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# **Oklahoma's Value-Added Agricultural Export Industry: An Analysis of Export Market Activities**

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## **Executive Summary**

The resiliency of "value-added" agricultural exports is well documented in the 1980s. Compared to bulk commodities, "value-added" products (a generic term used to describe processed products as well as relatively expensive, unprocessed consumer ready food items) have been less vulnerable to fluctuations in world exchange rates. In 1988, "value added" exports represented 42.5% of all agricultural exports, a 12% increase from 1982. The promotion and export of "value-added" agricultural products has beneficial implications for both national and state economies. To the extent that Oklahoma takes advantage of the increased business activities associated with "value-added" production, additional employment and income can be generated.

The "Oklahoma Value-Added Agricultural Export Improvement Program" was a project designed to better understand how the state can increase exports from its "value-added" industry sector. In Oklahoma, there are currently more than 400 companies that process and market "value-added" agricultural products. Interviews with 19 Oklahoma firms were conducted to determine their level of export involvement and activity. The results of these case study interviews along with recommendations for improved performance are compiled for presentation in this paper.

To analyze and convey the survey results, the firms were classified into exporting and non-exporting groups. Further size delineation, based primarily

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on employment figures, included a breakdown of the firms into small, medium and large categories. The survey assessed the firm's level of market research, foreign travel and international trade show participation. Semi-formal international market research was reported by fewer than 20% of the small, medium size and non-exporting firms. However, 57% of the large and 45% of the exporting firms reported export market analysis. Travel abroad for the purpose of attending international trade shows or scouting out potential markets was reported by approximately 40% of all the firms.

The availability of funds for export financing was not perceived as a potential deterrent by the majority of companies in this survey. According to marketing specialists, a common mistake made by exporters is thinking they can set a higher price for their exports. In this study, 68% of the respondents reported that the pricing structure of their international transactions would be much the same as their domestic sales. Virtually all of the firms in this study had been contacted by the Oklahoma Department of Agriculture and 89% of the firms had been contacted by one or more private exporting consultants and/or export trading companies.

In the survey, company concerns associated with a rapid growth in exports ranged from securing adequate financing to the expansion of production capabilities. Individual respondents also listed lack of experience along with product acceptance, packaging specifications, ingredient restrictions and product distribution as potential impediments to their future export success.

All of the companies interviewed in this survey were "small" according to the U. S. Small Business Administration's standards in the Code of Federal Regulations. To their advantage, smaller companies can adapt more quickly and easily to specific buyer requests due to a reduction of red tape. Moreover, the response rate of smaller businesses to foreign market demands can outpace that of larger multinational firms. In the highly competitive market for "value-added" products, smaller companies can not only promote their products' unique and distinctive characteristics, but can also capitalize on their quality service capabilities.

A consensus among researchers suggests that there is more than one blueprint for achieving export market success. However, the managerial commitment to incorporate exporting into a company's mission statement is perhaps the most crucial step in the export process. Overcoming the fears ascribed to export trade barriers necessitates creative problem solving and can be alleviated in part with the appropriate research and forethought. Exporters should not make the mistake of assuming that one marketing technique can be applied to a variety of country situations. The learning curve needed to market food products internationally may require additional time for ingredient, packaging and label reformulation. In Japan, for example, consumers are attracted as much to an alluring and colorful package as they are to the quality of the product inside.

Knowledge of the basics of exporting leads initially to the development of

an international marketing plan. The design of a competitive pricing strategy along with the selection of an appropriate distribution system and a workable repayment option, minimizing financial risk, are additional steps. Understanding the mechanics of shipping and documentation can be facilitated by engaging the services of experienced freight forwarders.

According to the Small Business Administration, firms employing less than 500 workers are making significant contributions to the nation's economy. In spite of the enduring battle to reduce trade barriers, value-added exports continue to expand. The opportunity for small to medium size processors to expand into international markets is eminent, providing they align their products to country-specific regulations and consistently deliver quality products at competitive prices. However, the important key to international trade success is a firm's long term commitment to exporting.

## Introduction

In the 1980's, "value-added" agricultural products proved to be the most resilient group of agricultural exports. The term "value-added," as it applies to agriculture, refers to the difference between raw commodity input costs and the price of finished outputs. Examples include processed meats and dairy products, vegetable oils, and other canned, frozen and microwaveable food items. Unprocessed, but relatively expensive consumer ready products, such as eggs, nuts, and fresh fruits and vegetables are categorized as high value food stuffs. Value-added agricultural exports as a percent of the total dollar value of agricultural exports have grown considerably in recent years. In 1988, value added exports represented 42.5% of all agricultural exports, a 12% increase from 1982 (Table 1). The promotion and export of "value-added" agricultural products

**Table 1. U.S. Agricultural Exports**

Year	Bulk	Value-Added	Total	Percentage <sup>1</sup>
	----- \$1,000 -----			
1982	25,424,768	11,197,829	36,622,597	30.6
1983	24,924,526	11,173,613	36,098,139	31.0
1984	26,357,353	11,447,045	37,804,398	30.3
1985	18,506,221	10,519,856	29,026,077	36.2
1986	14,435,926	11,781,028	26,216,954	44.9
1987	15,812,740	12,824,929	28,637,669	44.8
1988	21,340,772	15,751,309	37,093,081	42.5

<sup>1</sup> Value-added as percent of total

Source: USDA, Foreign Agricultural Trade of the U.S.  
Calendar Year, various issues.

has beneficial implications for both national and state economies. To the extent that increased business activity associated with "value-added" production is concentrated in Oklahoma, additional employment and income is generated.

Oklahoma's development of "value-added" agricultural products and the subsequent penetration of foreign markets could help rejuvenate the state's economy. Numerous possibilities exist for properly marketed agricultural products in Europe as well as countries in Northern Africa, Japan, and the Pacific Rim. Currently, Oklahoma's agricultural trade is heavily dependent on wheat and beef. As a result, past research efforts have focused primarily on commodity export programs with little information being collected or published on Oklahoma's "value-added" industry sector. Due to an increasing interdependence of world societies and an international demand for packaged and convenience foods, a national and statewide initiative, coordinated by the U.S. Department of Agriculture and International Trade Development Centers, is underway to stimulate "value-added" agricultural product trade.

### **Oklahoma's Trade Development Infrastructure**

In Oklahoma, the Department of Agriculture (DOA) has a team of international trade coordinators that accompany and represent Oklahoma processors at international food shows. They supply foreign market contacts and trade leads in addition to offering expertise on communication, logistics, transportation and shipping to local agricultural firms interested in export marketing. On a similar tangent, OSU's Center for International Trade Development (CITD) researches foreign markets in an effort to link Oklahoma producers to appropriate international markets. In addition, they train company employees in the preparation of international marketing and sales promotion programs and create an awareness of foreign business practices and cultures. They utilize the knowledge and expertise of university faculty and staff. The international division of the Oklahoma Department of Commerce (DOC) also lends export assistance to manufacturing firms with export potential. They offer a variety of workshops and seminars throughout the year on the basics of exporting and other specialized topics. Firms with export potential need to be identified and encouraged to take advantage of these resources, along with those of the OSU Division of Agriculture, to ensure international trade success.

The "Oklahoma Value-Added Agricultural Export Improvement Program" was a project designed to better understand how the state can increase exports from Oklahoma's "value-added" industry sector. Funded by the Cooperative States Research Service of the U. S. Department of Agriculture, through the Division of Agriculture and OSU's Center for International Trade Development, a major objective of this project was to identify "value-added" agricultural products currently being produced within the state and evaluate the export potential of their respective enterprises. The operational methods of this research were intentionally structured to benefit the private sector in Oklahoma and the

surrounding region. A relatively small number of "value-added" processing firms within Oklahoma were interviewed to determine their level of export involvement and activity. The results of these case study interviews along with recommendations for improved performance were compiled for presentation in this paper.

A second objective of this project was to analyze market growth patterns for specific "value-added" products. A master of science thesis assessed the future direction of "value-added" beef and wheat exports to middle income developing countries. The results of this research have been assembled in an accompanying report. A final objective was the coordination of a statewide export conference. A project advisory board was organized consisting of 11 persons knowledgeable and active in agricultural exporting from industry, government and academe. Individual board members provided input as requested by the project personnel and together they acted as a catalyst in the formation of the conference agenda. A strong effort was made to attract business and industry leaders to the one-day conference. The conference was co-sponsored by the CITD and the Oklahoma DOA. The first annual "Oklahoma Value-Added Agricultural Exporter of the Year Award" was presented at the conference.

## **A Profile of Oklahoma's Value-Added Agricultural Exports**

### **Survey Methodology and Data**

A survey to identify value-added agricultural products currently being produced in Oklahoma and to ascertain characteristics of such products that may be important in generating export activity was conducted. The survey also analyzed the firms' managerial structures and corporate objectives to determine individual export potential and activity. To complement and avoid duplication of other government and university research, the survey consisted of detailed case study interviews with a relatively small number of Oklahoma firms. This method of collecting data was selected for several reasons. The inherent characteristics of case study research allows the investigator to personally communicate with the subjects. Because future research involving export promotion from Oklahoma's value-added agricultural sector will necessitate the continued cooperation of these and other agribusinesses throughout the state, an underlying objective, from the standpoint of the project administration, was to develop a positive rapport with the management of these "value-added" firms. Oftentimes, personal visits will uncover additional remarks and dialogue that mail-out surveys fail to capture. "One-on-one" contact fosters the exchange of networking contacts and other relevant transfers of information. This case study approach enabled the researcher to visit company headquarters and tour a variety of processing facilities, creating a long-lasting visual impression of the



operation. Moreover, the benefits of a free flow of conversation from these types of interviews has important implications for the future structure of research and export assistance to local and national "value-added" producers.

The Oklahoma Department of Agriculture in their *Oklahoma Food and Agricultural Product Directory* and the Oklahoma Department of Commerce in their *Directory of Manufacturers and Processors* list over 400 food processors and related value-added agricultural firms. With the cooperation of the international division of the Oklahoma Department of Agriculture, 19 companies were identified for the case study interview process. These companies were selected based on the export feasibility of their products. They were also characterized by their documented experience, perceived potential, and/or interest in exporting.

The product variety encompassed by these firms included highly processed frozen and refrigerated "consumer ready" entrees as well as canned vegetables, bottled juices, syrups, jellies, salsas, mayonnaise and other condiments. Of the 19 companies interviewed, 6 of the firms processed beef and pork with varying degrees of applied technology. Others marketed wood chips for indoor/outdoor grilling, dried herbal mixes for sauces and dips, dried legumes and popcorn. Additional firms processed bakery products, flour and an assortment of dry food mixes. One company offered a brokerage service to value-added producers and foreign buyers. The companies were geographically located across the four quadrants of Oklahoma, representing various management styles and operational systems of production.

