Welcome from the NH SBDC

BY MARY E. COLLINS

New Hampshire businesses have faced numerous challenges in the past year. However, one fact is quite clear—our state’s businesses, large and small, are operating in a global economy where remaining competitive requires a new set of tools, resources and skills. In preparing this fourth edition of the Small Business Development Center’s Finance Guide, we thought what better way to approach this new global market place than by exploring opportunities for NH companies.

Whether it is seeking access to capital, exporting your product, utilizing the Gold Key Service, or protecting your legal interests, we hope that this guide provides you with valuable information and critical insights as well as new global opportunities that will propel your business forward in the coming year.

The Small Business Development Center is a key NH resource providing confidential one-on-one, long-term management consulting for companies that intend to grow and contribute to the NH economy. SBDC business advisors are all certified, have MBAs and/or CPAs and many are former small business owners. The SBDC works closely with all of the resource providers featured in this supplement and is available to work with you as you explore going global!

Once again we thank our sponsors, the Whittemore School of Business & Economics and Public Service of NH, longtime partners who support our goal to provide NH entrepreneurs with timely, effective tools and resources enabling them to think global!

Contact the NH SBDC at 603-862-2200 or go online to access our 21 e-learning courses at www.nhsbdc.org.

Mary Collins is state director of the Small Business Development Center, a partnership program with the U.S. Small Business Administration, the NH Department of Resources and Economic Development, the University of NH’s Whittemore School of Business and Economics, and the private sector.

Whittemore School: Your Global Partner

BY DANIEL INNIS

The world is shrinking daily. Whether you’re part of a large or small company, in these economic times, you must be an innovative thinker and global operator to succeed.

It may be a cliché, but it’s also true that every problem is an opportunity for those who know how to take advantage of the situation. Tough times and changing conditions provide openings for innovators that aren’t available in other climates. To be successful these days, you must be global, and not just in terms of your supply chain. While demand is relatively stagnant or declining in developed countries, it is exploding in emerging economies.

To the uninitiated and traditional thinkers, these emerging markets are an impenetrable wall. It takes new skills and many uncommon kinds of knowledge to market and sell in unfamiliar cultures and markets—skills and knowledge that may not be available in your workforce. Where do you turn for assistance in reinventing your company as an aggressive global competitor?

Fortunately, the Whittemore School has a wide variety of services and people available to provide the skills and knowledge that businesses need to navigate the global matrix. While you’ve understandably had to focus your attention on your existing business, the Whittemore School has been in front of the globalization issue, preparing itself, its faculty, and its students to partner with companies in pursuing such opportunities.

During the past several years, the school has quietly transformed itself into a leading player in the international economy, with the administration researching, negotiating, and developing partnerships offshore, faculty collaborating with their counterparts across the globe, and students exploring everything from language and culture to indigenous business practices. The Whittemore School prepares its students to find the opportunities present in a global economy, to dispel myths and folklore about foreign cultures and practices, and to meet the management needs of businesses worldwide, all with the goal of maximizing return on investment. Our faculty is rich in international linkages and linkages, and our centers—globally oriented by mission—provide information and advice on angel investing, franchising, international property, and other aspects of global operations.

We are pleased to co-sponsor this guide to exporting for small businesses. We are the resource you’ve been looking for, and we stand ready to help your company prepare itself for the global century.

To learn more about the Whittemore School of Business and Economics, our centers and our programming, and to learn how we help business in NH, please visit our Web site at www.wsbe.unh.edu or contact Cynthia Nizzari-McClain, external relations coordinator, at 603-862-0017 or at cnmc@cisunix.unh.edu.

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Global Stats

95 The percentage of the world’s consumers who live outside of the United States.

2/3rds The amount of exporters that have fewer than 20 employees.

$3.7B The billions in merchandise sales to 178 countries that NH exports reached in 2008, an all-time record.

