsider, FatPipe’s Bhaskar says.

“Outside of the U.S., you can’t hire and fire as easily. There are labor laws you have to be cognizant of,” he says. “In an international market you sometimes have to find ways to get resources without placing everyone on your payroll.

Salaries tend to be higher in Europe. It’s a matter of doing a return on investment analysis.”

Instead of hiring a staff, Bhaskar recommends contracting with a local resident and have him hire his own employees as needed.

“You can say, ‘I want to open an office in London.’ But that’s expensive, and they have different labor laws,” Wing says. “What I wanted was to find a strategic partner in each

country. We’ll provide support and direction but at the end of the day, it’s their model to run and own. They provide the advertising and the employees. We provide the products, the expertise, the branding. It’s pretty much their operation and we guide them with it. They’re invested in the success, rather than just being an employee.”

Choose Your Markets Wisely

Finding the best foreign market for your products involves a bit of research. Stampin’ Up! evaluates its potential markets by looking at factors such as population, economy and the popularity of paper crafts.

“Rubberstamping is very popular in both Australia and New Zealand so they were very natural markets for us to get into,” Baugh says. The direct sales company also considers the popularity and success of direct sales in its target markets.

Wing Enterprises also evaluates economic factors when choosing new markets. “Our product is fairly high-end, so we do better in non-Third World countries,” Wing says. “If you have a decently sophisticated labor force, our product makes sense. We don’t do much in China, South Africa or Eastern Europe — places where the wages are low and capitalism isn’t running

rampant. But in places where wages are high, where you can provide your employees with a good efficient tool, it starts making sense.”

Wing Enterprises acquires many of its new customers at trade shows. An international hardware show is held every year in the United States, with 20 percent to 30 percent of attendees coming from other countries. The company has found great contacts there. An annual international hardware show in Cologne, Germany, draws even more international buyers. “There, the percentage is reversed – only 20 percent are from the United States,” Wing says. “We participate in that show with the goal of gaining and retaining business internationally.”

Sometimes a market that seems like a good fit just doesn’t work out. Take technology-oriented Japan, for example. “The protocol there is so cumbersome that it takes a long time to enter the market,” Bhaskar says. “Focus on markets where you can get the quickest return. You don’t need to be in every country in the world.”

Cross-cultural Challenges

Every potential market has its own culture and expectations. And each presents its own set of challenges.

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Language differences can cause confusion. “There’s the classic example of the Nova, the Chevy car, which means ‘no go’ in Spanish,” Cramer says. Understandably, the car’s sales in Spanish-speaking countries did not meet company expectations.

Language issues can arise even in English-speaking countries. “At one point we owned a snowshoe company,” Wing says. “The snowshoes were compactable and would fold into a fanny pack. The word ‘fanny’ is not a good word in Australia and New Zealand. So we had to rename it.”

Cultural barriers are more subtle. “In some cultures red is a bad color,” Cramer says. “Advertising has to be very culturally sensitive. In a Muslim country you don’t show the sole of a shoe.”

Europe has its own cultural norms, Wing says. “10 years ago, if you called someone in Germany, even your equal, by his first name, that was a dealbreaker.” Those standards have grown looser in recent years, he says.

“In Europe people want to meet you before they do business,” Bhaskar says.

“I’ve educated myself on customs,” Wing says. Wing mentions that when presenting

his business card in China, he turns the card around and puts it between both thumbs, bowing as he presents his card. “A lot of times Americans are seen as rude because they don’t even try. I go out of my way to learn the customs. And they’ll reciprocate.”

Having a local agent for your company can help you be aware of cultural differences. “Americans are not as culturally sensitive as other people,” Cramer says. “If you grow up in Europe you’re used to dealing with other cultures. If you grow up in Utah you’re not.”

Rules and Regulations

Each new market presents its own set of laws and restrictions. “Looking into the governmental regulations and rules is always an important first step,” Baugh says. As a direct sales company, Stampin’ Up! has different rules governing its business practices in each country it enters. Because of those rules, “We’re setting up each country separately,” Baugh says.

Import restrictions vary widely from country to country and may change on a moment’s notice. Cramer tells of a company that was shipping beef to Korea. The beef was onboard a ship in the middle of the ocean when the company learned of Korea’s restrictions

on beef coming from the United States. The company had to find another market for its mid-ocean meat.

It’s tough to forecast what regulatory barriers your company may encounter, Baugh says. Take Australia, for example. “Because of Australia being an island continent, they’re very sensitive about wood products being brought into their country,” Baugh says. Stampin’ Up! rubber stamps are wood-mounted. “We put a process in place to fumigate the wood in order to bring the wood blocks into Australia.”

Future Forecast

Going global is a great way to expand your company’s customer base and growth. “As we look at the future, we anticipate much of our future growth will come from the international market,” Baugh says.

Currency fluctuations are working in favor of U.S. exports, Cramer says. “I love the story of Keith Martin of Martin Doors. Can you imagine anything harder to ship overseas than a garage door?” he asks. Yet Martin Doors sells in 84 countries. Cramer quotes Martin as saying, “With the way the dollar is today, I am looking at 84 best markets.”

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Exporting is better than outsourcing, Cramer says. “We’d rather sell out our products than source out our jobs. A billion dollars of exports equals 22,000 jobs,” he says. And exporting is better than importing.

“Americans have figured out how to import. You can import in English,” he says. “It’s exporting where the jobs grow. I’d much rather be the largest exporter in the state than the largest importer.”

Now is the time to expand beyond our borders. “The Utah economy is so powerful right now,” Cramer says. “We’re at a tipping point. We ought to be out there, ensuring we’re prepared to compete internationally.”