A survey questionnaire was developed for use in each of the 19 interviews. The questions were designed so that data from each interview could be later pooled with responses of the other companies to illustrate similarities, trends, patterns, and discrepancies among the firms. The questions were formulated, based on a review of literature, previous export experience and situations recognized as common to all exporters. Introductory questions collected basic information pertaining to the origin and history of the company as well as the types and variety of products produced. Other inquiries investigated the company's research into overseas markets such as the development of a semi-formal market analysis of export demand for specific products. International travel to accumulate cultural and other additional information relevant to successful exporting was evaluated. The firm's utilization of professional expertise from the Oklahoma Department of Agriculture, other private consultants and participation in international trade shows was also discussed. In addition, questions concerning product pricing, production, financing and the problems associated with export growth were asked. All these latter questions were worded in such a manner that both applied and hypothetical responses could be incorporated into the published results.

Key personnel within the targeted companies were contacted and meeting arrangements were scheduled. The interviews began the third week of June, 1989. The final interview was completed the third week of October, 1989.

Eleven of the interviews were scheduled with the owner and/or company president; the remainder were scheduled with the person responsible for international sales and marketing activities. Each interview lasted approximately 45 minutes and requests for a tour of the production facility were generally accommodated. Photos of "value-added" production activities were also allowed in most incidences. Due to conflicting schedules, two of the interviews were conducted via the telephone.

Original data collected from the interviews was documented, by company, in a written format. Approximately 45% of the questions required a yes or no response, with the resulting data being classified as numerical. The numerical data was simulated into a graphic output, which provides the reader with an overview and assessment of the firm's export activities and behaviors. Other inquiries required additional remarks and dialogue. The more detailed responses were incorporated and are relayed on an individual basis as they pertain to the various subject matters explored. Results from a survey of this nature are restricted in their ability to be extrapolated for application to the general population of all Oklahoma "value-added" firms. As previously mentioned, these firms were deliberately selected for the interview process as opposed to the more scientific method of random sampling. Therefore, results reflect the actions and report the export activities only of the firms within the context of this sample. To the extent that other agribusinesses and value-added processing enterprises can identify with these published results, additional benefits will be gained. The underlying intent of this publication is to present as much accurate information as possible so that managers in industry, government and university administration can effectively direct future export policies and service the "value-added" agricultural sector with increased understanding.

## **Overview of Firms**

In Oklahoma, there are currently more than 400 companies that process and market "value-added" agricultural products. The majority of these operations produce edible food items for human consumption. Other Oklahoma agribusinesses add value to agricultural commodities; these products include pet foods, livestock feeds, vegetable and cottonseed oils, and other seeds. Interviews with 19 Oklahoma firms were conducted for this survey. The majority of these companies offered one or more products, primarily food items, for sale in domestic and foreign locales. One import/export service company and an Oklahoma producer with processing facilities located in an adjoining state were included.

## **Types of Products**

Findings from the interviews revealed an impressive array of food items. The total number of products and/or services marketed by these 19 companies exceeded one hundred. Some producers marketed fewer than 5 items while others

printed order sheets listing more than a dozen product categories. Some of the products were highly processed "consumer ready" food items, requiring little added processing time and/or culinary expertise prior to consumption. Many of these food items were precooked, microwaveable, refrigerated, and/or frozen. Examples included frozen entrees, desserts, bakery products, juices and other bottled drinks and condiments. The production processes for this group necessitated sophisticated equipment and technology with a competent quality control staff.

Other "value-added" products could be considered as partial ingredients and the addition of other foods as well as preparation time was needed to create a final product. Examples of these products included packages of pre-mixed bakery ingredients, dried herbal and bean mixes, seasonings, wood chips and fresh retail meat cuts. In some cases, the technology used in the production of these types of goods relied less on mechanized equipment, and more on semi-skilled labor inputs. The variety of processing techniques utilized by the meat packing companies ranged from initial livestock slaughter and wholesale meat packaging to the aging and curing of sausage, ham and bacon. Some meat processors utilized additional packaging and freezing techniques to further augment their products' value. Final products included an assortment of lunchmeats, weiners and other specialty items. A majority of food items from all of the companies were distributed to commercial food service and other retail outlets for consumer use. A few of the companies reported larger government contracts.

## **Company Size**

The U. S. Small Business Administration (SBA) emphasizes in the Code of Federal Regulations that "no single measure or simple numerical device is the basis for establishing (firm) size standards" (1989). Two standards of industry classification recognized by the SBA are the number of company employees and annual sales receipts. A majority of Oklahoma's "value-added" agricultural firms fall under the SBA's Division D, Major Group 20 -- Food and Kindred Products where the firms have an average employment of 500 or less. Information, ascertained from the interviews and documented by data published by the Oklahoma Department of Commerce's *1988-89 Oklahoma Directory of Manufacturers and Processors* showed that the highest employment range for Oklahoma's "value-added" industry sector was 251-500. Therefore, all of the "value-added" firms surveyed in this study can be considered "small" by SBA standards. According to the SBA, 99% of all U. S. companies are categorized as "small."

Whereas the highest employment range listed for these companies was 251-500, only four of the nineteen firms fell into this category. Of the remaining companies, eight had an employment range of 101-250, while the rest had a staff of less than one hundred employees. In several firms, the total employment was less than twenty persons. The significance of company size will be more fully

developed as the survey results are analyzed in a later section. At this juncture, it is important to understand that within the framework of this study, rather large variations in company size existed.

Company size can be described in terms other than employment ranking. For this study, size in terms of office space as well as the nature and scope of warehousing and production facilities was also taken into consideration. With the exception of one service company, all of the companies had devised some sort of warehousing and delivery plan for their products. For example, one company offered a fully integrated service to their customers, including a sophisticated production facility, a separate warehouse and the transportation capabilities to ship their products to more than 30 states. In contrast, other companies manufactured and warehoused their products in one location. In addition, some companies direct-delivered their products to retail outlets, primarily in Oklahoma, via personal autos. One company relied on the railway system in part for their transportation and distribution network. Others were able to ship their products by mail.

**Organizational Structure.** In recent years, domestic marketing has been partially overshadowed by a rapidly expanding international focus. Information availability has helped to stimulate the international demand for many new and innovative products. Development of foreign market share has become critical and highly competitive. Businessmen, unfamiliar with nationalistic attitudes and protectionistic trade barriers often find themselves overwhelmed and unprepared for today's global environment. Coupled with an international market growth is a shift in demographics and the emergence of changing societal forces. Worldwide, the structure of society has shifted to include a larger female labor force, households with fewer family members and populations with a greater percentage of persons 65 years of age and older. As a result of this wave of internationalism, one IBM executive cites an increasing need for management with global perspectives and human resource skills. According to this international business leader, individuals being considered for international management positions need to be patriotic, yet relatively free of prejudice and should be bilingual and respectful of foreign cultures (Maisonrouge, 1983).

Most companies with international operations began life as relatively small domestic entities. Mergers and acquisitions constitute the biggest exception to this rule. International activities become a permanent part of a firm's operation once top management determines that the export demand warrants the added investment. The transformation of a corporation, with primarily domestic interests, to one with international markets and responsibilities requires a concurrent change in management structure and orientation. Management style and behavioral incentives vary from company to company. Several models of organizational structure have been developed to describe the decision making process of international firms.

The international division structure is the most common among U. S.

corporations and is characterized by the appointment of a general manager for overseas operations (Figure 1). All of the firm's international activities are channeled through this manager, and international profits are fused with domestic profits on the corporation's financial statements. In essence, the international division structure is a domestic corporation with an "international arm." This structure is well suited for firms whose international sales represent less than 50% of their total sales. Growth plans for many of the surveyed Oklahoma companies included export expansion, however, export sales as a percent of total sales were projected in all cases to be less than 35%.

Oftentimes the international division structure is the prelude to the development of an overseas production facility. The ownership of a foreign business organization by a U.S. parent company is referred to as an affiliate. Recent research shows that when larger food manufacturers achieve a maximum export level of 10-15%, they tend to shift strategies in favor of foreign investment and affiliates (Connor, 1989). Policy recommendations from

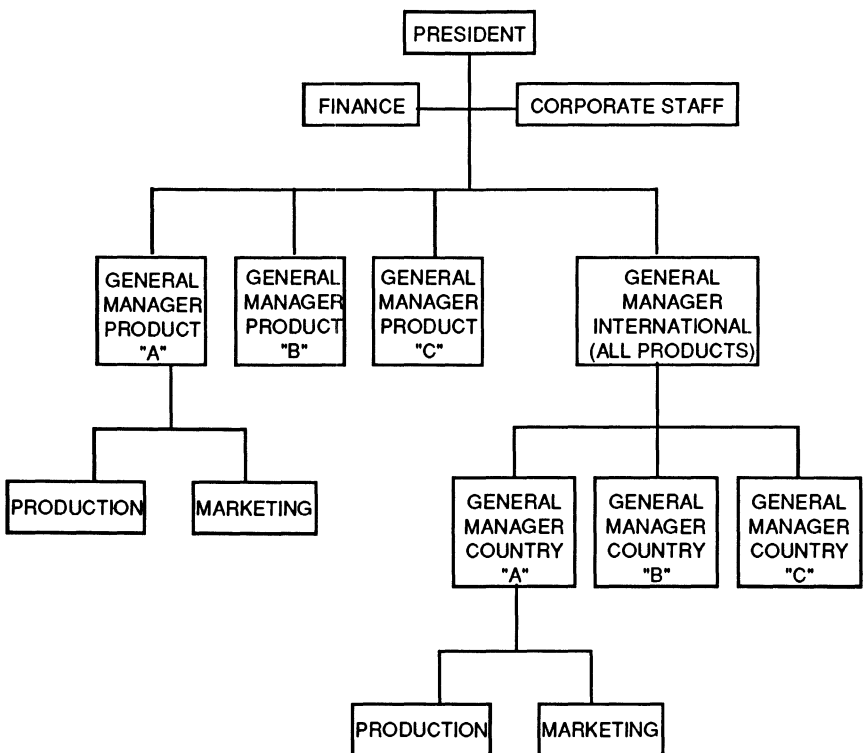


Figure 1. The International Division Structure

additional findings of this nature would suggest that export enhancement programs in the future be constructed to benefit smaller food processors with lower propensities to export and should cease when these firms become relatively successful (Connor, 1989). However, at this time, the research base to support this type of policy has not been fully developed.