8 New Hampshire’s rank nationally for the value of exports contributed by small businesses.

41 The return on each dollar spent on export promotion and assistance, according to a recent World Bank study.

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Staff Editor:
Janice Gregory
There are still opportunities for businesses during these turbulent economic times and many are in the global marketplace. New Hampshire companies are finding success in foreign markets. In fact, 2008 was a record year for foreign sales of NH products.

Exporters are just as likely to be small companies with highly specialized products or services as large, multi-national conglomerates with offices around the world. The Granite State is proof of that. Warwick Mills in New Ipswich, the state’s oldest textile company, produces body armor that approximately 40,000 Dutch National Police officers use to protect themselves. Rokon International, a Rochester-based motorcycle company with only 15 employees, has sold all-terrain motorcycles to the King of Jordan. GT Solar, which designs and manufactures solar technology in Merrimack, started exporting 15 years ago when it had only two employees. The company’s sales are now more than 90 percent international, ending FY 2009 with record revenues of $541 million.

New Hampshire’s small and medium-sized enterprises generated 41 percent of the state’s total exports, the eighth highest share in the nation and well above the national average of 29 percent. American small and medium enterprises account for the majority of growth in new exporters, and more than two-thirds of American exporters have fewer than 20 employees.

Entering the global market can seem daunting. At the NH International Trade Resource Center, we often hear from business owners who are so busy running their day-to-day operations, they think they can’t assume the task of taking their business global.


The NH Department of Resources and Economic Development’s International Trade Resource Center is NH’s one stop solution for your global marketing needs. We customize our services to the individual needs of each of our clients. Services include, but are not limited to: information, training, marketing, market research, worldwide networks, agents, distributors, partners, buyers, finance, compliance, technical assistance, virtual offices, warehousing and distribution, and advocacy.

Many exporting companies attribute their continued growth during difficult times to their access to global markets. Remember that 95 percent of the world’s consumers live outside the United States. That means your company may have significant untapped sales potential in the international market. The benefits are clear: the opportunity to increase sales volume, compensate for seasonal fluctuations and declines in domestic sales, use excess capacity, extend your product’s lifecycle, reduce production costs by achieving greater economies of scale, and become more competitive.

Dawn Wivell is director of the NH International Trade Resource Center at the Department of Resources and Economic Development in Concord. For more information, visit the IRTC Web site at www.exportnh.org, call 603-271-8444, or e-mail dwivell@state.nh.us.
Local Production, Global Mindset

U.S. Commercial Service serves as export resource for companies.

With 109 offices throughout the United States, and locations in American embassies and consulates in nearly 80 countries, the U.S. Commerce Department’s Commercial Service helps American companies export and looks out for their business interests abroad. Here, Justin Oslowski, director of the U.S. Commercial Service office in Durham, provides answers to commonly asked questions.

Q: Why should companies consider exporting if they aren’t already?
A: In today’s global economy, businesses can’t afford to miss out on international opportunities. More than 70 percent of the world’s purchasing power is outside of the United States. If a company is not exporting, it’s likely that its competitors are or will be selling internationally. Free trade agreements, ease of transportation, and the Internet have helped to simplify the export process.

Exporting enables firms to diversify their portfolios and help weather changes in the domestic and world economies. International diversification has been important to many of our U.S. Commercial Service business clients during the ongoing economic slowdown. Nearly 60 percent of all exporters only sell to one foreign market, so many of these firms could boost exports by expanding the number of countries they sell to.

Q: What is key to export success?
A: Companies must have a long-term perspective and top management commitment. Exporting can be rewarding, but challenging, and companies need to be in it for the long haul. A track record of successful selling in the domestic market is helpful. Companies should also assess their internal resources for doing business abroad.

Q: What are some pitfalls to avoid?
A: It is imperative that companies do their homework. It happens all too often—smaller companies will assign the international sales or shipping to one or two people, yet the sale affects the entire company. For example, the accounting department may better understand how the company could be more competitive if they only gained an understanding of the finance options for export sales. Additionally, sales people can be limited on what they offer a foreign buyer because they may not understand international terms of sale, or Incoterms, or what the seller and buyer responsibilities really are once they’ve agreed to a sale.