In contrast to the international division structure, the other four models (area division structure, worldwide products division structure, mixed international structure, and the grid or matrix structure) are more international in the sense that there is no structural favoritism of the home country over the various host countries. Unlike the international division structure, profits are usually not repatriated to the home country. One of the larger companies in this study reported an interest in foreign plant ownership. Operating an overseas production facility would likely result in a managerial shift to one of these latter models.

A common organizational characteristic shared by the majority of Oklahoma companies interviewed for this survey was their ownership. Of the 19 companies interviewed, all but two were privately held operations. Even these two companies began as family operated enterprises, but over the years they have developed into publicly held corporations. Over time, four of the companies have exchanged ownership, from the original family owner to another private investor. All of the rest are first, second, and in some cases third generation family owned and operated entities. With this in mind, a comparison of these Oklahoma companies to the industry models for international firms is not without limitations. The inherent management structure of a privately held firm differs somewhat from the sophisticated hierarchy present in larger public corporations. In many of the smaller Oklahoma firms, international responsibilities tended to be dispersed among staff members who were already "wearing more than one hat." In these cases, a parallel to one of the organizational structures for international firms would be premature.

In the international division structure, an international manager usually holds the same rank as the various product line managers (Figure 2). Frequently, the international manager will have under his direction a general manager for the various export locations. A major advantage of the international division structure is that it identifies a specific department where all the international activities can be funnelled. In addition, vertical information flows from the international division manager to the company president and corporate staff are well organized. The disadvantage is that the communication between the various product line managers and the international division is weak. In the two Oklahoma companies where international divisions existed, their structure was a scaled down version of the international division structure model. The observation was made that the two international directors had limited support personnel and that they were both operating without the assistance of additional regional managers. One of the directors insinuated that with the growth and

development of exports, managerial development and additional personnel would be forthcoming.

### **Exporters vs. Non-Exporters**

Dividing the firms into exporter and non-exporter groups was another descriptive means of classification (Table 2). Approximately 60% of all the companies reported export sales within the first half of 1989. Foreign country destinations for Oklahoma products included Israel, Egypt, Saudi Arabia, Canada, England, New Zealand, Australia, and Japan. From the available responses, it was determined that at least one company had been exporting since the end of World War II. Some companies recalled export sales originating from the late 1970's, whereas the experience of others was limited to the past one to five years. Additional data would be required to correctly calculate an average for the number of years these companies have been engaged in exporting.

Each of the exporting companies enumerated several obstacles and other export barriers that they were able to overcome prior to their export success. Depending on the nature of the product and the import restrictions of the targeted foreign markets, key exporting problems included but were not limited to, packaging, pricing, foreign competition and market research. Selecting adequate channels of distribution for specific products and the maintenance of a positive working relationship with foreign dealers were also cited. Employing the services of a broker was listed by one company as their method of minimizing the risk associated with exporting. Other producers with more uniform products were able to take advantage of organized industry groups and in some cases participate as a secondary contractor for larger government secured export contracts.

In grouping these companies as exporters and non-exporters, a distinction was made between direct and indirect exporters. For the purposes of this publication, the information was assimilated so that the exporter group includes those companies who are consciously involved in exporting. In other words, these exporters participate in a variety of activities to actively promote their products in foreign markets. It also includes those companies who have engaged the services of foreign sales representatives, agents and other intermediaries such as export brokers and export trading companies. Occasionally products from the non-exporting group may end up in markets outside the U. S., but this happens through no direct or conscious effort on the part of the firm's management. Often times these companies will sell their products to domestic distributors, freight forwarders or food wholesalers who in turn re-sell the products to foreign countries. Therefore, it is not uncommon to find a variety of U. S. "value-added" food products in foreign supermarkets. In 1984, the Census Bureau estimated that approximately 40% of processed food exports were indirect (Connor, 1989).

The companies assigned to the non-exporter group were characterized by

**Table 2. Analysis of Export Market Activities: Exporters vs. Non-Exporters**

	Tradeshows Participation	Overseas Travel	Semi-Formal Market Analysis	Outside Financing	Overseas Advertising	Contacted by OTDOA	Contacted by Private Consultant	Exporting in the Future Growth Plan
<b>Exporters</b>								
<b>Large (5)</b>								
Yes	3	3	4	1	2	5	5	4
No	2	2	1	4	3	0	0	
Undecided								1
<b>Medium (3)</b>								
Yes	2	1	0	0	0	3	3	2
No	1	2	3	3	3	0	0	
Undecided								1
<b>Small (3)</b>								
Yes	1	0	1	3	0	3	3	2
No	2	3	2	0	3	0	0	
Undecided								1
<b>Non-Exporters</b>								
<b>Large (2)</b>								
Yes	1	1	0	1	0	2	2	1
No	1	1	2	1	2	0	0	1
<b>Medium (3)</b>								
Yes	1	1	1		1	3	3	1
No	2	2	2	2	2	0	0	
Undecided				1				2
<b>Small (3)</b>								
Yes	2	1	0	1	0	3	2	1
No	1	2	3	2	3	0	1	
Undecided								2

Source: Original survey results conducted by the Department of Agricultural Economics, Division of Agriculture, Oklahoma State University



their operational diversity and their overall attitudes towards export involvement. Three of the eight non-exporting companies expressed a positive interest in exporting. Due to the fact that production quotas can be a function of pre-arranged growing contracts, one of the "value-added" processors preferred to confine their firm's activities to domestic markets. Several companies were unsure of their position toward exporting. This latter attitude seemed to result more from a lack of knowledge and export experience than from any specific complications arising from past efforts. Some of the non-exporting companies had engaged the services of private export consultants while others were in the final negotiating stages of contracting an order. Moreover, the establishment of a processing plant in a foreign country was the goal of one company president. Since many export sales are months and maybe even years in the making, a reasonable assumption would be that within the next few years several of these non-exporting companies will become exporters. Continued persistence and patience on the part of both buyers and sellers is essential for success.

Results from a 1974 survey of 423 small and medium sized firms in Wisconsin suggest that a firm's decision to explore the feasibility of exporting is more dependent upon management's goals than on the economic contributions exporting might make to the firm (Bilkey and Tesar, 1977). In this study as well as other similar studies, a positive relationship was found to exist between the affinity to approach exporting and a managerial staff with bilingual backgrounds and foreign travel experience. The research suggested that when companies initially investigate their export potential, they do so with the idea that in the process they will discover how exporting will impact their business. This may partially explain why profit and growth expectations were viewed by smaller firms in these studies as being less important at the onset. Firm size was also considered relatively unimportant in terms of export behavior when account was taken of the nature and quality of the firm's management.

Findings from the Wisconsin survey tend to parallel some of the direct responses and attitude assumptions discovered in the Oklahoma interviews. Differences between the two studies are highlighted by the fact that in Wisconsin the survey methodology consisted of a mail out questionnaire whereas in Oklahoma the survey was completed via personal interviews. Also in Oklahoma, the interview process did not include a specific question related to the motivational decision to explore exporting. One company president did, however, point out that exporting was viewed as a "challenge". In this particular company, both local and regional markets were well developed. They packaged for other private labels in addition to marketing their own products. As a direct result of international trade show participation, they had forwarded samples to Japan. According to this company's president, exporting is perceived as an experiment, the results of which are as yet unmeasurable. Once an export contract is finalized and a substantial number of reorders are received, they will be in a position to evaluate the relationship exporting will have in their long

term corporate goals.

The Wisconsin survey also reported that the attitudes of non-exporters and "experimental" exporters differed markedly from those of experienced exporters. According to the study, companies with sustained export sales became less concerned with the basics of exporting, and tended to concentrate instead on the "bigger picture," which included the managerial and production consequences of exporting (Bilkey and Tesar, 1977). Along these lines, one Oklahoma company official noted that they can no longer afford to send only their surplus products to foreign markets. Recognizing the interdependence of world economies, this Oklahoma company has instituted a managerial staff committed to the establishment of permanent foreign customers.

The receipt or non-receipt of unsolicited export orders was a major factor determining whether or not smaller firms in Wisconsin entered into "experimental" exporting. Almost 60% of the exporting firms in this study reported unsolicited first orders (Bilkey and Tesar, 1977). Again, the interview process in Oklahoma did not specifically inquire as to the origin of first time export orders, nonetheless, the observation was made that the export activity for the majority of these companies was initially dependent upon unsolicited trade leads and the encouragement of one or more state agencies such as the Oklahoma DOA, the DOC and/or the CITD. In addition, one company president mentioned the fact that business associates periodically direct export leads to his attention unsolicited. Another interviewee remarked that hosting tours for visiting foreign delegations has been a source of unsolicited export leads.

### **Firm Categories**

Working with the knowledge that all of the 19 companies interviewed for this study were small by SBA standards, further size delineation among these firms was deemed a necessary means of analyzing and conveying the survey results. The rationale for further breaking down these companies into small, medium and large categories was to enable targeted companies and other readers to identify their position within the subsets (Table 3). Ideally, constructive comparisons among companies with similar characteristics will occur along with the generation of ideas for future export strategies. Moreover, an analysis of companies with such diverse backgrounds is made more meaningful when they are grouped into categories with underlying similarities. To determine small, medium and large firms within the framework of this sample size, a numerical ranking was assigned to each company. Included in this numerical tabulation were separate estimated rankings for each company's sales (financial figures were neither disclosed nor are they published for public use), the number of company employees and the age of the company. A composite score, resulting from the addition of the numerical data generated from these three criteria identified small, medium and large firms. In cases where there was a question as to the assigned ranking of the company, the researcher's perception of the company's

**Table 3. Analysis of Export Market Activities: Small, Medium and Large Firms**

Company Size	Past 6 mo. Exported	Tradeshaw Participation	Over Seas Travel	Semi-Formal Market Analysis	Financing Outside	Advertising Over Seas	OKDDA Contacted by	Private Consultant	Exporting in the Future Growth Plan
<b>Large (7)</b>									
Yes	5	4	4	4	2	2	7	7	5
No	2	3	3	3	5	5			1
Undecided									1
<b>Medium (6)</b>									
Yes	3	3	2	1		1	6	6	3
No	3	3	4	5	5	5			3
Undecided					1				
<b>Small (6)</b>									
Yes	3	3	1	1	4		6	5	4
No	3	3	5	5	2	6		1	
Undecided									2

Source: Original survey results conducted by the Department of Agricultural Economics, Division of Agriculture, Oklahoma State University

administrative structure and organization was utilized to make the final determination.

Age of the company was thought to add an "institutional memory" component. In other words, it was assumed that older companies had more experienced staff members. Also, in terms of financial capabilities, it was thought that older companies may have larger retained earnings which could be tapped for foreign market research and "experimental" exports. From the perspective of commercial lenders, older companies may also have certain advantages over younger companies in securing loans. Whereas the final

groupings may not be an exact measurement of firm size, they do represent a workable framework for this study given the nature and availability of information.

The final combination resulted in 6 "small" firms, 6 "medium" firms and 7 "large" firms. Employment numbers for the medium and large companies ranged from 50 to 500. A majority of the large firms had upwards of 250 employees. Medium firms were characterized by an employment range of 101-250. In some cases a fine line separated the medium-sized company from the larger one. Defining the small company was more clear cut. All the small firms had 50 or fewer employees.

Breaking down the companies into exporting and non-exporting subsets was another way of analyzing the relationship between the various activities associated with exporting (Table 2). Eleven of the 19 companies reported export sales for the time period ending October 1989. The remaining 8 companies were either awaiting export contracts or confining their activities to the development of domestic markets. The exporting group was composed of five larger firms, three medium size firms and three smaller firms. The non-exporting category consisted of 2 larger firms as well as three each of the medium size and smaller firms.

As previously mentioned, a number of the interview questions could be answered sufficiently with a yes or no response. The numerical responses of the small, medium, and large companies as well as the exporter vs. non-exporter categories were tabulated for these questions. A discussion highlighting the results of these findings is presented. As a reminder, the time period for collecting these responses was June through October, 1989. Therefore, it is important to keep in mind that the resulting data reflects this particular time period. Since that time, company situations, policies and attitudes towards exporting may have changed.

## **Analysis of Firm Responses on Selected Export Activities**

### **Awareness of the Oklahoma Department of Agriculture and other Trade Development Entities**

All 19 of the companies interviewed in this survey reported contact by the Oklahoma DOA. This includes 100% of the small, medium, and large companies as well as the exporter and non-exporter classifications. Taking into consideration the fact that these companies were identified as potential interview candidates by the Oklahoma Department of Agriculture, these figures are not surprising. Nevertheless, these results confirm that within this diverse group of "value-added" enterprises, a common awareness of the Oklahoma Department of Agriculture exists.

The Oklahoma Department of Agriculture promotes international trade development. More specifically, within their International and Domestic Marketing department, a variety of services are available for Oklahoma's agricultural industries. Three international trade coordinators are on staff to provide potential exporters with international trade leads and assistance in the areas of export credit assistance, communications and the legal aspects of exporting. They encourage firm participation in international trade shows and work with companies on an individual basis to develop a positive marketing program for foreign buyers. In addition, company representatives are counseled prior to their participation in overseas trade shows on the mechanics of exporting as well as country specific customs and international etiquette.

In addition to the state departments of agricultural, other federal and cooperative organizations work together to help agribusinesses increase their exports. The USDA Foreign Agriculture Service (FAS) administers a number of export programs and assesses worldwide agricultural trade and production. In particular, the Export Product Review (EPR) is a specialized program that has been designed to help manufacturers of pre-packaged foods determine whether or not their product's label and ingredient listings meet the requirements of the targeted foreign country. State Departments of Agriculture cooperate on a regional basis as well to provide additional expertise on international marketing to prospective value added manufacturers and processors. The Southern United States Trade Association (SUSTA) headquartered in New Orleans services Oklahoma and 14 other states as well as Puerto Rico.

**Center for International Trade Development.** The OSU Center for International Trade Development (CITD) coordinates its activities with agricultural and industrial firms in an effort to expand company sales to include international destinations. In addition to assisting firms with international market planning, management expertise and cultural training, the center offers Oklahoma exporters timely trade news, market reports and the resources for up to date market research. Programs originating from the CITD augment as well as complement the services provided by state and federal departments of agriculture, commerce and other government and private organizations.

**Department of Commerce.** The Oklahoma Department of Commerce (DOC) and the U. S. Department of Commerce's U. S. and Foreign and Commercial Service have established a joint program of international trade development and support entitled the Oklahoma International Export Service (OIES). Their experienced trade specialists service Oklahoma's international business community by providing individual counseling and information on export marketing, financing, shipping, documentation and foreign trade laws. In addition, they sponsor conferences, seminars, and workshops to familiarize businesses with the details of exporting. A newly instituted Export Finance Program sponsored by the Oklahoma Department of Commerce will enable qualifying exporters to apply for insurance protecting them against the risk of

non-payment by foreign debtors.

**District Export Councils.** Serving as a direct link between the Department of Commerce and the business community are the 51 District Export Councils (DEC) throughout the nation. Composed of business executives with experience in international trade, DEC's work with local commerce departments to actively involve businesses in international trade. In addition to co-sponsoring export seminars and training workshops, DEC members counsel beginning exporters and assist with the input and formulation of legislative trade policy.

**Small Business Administration (SBA).** The U.S. Small Business Administration (SBA) also provides an extensive library of business publications for potential exporters' use. Periodically, the SBA sponsors "Matchmaker" conferences which are designed to link exporters to qualified Export Management Companies (EMC) and/or Export Trading Companies (ETC). Utilizing the expertise of EMC/ETC's and other international service providers is referred to as the indirect approach to export development. In addition, the SBA has instituted the Service Corps of Retired Executives (SCORE) program. Many of their volunteers have lengthy management experience with multinational firms and can provide valuable insight to potential exporters.

The importance of utilizing the services and expertise of these organizations cannot be overemphasized. These agencies provide access to valuable resources for public use. They assist potential exporters in the analysis of trade statistics and help firms target the export markets most conducive to their products. Moreover, their experienced personnel aid in the location of banking and other financial assistance services and link prospective exporters to appropriate freight forwarders. A reasonable assumption is that a majority of the exporting firms surveyed in this study achieved their initial success as a direct result of the guidance and support of these trade services.

### **The role of private consultants and sales intermediaries**

A firm's use of intermediaries, such as Export Trading Companies and Export Management Companies, to handle their foreign market sales can be an important component of export growth. Eighty-nine percent of the Oklahoma firms surveyed had been contacted by one or more private consultants. One exception was a small company whose efforts were focused in the domestic marketplace. The other exception was also a small company. Even though this latter company had coordinated export efforts with both the Oklahoma DOA and the Southern United States Trade Association (SUSTA), they had not been approached by an independent consultant. One firm initially employed the services of an export consultant for their international marketing activities. Once exporting became a viable and profitable objective of this company, an international division was added to their management structure. The private consultant was then hired as the director of the firm's International Sales and Marketing Division.

The decision to export indirectly and use the services of an independent consultant depends upon several factors which include firm size, the nature of the product, previous export experience and financial capabilities. Careful consideration should be given to the selection of a sales intermediary or consultant. An Export Management Company usually represents one or more products in the international market place. For a salary, a commission, and/or a retainer, they solicit and conduct business transactions for the firms they represent. On the other hand, Export Trading Companies purchase a variety of U. S. products for resale in foreign markets. As a rule, they have well established foreign distribution systems and sales networks. Prior to negotiating a contract with these and other sales intermediaries, experience and financial reputations should be thoroughly investigated.

The primary advantage of independent consultants is that they offer smaller firms and those firms with limited export experience the opportunity to penetrate foreign markets with a minimum of risk. Some intermediaries finance export sales which assures the producer of an immediate payment. Others arrange for foreign trade show participation and actively engage in foreign market research. A major disadvantage is that the firm's reputation as well as their product's price and serviceability depend upon the credibility of the intermediary. The written contract between a producer and an intermediary must be mutually agreeable and both parties must fully understand the limits of their control. Although international brokers can reduce many of the initial investment costs such as market research and personnel expenses, their services can nonetheless be costly to the firm. Often firms utilize brokers until they determine whether or not exporting is a feasible venture. At such time the intermediary's services are phased out and the firm's international marketing division is established.

### **Product exhibition in an overseas trade show**

Trade show participation is regarded as an integral component of export success. In addition to being a vehicle for learning the values and customs of prospective buyers, trade show participation is a way to introduce products to potential buyers and assess foreign market demand. In the Oklahoma survey, 50% of the small and medium sized companies had participated in an international trade show. However, in the larger company classification, four out of seven respondents (57%) reported international trade show participation. Participation in international trade shows was affirmed by 55% of the 11 exporting firms and 50% of the eight non-exporting firms.

International product visibility via international trade show participation was accomplished by these firms in a variety of ways. Cosponsorship by the Oklahoma Department of Agriculture, cited by 47% of the companies, was one popular method. Reportedly, the Oklahoma Department of Agriculture had coordinated international trade show participation efforts with nine of these companies over the past several years. Some "value-added" companies routinely

send products with the Oklahoma contingent. Others have employed the services of an international broker who in turn exhibits within the confines of the Oklahoma booth space.. More than one of the firms had arranged for company representatives to personally attend and exhibit their products along with the Oklahoma DOA specialists. The U. S. Meat Export Federation (MEF) as well as SUSTA also participate in annual international food shows and festivals. Two companies mentioned their association with these organizations in addition to their involvement with the Oklahoma DOA.

Four firms, including two meat processors, had utilized the expertise of private consultants and foreign agents for international marketing and promotion. In an effort to promote "value-added" meat products in Japanese retail grocery chains, one firm reported that their consultant was working to penetrate the Japanese distribution network. This firm was also investigating the Japanese home delivery service as an alternative method of product distribution. Already an established exporter, another firm reported cooperative advertising with its foreign distributors as a means of promoting their products. In store point of purchase displays were also used by this firm. Two firms, which expressed an interest in exporting, preferred to rely on unsolicited trade leads for their export sales. One firm president said they had been invited by the Oklahoma DOA to participate in a trade show, but at the time could not justify the expense. Another company was a co-packer, meaning they produce a variety of products for other brand names. Trade shows probably will remain a low-priority for this firm until such time as they produce and market their own "value-added" products.

International trade shows are held in the United States and in a number of foreign locations. Unfortunately, U. S. shows do not always attract an ample number of foreign buyers, so the selection of a foreign trade show location is important. Determining which foreign trade show to attend requires a moderate amount of market research. One way to decide on a trade show locale is to contact past participants and discuss their reactions, but even so, there are no guarantees to trade show selection. At the show, firms must be ready to market (which includes price quotations) and sell their products, but should not necessarily expect a sale. Export negotiations is a slow process. Representatives should, however, learn as much as possible about their potential buyers at trade shows and be prepared to verbalize the limitations of their own company so as not to make promises they cannot keep.