Other areas that cause confusion or expose the company to risk may include not knowing the buyer, agreeing to an exclusive distributorship for an entire region, or not knowing enough about U.S. export laws. The U.S. Commercial Service works frequently with companies on these issues. Many times, it’s a simple matter of internal and external communication and a learning process for the entire company.

Q: What types of NH companies are exporting? Where do they sell?
A: New Hampshire’s export shipments of merchandise in 2008 totaled $3.8 billion, up 29 percent from the $2.9 billion exported in 2007. We continue to see exports of computers and electronic products, machinery, electrical equipment, and fabricated metal products. Companies are focusing on key markets such as Canada, Mexico, China, Germany, United Kingdom, Japan, Netherlands, Hong Kong, South Africa, and Italy.

Q: What kind of assistance does the U.S. Commercial Service offer?
A: Export counseling is our focus, covering a range of issues, including international logistics, finance, marketing and legal matters.

More Granite State companies are seeking specific information on export licensing and we’re here to provide a guiding hand.

International marketing is among our strengths, offering market entry strategies, market research, and international partner searches for agents, distributors and joint venture partners in virtually every country via our Gold Key Service (GKS). With the GKS, NH companies benefit from introductions to pre-screened potential business partners via our U.S. embassies and consulates. It’s international networking made easy. Companies regularly sign partners through this service and develop the international sales network they need to compete and to thrive.

Background checks on prospective partners (called International Company Profiles), trade events, bid advocacy, and much more compliment our wide range of export promotion services. Along with our International Trade Resource Center colleagues, we’re a one-stop shop for any questions concerning exports. Most of our services are offered at no or minimal cost.

Q: What’s the best way to contact the U.S. Commercial Service?
A: The local U.S. Commercial Service Office (export assistance center) is located at the University of NH’s Interoperability Lab at 121 Technology Drive in Durham. For more information, visit www.buyusa.gov/NewHampshire, call 603-953-0212, or e-mail at: Justin.Oslowski@mail.doc.gov.

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Dartware Finds a Guide for its International Journey

When Dartware, LLC, a software development firm in West Lebanon focused on proactive network management solutions, decided to pursue international opportunities, the company found it needed help. Dartware contacted the U.S. Commercial Service in NH. By taking advantage of various U.S. Commercial Service offerings, including a trade mission to Turkey and a single company promotion event, Dartware made new sales through new and existing resellers in South Africa, Turkey, the United Kingdom, Hong Kong, India, and Singapore. “We had a reseller in India tell us there was a 15 percent sales withholding tax,” says John Sutton, director of sales and partner development at Dartware, LLC. “Right away I was on the phone with U.S. Commercial Services asking, ‘Is this right?’ Within a week, we had the information we needed to eliminate that tax. That was a phenomenal service.”

In addition, Dartware signed up for the U.S. Commercial Service’s Gold Key Service programs in Hong Kong and Canada, where they met face-to-face with potential partners in meetings arranged by the U.S. Commercial Service in those countries. “The Gold Key saved us valuable time and resources, and having a U.S. Government presence gave us additional credibility in the eyes of the potential buyer,” Sutton says. “We’re looking at doing more Gold Keys in the future.”

Today, more than one-third of Dartware’s sales are due to exports to more than 50 countries, up from 20 percent just five years ago. “The biggest thing I’ve learned is that you are never too small to export,” says Sutton. “International diversification should be an integral part of a successful business strategy if you want to stay competitive in today’s global marketplace.”
Like many small businesses in NH in the current economy, Greenerd Press & Machine Company, Inc. in Nashua has had our share of challenges. In our 126th year in business in the very competitive machine tool market we have made some strategic decisions – some of them successful and some less so – that have allowed us to remain productive with our full complement of employees and remain optimistic about our future.

The most important lesson we have learned is that we cannot maintain status quo and expect to remain viable in a rapidly changing environment. We have expanded our existing product lines, begun a new complementary business, and begun to more actively market overseas. I believe that this third activity represents one of the most critical decisions we have made for our future growth.