Ideally, two company representatives should attend the show and be prepared to spend a few days before and after the show, contacting potential buyers and following up on trade leads. With the exception of distinctly unique and unusual products, the competitive environment surrounding most "value-added" food products is intense. Therefore, U. S. processors are encouraged to undertake the primary responsibility for the marketing and promotion of their own products. Trade shows are an impetus for international trade, but final consumption of an



export contract depends upon the follow-up initiated by the exporting firm. Throughout the trade show, both buyers and sellers make numerous contacts. An opportune time to discuss the specifics of exporting (packaging, labeling and governmental regulations) would be the time period immediately following the show. For various reasons, some important buyers are unable to attend the show, so the flexibility to arrange meetings either before or after the show can be important. Moreover, conscientious and detailed follow-up on the part of the exporter is regarded as a visible signal of commitment by foreign buyers, and creates a favorable impression. The importance of following-up on trade leads continues long after the exporter returns to the U. S. Inquiries and contract negotiations across continents are simplified by the use of telex and fax machines.

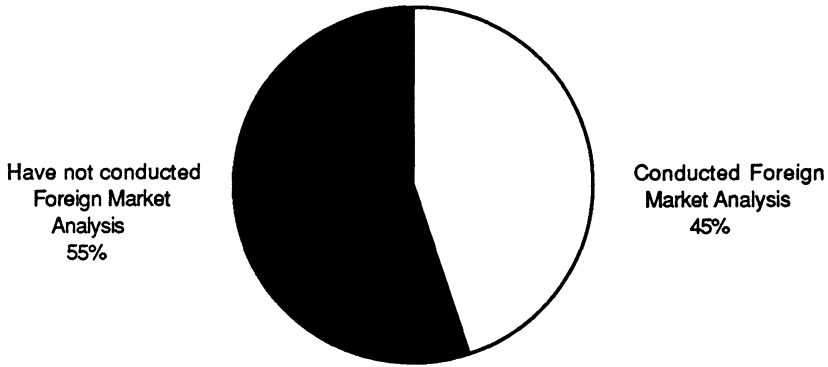
### **Export market analysis**

The market research process is an important criteria in the determination of a product's exportability. Preliminary research includes an analysis of foreign consumption patterns, production, price, and trade data. Industry surveys, unsolicited export inquiries and knowledge of competitive products are also important in the initial stages of marketing research. In general, foreign markets that do not import comparable "value-added" products can be eliminated unless the item is new and without substitutes. For the most part, targeted export markets will have a number of characteristics in common with their domestic counterparts. According to the Foreign Agriculture Service (FAS), industrialized countries with large and growing consumer retail markets, favorable exchange rates and foreign policies conducive to trade are the ones most receptive to U. S. value-added products (USDA/FAS, High Value Products Division, 1989). Changing demographics, in particular, an increase in the number of women in the work force, is another market indicator.

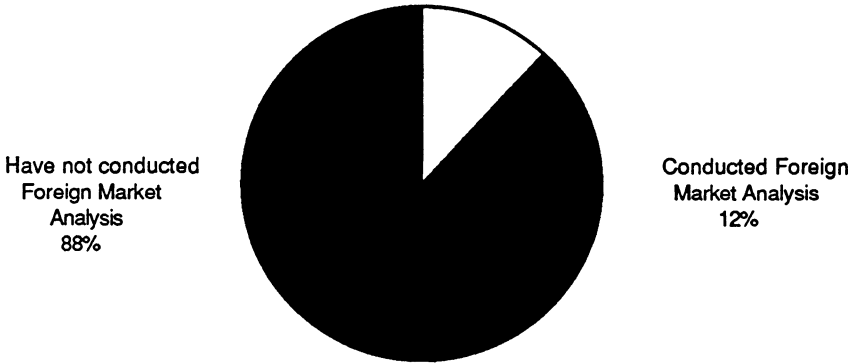
Foreign market research can be perceived as time consuming and costly by potential exporters, but the benefits of predetermining appropriate target markets prior to larger capital expenditures is well worth the expense. According to experienced consultants, a conservative estimate for preliminary market research and investment ranges from \$30,000 to \$60,000. This dollar range includes not only market research but also foreign travel and international trade show participation. In the Oklahoma study, a semi-formal market analysis was reported by 57% of the larger companies. In both the small and medium sized groups, one company out of six, an average of 17%, reported activities related to marketing research. Budgetary constraints may have been a contributing factor inhibiting more market research by the smaller firms.

A positive correlation between exporting and market research becomes more apparent with an examination of the exporters versus the non-exporters in this study. Semi-formal market research was reported by 45% of the exporters as compared to 12% of the non-exporters (Figure 2). As a whole, it would appear

## EXPORTERS



## NON-EXPORTERS



**Figure 2. Semi-Formal Market Analysis of Export Demand: Exporters vs. Non-Exporters**

Source: Original survey results conducted by the Department of Agricultural Economics, Division of Agriculture, Oklahoma State University

that the exporters were more cognizant of market research than the non-exporters in this study. However, there were still a substantial number of exporters (55%) who were not accessing available resources and were not undertaking market research. Current university research suggests that exporters who recognize the importance of foreign market research are more likely to be successful (Koh, 1986).

The market research techniques adopted by these Oklahoma firms varied. One firm reported that they had employed a national military broker to do a product price study for a designated overseas market. Another firm reported they relied primarily on the expertise of their export consultant who was hired on the basis of his industry experience. Two of the firms mentioned that they received their market analysis from industry associations such as the Meat Export Federation (MEF) and the American Institute of Baking (AIB). Others utilized the services of the Oklahoma Department of Agriculture. Two additional companies mentioned that their initial export sales were the result of "trial and error" procedures. For example, one company said they made a number of product ingredient changes prior to their first export sale. Another firm cited corrective methods of product packaging that they had to overcome to insure their products' quality upon delivery.

A number of government publications are available which highlight some of the fundamental questions firms need to address as they begin their market research process. The *International Marketing Handbook* published by the Southern U. S. Trade Association and *A Basic Guide to Exporting* by the U.S. Department of Commerce are two examples (See Information Sources Directory). The USDA's Foreign Agriculture Service, State Departments of Agriculture and Commerce, private sources and market research firms can also supply information. Many of these can provide statistical and narrative data on countries that purchase similar products and markets that are growing the fastest. Information on trade barriers, import regulations, domestic and foreign competition, and foreign distribution systems are also available from these resources. In addition, these organizations also supply trade leads, linking exporters with potential buyers.

An abundance of information is available on the more common classifications of food product exports. Firms that produce specialized "one of a kind" products will need to ferret out and analyze additional market information. As promising markets for products are discovered, additional analyses will be needed to focus on such things as the quality and availability of refrigeration at port destinations, foreign exchange regulations, political and social conditions, and labeling and additive restrictions. One Oklahoma company, that packages and markets frozen food items, reportedly sent several sample cartons of their product to prospective buyers in Japan. Inadequate refrigeration facilities at the port destination deteriorated the products' physical appearance to such an extent that the firm had to reshipe the samples. Added costs and frustrations such as

these can frequently be circumvented with adequate and thorough market research.

Additional research may be necessary to analyze consumer shopping behaviors and dietary habits. International markets can also be scrutinized to determine whether or not cultures are changing or if the populations are rooted in traditional customs. These and other considerations can impact the future direction of marketing and promotional campaigns. Marketing research is an invaluable component of the exporting process. When accurately collected and synthesized, market research can direct a firm's export investment policy and helps to eliminate many costly "trial and error" mistakes.

### **Financing for export expansion**

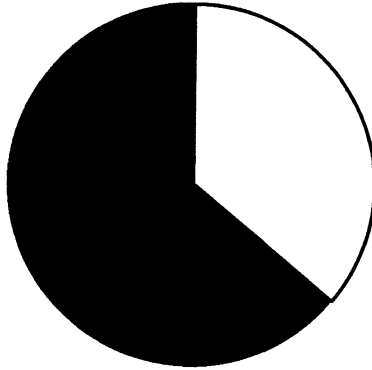
The financial consequences of an expansion in export sales include increases in operating costs along with additional capital and human resource needs. Other financial concerns associated with exporting are the minimization of risk and the non-payment of delivered products. Export financing is essentially the same as domestic financing. Funds are provided to carry the merchandise from production to overseas delivery and repayment. In the Oklahoma survey, 71% of the larger firms and 83% of the medium sized firms said they would not seek outside financing should international sales increase, whereas 67% of the smaller firms indicated that adequate financing could be a potential problem. In the larger firm category, 5 out of 7 firms reported export sales in the first half of 1989, with one of the five indicating that supplemental financing would be needed for future export expansion. All but one of the six medium sized companies indicated retained earnings and accounts receivable would be used to finance exports. Three of the six smaller firms reported export sales. These three plus one additional small firm said supplemental financing would be necessary to process larger orders.

Within the group of exporters, 36% of the firms said that export expansion could result in an increased need for outside financing. Of the non-exporters, 25% said they would seek additional funds should their exports grow and one non-exporting firm was undecided (Figure 3). For some firms, the question of additional financing was hypothetical, and for the majority of others, exports have played a relatively minor role in their operations. Therefore, larger export orders may in fact require more initial short term financing for a larger percentage of these firms than was reported.

Financial situations were unique to each of the 19 companies. One company mentioned that additional export financing would depend on the type of order they received. In other words, if the export order was something they were currently processing, there would be fewer problems. However, if the order was for a specialty item with specific restrictions, then additional financing for production and working capital may become necessary. Two of the companies cited previous export experiences that have left them skeptical of export letters of credit. One of these companies named a foreign country that they refuse to do business with as a result of an unfortunate circumstance involving a letter of

### EXPORTERS

Use of retained earnings to finance export expansion  
64%

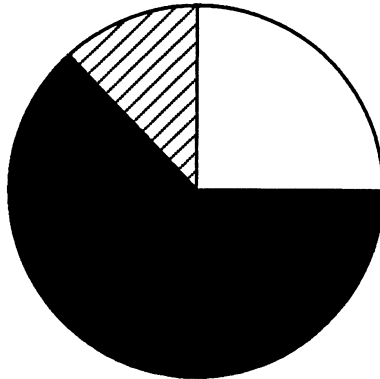


Would seek additional funding for export expansion  
36%

### NON-EXPORTERS

Undecided  
12%

Use of retained earnings to finance export expansion  
64%



Would seek additional funding for export expansion  
25%

**Figure 3. The Perceived Need for Additional Financing Should Exports Expand: Exporters vs. Non- Exporters**

Source: Original survey results conducted by the Department of Agricultural Economics, Division of Agriculture, Oklahoma State University

credit. On the other hand, another experienced exporter said that repayment of their exports to Japan is arranged through an agent who makes foreign accounts receivable available to their preferred Japanese customers.