Since the creation of our first website over 20 years ago we knew that potential customers existed outside our core North American geographical market but we did not know how to adequately consider opportunities and costs in the myriad of places where hydraulic presses are used! Fortunately for Greenerd our trade association – The Association for Manufacturing Technology (AMT) – has offered tremendous assistance. We truly just needed to become serious in our intent to sell "globally" and then ask appropriate questions and be prepared to make an investment in evaluating opportunities. Today we have successfully sourced some equipment that is too large for us to build from China, we are in discussions with a European machine tool builder to produce some of their products in Nashua for the North American market (to save them transportation costs), we have established dealers in India, Russia, and Saudi Arabia and we continue to consider new sales opportunities in a variety of export markets that we never would have considered ten years ago.

You may have many reasons not to sell into export markets – from language and cultural barriers to currency exchange concerns to a simple disinterest or unease at the prospect of traveling to a (very) foreign place. However, there is one compelling reason to overcome these obstacles – there are customers for your products and services outside of the US!

I will offer some advice from our experience to address some of my own initial concerns about traveling and selling abroad:

Language: It is essential in any business relationship to be able to communicate effectively. In a country like India we have found that English is such a common language that we do not need translators. In Russia and China, however, translation was essential, especially when initiating a new relationship. (Interestingly, with a relationship now solidly established in China we find that engineering documentation becomes a commonly understood "language.") Look to your trade association or the US Commercial Service to provide lists of reputable translators in your target market.

Travel concerns: Some places seem more formidable than others. Ultimately, one needs to feel comfortable about their personal safety in order to effectively do business in a certain region. A few simple travel tips I might offer include: researching and obtaining appropriate vaccines and inoculations for the region that you will be in – a call to your local Travel Clinic or a visit to the CDC website (www.cdc.gov) is a good start; pay for a Western hotel if you are traveling to a new place for the first time – the English-speaking staff and recognizable "comforts" are reassuring; if you plan to make multiple trips to a destination take the time to research best options for currency exchange – airport kiosks are expensive and hotel's tend to be more reasonable and: definitely establish a Skype account before you go for high quality, inexpensive phone calls home (and abroad).

Distribution channel: In our industry it is essential to select "local" dealers or distributors overseas. The selection process is equally as important if not more so than that which you undertake in your domestic market. You need to spend time with the dealer(s) you select and make your visits on a regular basis.

Financing: This is a subject that warrants its own article. My only advice is to look at the numerous options available to support US export trade.

Whatever you decide to do to strengthen your business, just make sure that you do something differently than you are doing today.
While small and medium businesses play a crucial role in the U.S. export market, access to capital consistently shows up among their top concerns related to exporting, particularly those that are just considering exporting or are in the early stages of export development.

One problem is that adequate working capital is often not considered until an export sales contract is about to be signed. The demands of a longer cash cycle, inadequate supplier terms, limited cash from earnings and limited existing credit lines will make the cash crunch evident. This is especially true when an insufficient track record makes it more difficult to qualify for bank financing.

The U.S. Small Business Administration (SBA) has developed specialized loan programs for exporters to support greater numbers of small businesses in their overseas sales. This includes funding the cost of filling specific orders as well as covering marketing and sales expenses, which are greater than in the domestic market.

The SBA's Export Express loan guarantee program helps small businesses that have exporting potential, but need funds to cover the initial costs of entering an export market, to buy or produce goods, and/or to provide services for export. Export Express has the flexibility to use loan proceeds for most business purposes, both domestic and international, including expansion, equipment purchases, working capital, inventory, or real estate acquisitions. Loan proceeds may also be used to help finance such items as participation in overseas trade shows or trade missions, standard certifications (such as CE Mark and ISO 9000) and modifications of a company's Web site to accommodate export transactions.

In addition to meeting the normal requirements for an SBA business loan guaranty, applicants must demonstrate that the loan proceeds will enable them to enter a new export market or expand an existing export market. However, the loan does not have to be used solely for export development. The company must have been in business for at least 12 months, though not necessarily in exporting.