International letters of credit are common in many overseas transactions. They come in a variety of forms, but basically they are documents which substitute a bank's credit rating for that of the importer or exporter. Letters of credit reduce much of the financial uncertainty associated with exporting and assure shipment in accordance with specified terms for importers. Three of the firms in this survey were somewhat critical of Oklahoma's banking industry, insinuating that funds for exporting were not readily accessible. One company criticized rural banks in particular for not having qualified personnel to service export accounts. Unfortunately, all of Oklahoma's regional banks do not offer international banking services, however, there are several banking institutions with branches across the state that do provide personalized and prompt export service. In addition, the newly instituted Export Finance Program sponsored by the Oklahoma Department of Commerce encourages commercial lenders to extend loans to qualifying exporters based on insured accounts receivable.

Companies seeking financial assistance for exporting should first consider their own working capital and consult their personal banking line of credit. Banks can help finance the production, storage and shipment of a firm's product to an overseas destination. In addition, they can extend credit to potential foreign buyers, and, they can collect foreign invoices, drafts, and letters of credit. Similar to their domestic loan policy, some banks may require a compensating balance in an export loan account. Other sources of financial assistance include Export Management Companies, the Eximbank and the Small Business Administration. The responsibilities of some Export Management Companies include export financing. The U.S. government's involvement in the financing of exports is through the Eximbank. In recent years, they have been encouraging small businesses to take advantage of their programs and they have instituted a "hot line" (1-800-424-5201) which offers free counseling services to small businesses. The Small Business Administration administers its programs through local field offices. They provide funds to qualifying small businesses for use in purchasing equipment, supplies and working capital.

### **Overseas travel for International marketing and investment**

After the initial groundwork for exporting is complete, scheduling a trip abroad can be both essential and rewarding. One advantage of traveling overseas is the opportunity to personally meet future business partners and associates. Overseas travel also broadens the firm's marketing research foundation. Unbiased observations on consumer tastes and preferences, marketing channels and business customs are assimilated throughout the tour. No amount of research data can equal the benefits of a field visit. A majority of the companies in this survey (63%) had not traveled overseas. However, four of the seven larger firms

did report overseas travel in conjunction with international marketing efforts. Three of these four companies also reported export sales in the first half of 1989. The president of one larger exporting firm who had not traveled abroad indicated a desire to update passports and plan a marketing excursion to Japan. In addition, another larger firm reported travel abroad in regards to the purchase of an overseas manufacturing plant.

Of the eleven exporters, 38% had traveled overseas (Figure 4). This included three larger companies and one medium size company. In the non-exporting category, 38% of the firms had traveled overseas, including one each of the small, medium and large firms. Some of the firms reported overseas travel as a result of their participation in international food shows. Foreign travel locations included many European countries, South America, Japan, Australia, and New Zealand.

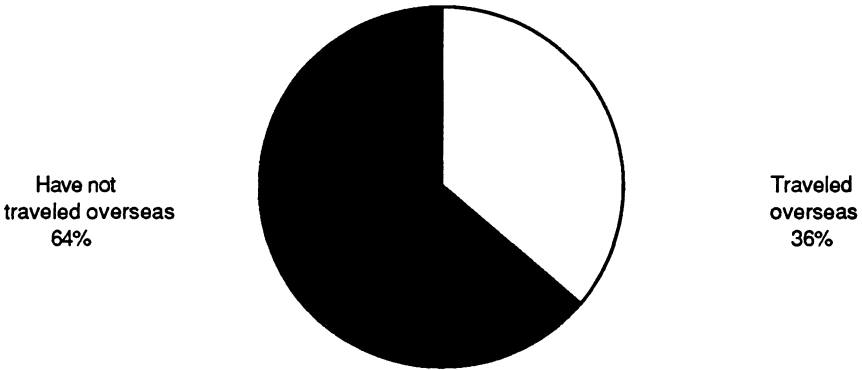
A key element in the success of overseas travel is the establishment of goals, with particular emphasis on advanced planning and preparation. Companies are advised to inform the Foreign Agricultural Service who in turn can alert foreign embassies of a firm's upcoming trip. Firms should also contact the Oklahoma Departments of Agriculture and Commerce for other valuable suggestions and advice. The preparation of a detailed list of questions for potential distributors, end users, bankers and other government officials is an integral part of the planning process. The touring party should make arrangements to inspect all the different aspects of the marketing channel, beginning with a tour of the port facility. Distribution networks can be examined to collect information on the packaging, handling and display of products. Personal bankers may be requested to contact their international counterparts and provide letters of introduction. In addition, banks may be able to supply credit information on potential buyers in the targeted foreign countries.

A special effort to learn about foreign business practices and social customs will have positive ramifications as firms increase their export involvement. To avoid offending foreign hosts, several books and publications are available which contain helpful hints. In addition, potential exporters are encouraged to access the Center for Global Studies on the Oklahoma State University campus. Together with the Center for International Trade Development, they have sponsored annual workshops on international negotiating techniques. They also provide cross cultural training, foreign language preparation and economic and political research. While it is important to travel abroad with a prepared schedule of events, a degree of flexibility is also advantageous. Moreover, business cards printed in two languages are regarded as a sign of commitment and respect by host company officials.

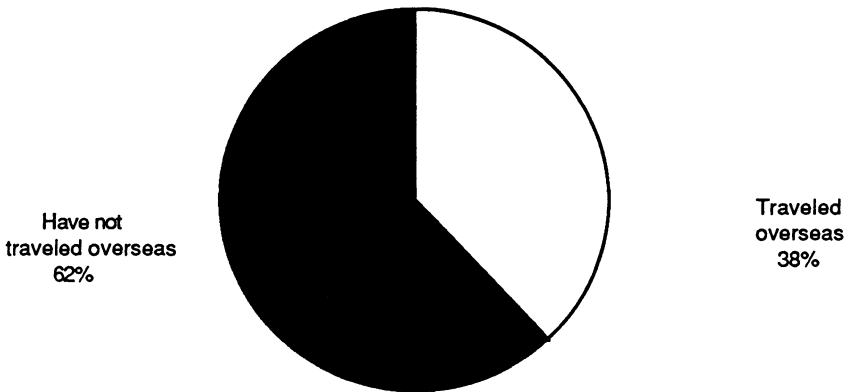
## **International Pricing and Quotations**

Survey participants were asked to report the pricing structures they use for international sales. Their responses were based upon both hypothetical and

### EXPORTERS



### NON-EXPORTERS



**Figure 4. Overseas Travel for International Marketing and Investment: Exporters vs. Non-Exporters**

Source: Original Interviews conducted by the Department of Agricultural Economics, Division of Agriculture, Oklahoma State University



actual activities. Three firms reported actual or anticipated price quotations at levels slightly above their domestic price quotes (at the time of the interview, two of these three firms were actually exporting). Thirteen of the firms (68%) reported that the pricing structure of their international transactions would be much the same as their domestic sales. In other words, domestic prices would serve as the base; added costs would reflect transportation, special packaging and shipping charges. This is referred to as "cost-plus" export pricing. It is one of several alternative export pricing techniques, but is probably preferred by new exporters because of its uncomplicated relationship to the firm's balance sheet. One exporter reported that the price of his products increased 33% from the time they left his warehouse until the shipment arrived at a port in New Orleans. Another non-exporter anticipated that their international pricing quotations would include shipping costs to the West Coast. Foreign buyers would then assume title to the goods and all subsequent transportation costs.

Foresight in planning export pricing strategies can help to eliminate monetary loss from unexpected "hidden costs" and simple mistakes. An international price quotation should not only state the price, but also describe the product, specify the acceptable reimbursement procedure and detail the shipping arrangements. For the determination of a product's price, production costs as well as normal profit margins and other competitive prices need to be considered. In addition, built in markups for market research, product modification, special labels, and fees charged by consultants and foreign representatives should be included. If a domestic price quote includes a percentage cost allocation for domestic marketing and advertising, then a price quote to the foreign representative or distributor who handles those responsibilities overseas need not include the markup. The commission charged by the overseas representative will be fully or partially offset by the cost allocation to domestic marketing.

One of the exporting firms implied that room for additional profit can exist depending on the quantity ordered. Another exporter said that the shipment of their product was usually FOB (Free on Board), their loading dock. In this latter case, the seller was responsible for loading the shipment onto the transport vessel; all subsequent expenses became the responsibility of the buyer. This firm also quoted domestic prices to their foreign buyers. Since the firm's domestic pricing policy normally included transportation expenses, by quoting domestic prices to foreign buyers, they were able to recapture as profits some of the savings they recognized from transportation costs.

According to marketing specialists with the USDA/FAS, setting a competitive price is a difficult task for new exporters. The procedure becomes even more complicated when there are few comparable products to serve as a pricing guide. A common mistake made by new exporters is thinking that they can set a higher price for their exports. While sophisticated consumer markets in well developed countries may be willing to pay a higher price for many top quality goods, marketing experts, as a rule, advise new exporters to initially

maintain lower profit margins. Once exporters become established in the foreign market and demonstrate a sustained commitment to supply quality products, they can then focus on increasing their profit margins.

### **Perceived Impediments to Export Success**

During the survey interview, company representatives were asked to verbalize their perceptions of the more difficult aspects of an export sale. Listed among the responses were inexperience, communication, product acceptance, shipping and packaging specifications, ingredient restrictions, government policy compliance and product distribution. Developing export confidence and overcoming the fear of inexperience results from continued international exposure and involvement. Qualified export counselors from various government and private sources can also help to alleviate many "pre-export" anxieties.

Innovative technologies have revolutionized modern day communication systems. As a result, telex and fax communications have virtually replaced letters as the preferred method of international correspondence. Trade leads and other international inquiries require prompt acknowledgement to ensure potential customers of a serious commitment to export. It is important to keep in mind that foreign buyers initially have little information about U.S. firms and their products. Therefore, to establish a credible reputation, potential exporters are encouraged to include a short firm introduction and/or capabilities statement, bank references and other pertinent information in their international communiques.