Any bank participating in the SBA Express loan program may also use Export Express. A list of authorized lenders can be obtained by contacting the SBA office in Concord, or by visiting www.sba.gov/nh. Under the SBA Export Express program, a lender uses streamlined and expedited loan review and approval procedures to process SBA guaranteed loans. Normally, Export Express increases the SBA loan guarantee from 50 percent on a domestic SBA Express loan to either 75 percent or 85 percent, depending on the loan amount. However, the American Recovery and Reinvestment Act of 2009 increased the SBA guaranty to as high as 90 percent. In addition, the normal SBA fee is waived for loans with maturities over 12 months under the American Recovery Act of 2009. The EWCP is a line of credit that provides contract financing for export sales. It can be used for a single transaction or as a revolving line of credit for multiple export sales.

The Export Working Capital Program (EWCP) enables banks to provide small businesses with an export line of credit up to $2 million, and the bank receives a 90 percent guaranty from the SBA. The normal SBA fee is waived for loans with maturities over 12 months under the American Recovery Act of 2009. The EWCP is a line of credit that provides contract financing for export sales. It can be used for a single transaction or as a revolving line of credit for multiple export sales.

The Export Working Capital Program covers 100 percent of your costs up-front for export orders, including labor, materials, overhead, the purchase of goods for resale, or the delivery of services. It solves cash flow problems by getting exporters through longer payment cycles often required for foreign orders, and it provides purchase order financing for a single transaction or multiple sales under a revolving line of credit. The program also supports stand-by letters of credit by requiring only 25 percent collateral when needed as performance bonds. It also provides the SBA's highest guaranty to a bank (90 percent) and the SBA's lowest guaranty fee of only 0.25 percent of the amount guaranteed.

John P. Joyce is the regional manager of the Export Solutions Group for the SBA Office of International Trade in Boston. For more information, visit www.sba.gov/international.
Legal Tips for Global Expansion

BY KRISTIN A. MENDOZA
AND MARGARET A. O’BRIEN

While opportunities abound in foreign markets, it is important to realize that global expansion involves uncertainty when it comes to protection of your business interests.

Finance
In order to reduce risk of non-payment between international parties, a letter of credit process is frequently employed. It is important to understand the different types of letters of credit available (such as standby, revocable, irrevocable) in order to ensure that your business is offering and accepting letters of credit that actually serve your business objectives.

If requesting a letter of credit, review and understand the requirements imposed by the issuing bank to enable your business to collect payment from the bank if necessary. Negotiation of the terms may be possible. Letters of credit can be subject to fraud risks, including forgery and certain claims of fraud that permit a bank to stop payment even when the letter of credit is termed irrevocable. Understand that letters of credit are not complete protection from unscrupulous business conduct and doing your homework on potential business partners can never be overlooked.

Employment
Employment laws vary dramatically country to country. One thing to look out for is international privacy laws. Governments worldwide have enacted laws and regulations designed to protect employee’s personal data. As a result, businesses should conduct a legal assessment of not only domestic privacy law compliance, but also any cross-border data transfers and related foreign privacy law requirements.

Intellectual Property
Even with the registration process, businesses need to understand that the degree to which their intellectual property will be protected in other countries will vary greatly. Protection in other industrialized nations, such as some members of the European Union, Japan and Korea, can be similar to U.S. law. Other countries, such as China and India, are continuing to develop more modern legal frameworks for the protection of such rights. Different strategies for protecting your intellectual property may need to be employed based on markets you plan to enter.

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When we support small business, New Hampshire shines.
After all, the most essential ingredient for a strong economy is healthy local commerce. Learn more about PSNH at psnh.com.

"As a recruiter for a company in a very competitive industry, I appreciate how well the Whittemore School prepares students to succeed in today’s workplace."

Jenna Sheldon ’90
Assistant Vice President
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Jenna Sheldon’s education gave her access to knowledgeable professors, business-based activities, and practical training. Today, she uses what she learned in her current position, where she is responsible for identifying talent for a multi-national corporation. Jenna credits the Whittemore School as the strong foundation for her career growth.

Learn more.

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