One method of international market development is the creation of viable advertising and promotion campaigns. Domestic advertising schemes among these firms varied from in store demonstrations to newspaper, television and radio exposure. Several of the larger and medium sized firms cooperated with national and local distributors to market their products via coupon and newspaper advertising. Others used industry and food service publications to advertise their products to commercial and wholesale brokers. In the larger firms, experienced sales personnel successfully penetrated markets and managed established accounts whereas in the smaller firms market promotion was more dependent upon word of mouth, personal contact and networking. These domestic advertising efforts can be expanded to include international markets. A large and varied assortment of magazines with international coverage are available for potential exporters. A book published by Standard Rate and Data Service, 5201 Old Orchard Road, Skokie, Illinois, 60077, entitled "The Business Publication" has a complete list of international magazines.

The services of an international freight forwarder can facilitate the movement of cargo from domestic to overseas destinations. Freight forwarders are familiar with the various methods of shipping and the important rules and regulations of foreign countries. In addition, they are aware of country specific trade documents

and can insure that merchandise arrives at its destination in good condition by assisting firms with packaging specifications.

Ingredient and labeling restrictions usually vary by destination country. For example, one company reported that their shipments to Mexico required an ingredient listing along with a bacterial analysis, a letter stating that the company wanted to sell products in Mexico, and a certificate acknowledging sales of the product in the United States. To accommodate Japanese regulations, one meat processor worked to reduce the nitrate levels in their products prior to exporting. Foreign sales representatives and distributors are employed on a contract or commission basis to assist with international product marketing. Their expertise is qualified by a knowledge of customary business methods and an awareness of the established distribution channels specific to the countries they represent. Because they play a key role in a firm's international success, careful consideration should be given to the selection and maintenance of these relationships.

### **Advantages of Small Business Exporters**

As it has been previously stated, all of the companies interviewed for this survey were small by national industry standards. As such, they have certain identifiable characteristics that can be used to their advantage for export success.

**Flexibility.** Because of their size, smaller companies can adapt more quickly and easily to specific buyer requests. For example, successful penetration into the European market was achieved by one company in this study as a direct result of their adoption of bilingual packaging and labeling requirements. Flexibility also enables smaller meat processors to coordinate efforts with foreign buyers on ingredient specifications, marbling and other processing preferences, giving them a competitive advantage over their larger counterparts.

The U. S. Department of Commerce honors outstanding efforts in export expansion with its annual "President's E-Star" Awards. Manufacturers and other export facilitators, such as banks, export firms, trade associations and Chambers of Commerce, can qualify by demonstrating a significant contribution to export development and expansion. A recent recipient of the E-Star Award from Illinois attributes the export success of small firms to flexibility. In an effort to meet the special needs of their customers, smaller firms can usually rearrange their production schedules more easily than larger firms.

**Response Rate.** Operating with a minimum of red tape, the response rate of smaller businesses to foreign market demands can outpace that of the larger multinational firms. Moreover, due to lower operating costs on new accounts, smaller firms are able to process many of the less substantial orders forfeited by other larger companies. In this survey, one company president expressed his belief that family owned and operated businesses receive favorable recognition in the Pacific Rim countries where the values of family and tradition are still revered.

**Specialized Products.** The competition for many "value-added" food products in the international marketplace is so intense that countries like Australia, Canada, France, Belgium and Greece, with their well established reputations as suppliers of "value-added" food products, make U.S. access to foreign markets difficult. However, the competition for unique and specialized product lines continues to be less restrictive and affords many small companies a distinct export advantage. One producer remarked that their wood chip products were a novelty at international trade shows and in foreign markets. This company concentrated their efforts on educating buyers on the uses of their products in hopes of creating a lucrative foreign demand. Small businesses can also promote their products in foreign markets by capitalizing on quality features. For example, in the U.S., the policy regulating the percent of sugar in jams and jellies is more stringent than it is in other foreign countries. Therefore, even though an abundant assortment of jams and jellies appear in European markets, a market niche may exist for skillfully marketed US products of high quality.

### **Concerns Associated with Export Expansion**

With the conversion of raw commodities into "value-added" products, the economic benefits of increasing personal incomes and new jobs materialize. A 5% increase in the U.S. share of "value-added" exports has the potential to add one million jobs and fifty million dollars to the GNP (O'Brien and Lipton, 1985). Food processing industries are attractive investments, enhancing employment opportunities and generating income from processing, packaging, manufacturing and other support services. In Oklahoma, researchers speculate that a 50% increase in the state's food processing industry would yield approximately 25,000 new jobs (Oklahoma State University, 1990).

In this survey, company reactions to the consequences of rapid export growth varied considerably. When asked to describe their immediate concerns, should export growth become a profitable and reliable source of income, the responses included financing, production capacity and personnel. Responses from two of the smaller firms and one larger firm suggested that financing would be a legitimate concern, potentially limiting their export expansion efforts. The larger company was already offering a fully integrated service to their domestic customers which included warehousing and transportation. According to this firm's executive, financial assistance would be required for their company to offer a comparable international service. As exports increase, other firms recognized the need to expand their production activity. One medium size firm relayed their plans for increasing production facilities. Two other firms suggested that an extra production shift would provide the additional output needed for exports and would alleviate some of their excess capacity.

One large firm discussed the fact that their domestic production depends upon long term agricultural growing contracts with local and regional farmers.

For this company, a substantial number of export orders would necessitate the maintenance of additional growing contracts to satisfy increased volume requirements. Moreover, the design and manufacture of new country specific packaging and labels is costly. As a result, this firm emphasized a need for long term foreign commitment to import prior to their capital investment. Another large company discussed their concerns involving the legal ramifications of complying with import restrictions, labeling and other sanitary food laws. Many countries have exhaustive code books which monitor food additives and other product ingredients. Export expansion requires careful and continual adherence to these and other potential impediments, and profit margins should reflect the additional production and personnel costs incurred to satisfy these foreign standards.

## **Suggestions for Strengthening the Export Performance of Oklahoma Agribusiness and Food Processing Firms**

For the past 10 years, the global trading environment has been undergoing change. Whereas many foreign countries have become less dependent on the U.S. as a trading partner, U. S. producers of commodity products have become more reliant on export markets for their survival and profit (Scheunemann, 1985). In the 1950's, the U. S. accounted for nearly 25% of all world trade; however, by 1985, the proportion has been reduced to approximately 14%. Moreover, in the last 35 years, world trade has expanded from 200 billion to over 2 trillion dollars (Czinkota and Ronkainen, 1988). The internationalization of business has become status quo in the 1990's and can no longer be billed as the "wave of the future."

Global linkages bind countries, institutions and individuals. For example, a drought in Brazil, jeopardizing coffee production has world wide implications. As a result of advanced technology and communication systems, populations around the world share similar appetites for consumer products. Increases in per capita incomes, industrialization, urbanization, working women and literacy have contributed to a higher demand for many "value-added" food products in well-developed and newly industrialized countries. Moreover, the lifestyles of younger populations and the worldwide trend towards smaller households are propelling many of the pronounced changes in food consumption behavior. As countries develop and become more sophisticated, they tend to be more discriminating in their tastes and preferences. Therefore, the competition among "value-added" processors to produce and supply quality products in today's global market is intense.

The demand for "value-added" products in world markets continues to grow as developed and middle income developing countries expand and diversify their

diets. In recent years, "value-added" agricultural products have exhibited faster growth rates and a greater degree of stability than lower valued bulk commodities (Figure 5). Compared to bulk commodities, "value-added" products have been less vulnerable to fluctuations in the exchange rate in recent years. However, U.S. participation in the growth of world markets for "value-added" products has been inconsistent with the trend. In supplying the world demand for value-added products, the U.S. has been outpaced by the European Community. The U.S. Department of Commerce estimates that approximately 2500 companies account for more than 80% of the U.S. manufacturing exports. They also calculate that more than 20,000 U.S. firms are capable of exporting, but for various reasons do not (Czinkota and Ronkainen, 1988). Research suggests that the majority of problems associated with the low U. S. export performance stem from marketing inefficiencies as opposed to the ability and capacity to produce quality products at competitive prices.

### **Export Strategy Development**

A general consensus among researchers suggests that there is more than one blueprint for achieving export marketing success. On an individual basis, each firm must evaluate their product's competitive strengths and develop an export strategy that is appropriate to their operation. A generic prescription for exporting can be applied with modification to most firms. The basic exporting process is a series of steps. Depending upon the body of literature, the reporting agency, or the consulting source, the order of the steps varies (Table 4). The FAS outlines "Ten Steps to Marketing Success" (1988) while another research effort refers to an eight step process (Skold, Williams, and Hayenga, 1987). Irregardless of the number of steps, the export marketing strategy should clearly define the company's goals, specify the firm's operational methods for achieving these objectives, outline a schedule for implementation, allocate the appropriate financial resources and continually monitor the results.

### **Export Commitment a Priority**

A popular opinion among experts is that commitment is the most important criteria of successful exporting. It is imperative that export orders receive the same attention as domestic sales. The USDA/FAS suggests that firms apply advertising monies, discount offers, and sales incentives to their overseas markets, much the same as they do for their domestic sales. Neglecting export business when domestic sales are lucrative discourages overseas agents, alienates consumers, permanently damages the firm's reputation, and more importantly, provides no recourse when domestic sales decline.

The export commitment begins at the top with the Chief Executive Officer (CEO). The creation of an export marketing department, consisting of a staff of one or more individuals, is a positive step in establishing a sustained export commitment. Top management as well as the export staff should possess

## **Table 4. Marketing Steps for Successful Exporters**

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1. The Commitment to Exporting
2. The Self-Discovery Process: Determining a firm's goals
3. Market Research
4. Choosing a Market Entry Method
5. Selecting the Target Markets
6. Visiting the Target Markets
7. Deciding Whether to Sell Through Foreign Distributors
8. Understanding the Mechanics of Exporting

Source: Meat Export Marketing: Lessons from Successful Exporters  
Skold, Williams, and Hayenga, *Journal of Agribusiness*, 1987

1. Seek out potential overseas customers.
2. Determine product tastes and preferences.
3. Encourage removal of import barriers where necessary.
4. Introduce product offerings to potential customers.
5. Provide quality products that meet customer's needs.
6. Price products competitively to meet competition.
7. Take advantage of USDA credit programs.
8. Follow up sales to ensure satisfaction of buyer.
9. Be attuned to business etiquette.
10. Demonstrate commitment to export market sales.

Source: 10 Steps to Marketing Success  
USDA, Foreign Agriculture Service, 1988

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certain characteristics. In addition to being able to manage human resources, they should have an understanding of the social, political and environmental underpinnings of foreign governments. Moreover, they will want to be at ease with cultures different from their own and have a grasp of historical perspectives and foreign economic policies. Coupled with a commitment to export is the designation of an appropriate budget earmarked for export objectives. Larger budgets will allow for detailed market research, overseas travel and international trade show participation. Smaller budgets will encourage more cost effective promotional efforts and creative marketing methodologies, taking advantage of localized resource outlets.

### **Overcoming Barriers to Export Success**

In domestic markets, most local competitors are familiar with the rules and regulations of the business environment, whereas in world markets, U.S. competitors oftentimes have to overcome the "home court advantage" of foreign establishments. At the same time, U.S. companies also find themselves faced with numerous export impediments. Overcoming nationalistic attitudes, foreign production standards and changing governmental policy are examples. Creative

problem solving becomes an inherent trait of the firm's management. Although they are perceived as being insurmountable, the fears ascribed to export trade barriers can be effectively alleviated and/or circumvented to some degree with appropriate research and forethought.

While the protectionist policies implemented by foreign governments can be limiting to U.S. exporters, so too are the mindset barriers imposed by many corporate executives. For example, the acceptance of exporting as a necessary component to business growth and development has been slow to emerge. Many countries have a locational advantage (in terms of transportation costs) over the U.S. To overcome this barrier, domestic exporters may want to consider a strategy of offering an introductory price for their products until a substantial market share is secured. Continued research on shipping alternatives and improvements in product shelf life will be of additional benefit to exporters. Research related to the adoption of current processing techniques to the tastes and preferences of foreign buyers and the reduction of higher domestic production costs will further enhance the comparative advantage of U.S. agribusinesses and "value-added" processors. In addition, legal barriers, exemplified by foreign health sanitation and technical laws may continue to require a strict adherence to standardized code books depending on the export destination. The alternative to complying with these specifications would be to explore additional markets with less stringent barriers for profitable export.

Cultural taboos and preferences are important considerations in international trade negotiations. Every culture is different and as such has its own unique framework of business norms and practices. Whereas one culture might view a particular action as a sign of respect, another company may be offended by the identical action. Recent research, comparing Japanese, American and Brazilian negotiating tactics cited cultural backgrounds as an influencing factor (Graham, 1985). Research results showed that the Japanese were found to exhibit more aggressive behavior in the later stages of the negotiating process than their U.S. counterparts. They also utilized silence as a persuasive strategy. Unlike American negotiators who are more apt to offer a "fair" price, the Japanese are not reticent when it comes to bargaining for higher profit margins. On the other extreme, Brazilian mediators tended to be more greedy than either the Japanese or the Americans. In this study the Brazilians were found to be frequently at odds with their trading partners. Moreover, they were inclined to make fewer concessions and more commands (Graham, 1985). Therefore, exporters should not make the mistake of assuming that one marketing technique can be successfully applied to a variety of country situations.

In the early 1980's, a two million dollar marketing campaign to market Campbell's soup in Brazil failed. After the project's demise, Brazilian housewives were interviewed to ascertain their sentiment towards Campbell's soup products. It was learned that Brazilians desire dehydrated soup mixes (like the Knorr soup products) over prepared canned soups because they prefer a



multistep food preparation process. In other words, they wanted a soup that satisfied their need for a homemade product. Ironically, dehydrated soup mixes are not as popular in U.S. households for the same reason; they require too much effort. For Campbell's soup, surveying consumer behaviors and lifestyle patterns prior to the operationalization of their major marketing campaign would have been more cost effective. This example not only illustrates vast cultural differences between countries, but also emphasizes the importance of marketing research to determine a product's exportability.

The importance of understanding the environmental and social conditions surrounding Japanese trade policy can be illustrated by focusing on the beef industry. Whereas processed meats have been one of the fastest growing components of all "value-added" exports, penetration of Japanese markets by U.S. exporters has been slow (Williams, 1989). Current market research shows that Japanese consumers, especially the younger generations, prefer more beef in their diet. However, traditional culture dictates a preference for red meat with a high degree of marbling. One factor affecting market share growth in the future will be the U.S. processors' ability to consistently supply high quality products that conform to Japanese specifications and to satisfy their cultural tastes and preferences. Other factors, such as unfair trading practices, protectionist policies and barriers to foreign market entry are regulated through the federal government. Processors are encouraged to stay abreast of national legislative trade policy.

### **The Mechanics of Exporting**

Understanding the mechanics of exporting is an important element of international trade success. In particular, firms that are directly involved in the export process (as opposed to those who utilize export management/trading companies) need to have a fundamental working knowledge of the basics of exporting. Professionals in the areas of finance, taxation, law and marketing as well as those skilled in shipping and documentation are frequently retained by firms to oversee the efficiency of their export operations. Proactive methods of accessing export information include firm participation in international trade conferences, workshops and seminars. These events are periodically sponsored by federal, state and private associations. Ideally, firms should send two or more representatives to these conferences. Also, depending on the conference subject matter, it may be appropriate for an entire department to attend, particularly if the workshop will include some basic "how-to" skills that more than one staff person will be expected to perform at a later date. As previously mentioned, a myriad of resources, located throughout Oklahoma, cater to potential exporters. These include the Oklahoma Departments of Agriculture and Commerce, OSU's Center for International Trade Development and the Division of Agriculture. Federal resources include the Foreign Agriculture Service (FAS), Southern US Trade Association (SUSTA) and the Eximbank.

Knowledge of the basics of exporting leads initially to the development of an international marketing plan, targeting specific consumer markets. The

design of an export pricing strategy that will enable the product to effectively compete in foreign markets without compromising profit margins is part of the continued progression. The selection of an appropriate distribution network is also important and requires careful consideration. Firms need to distinguish the amount of control they wish to maintain as their products are channeled to the ultimate consumer. Product labels must meet country specific standards and regulations, therefore firms should consult foreign code books and other official documents to insure proper ingredient listing and packaging. In addition, to minimize financial risk, firms need to select a workable repayment option and be prepared to accurately comply with the terms of agreement. Orders passing through customs can be terminated without recourse if the packing enclosures and shipping documents are found in error. Engaging the services of professional, experienced freight forwarders can help minimize this uncertainty.

### **Failures Prevalent to Exporters**

In addition to a working knowledge of the "ABC's" of exporting, management strategies and expertise in sales negotiation are needed to develop international trade. While the importance of accessing government associations, private consultants and other export resource manuals cannot be understated, the realities of experience also provide potential exporters with valuable information. For firms lacking in export experience, information can be garnered by researching the mistakes of practiced exporters. The U. S. Department of Commerce in its "A Basic Guide to Exporting" (available through the Oklahoma Department of Commerce), identifies the 10 most common mistakes made by novice exporters.

Commitment, which has been emphasized on numerous occasions, is a necessary prerequisite of exporting and must be adopted by the top management. Even though time restraints and initial monetary outlays may be great, the benefits of adopting a long term commitment to the export process should eventually outweigh the investment. Failure to develop a marketing plan, with adequate room for future growth can prevent firms from being successful in international trade.. Qualified individuals from all the various federal, state and local agencies previously mentioned can aid beginning exporters with the development of their marketing plans. Neglecting international business when domestic sales are strong and failing to follow through on unsolicited export orders can also be costly to firms.

Exporters, particularly those who market consumer goods, must continually stay attuned to their retail customers. Ignoring buyer and consumer requests for product modifications and an unwillingness to print bilingual packaging labels can result in serious setbacks. Moreover, careful consideration must be given to the selection of foreign distributors. These distributors are responsible for the communication and transportation of a firm's product through foreign business channels, therefore it is imperative that only distributors with reputable track records and associated product expertise should be engaged.

**Table 5. The Ten Most Common Mistakes of Potential Exporters**

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1.	Failure to obtain qualified export counseling and to develop a master international marketing plan before starting an export business
2.	Insufficient commitment by top management to overcome the initial difficulties and financial requirements of exporting
3.	Insufficient care in selecting overseas distributors
4.	Chasing orders from around the world instead of establishing a basis for profitable operations and orderly growth
5.	Neglecting export business when U. S. market booms
6.	Failure to treat international distributors on an equal basis with domestic counterparts
7.	Unwillingness to modify products to meet regulations or cultural preferences of other countries
8.	Failure to print services, sales, and warranty messages in locally understood languages
9.	Failure to consider use of an export management company
10.	Failure to consider licensing or joint-venture agreements

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Source: A Basic Guide to Exporting U.S. Department of Commerce, International Trade Administration, November, 1981.

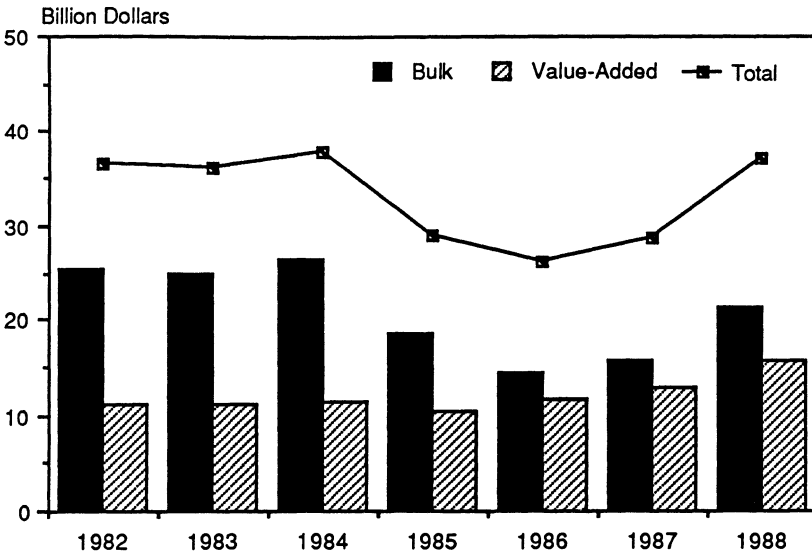
## CONCLUSION

According to the U. S. Small Business Administration, firms employing less than 500 workers are making significant contributions to the nation's economy. In Oklahoma, small businesses accounted for approximately 62% of the more than 250,000 new jobs created between 1976 and 1986 (Oklahoma Rural News, April, 1990). Moreover, 21% of Oklahoma's \$129.8 million worth of exports in 1989 can be attributed to small business (OK Rural News, April, 1990). These figures support the export viability of Oklahoma's "value-added" industry sector. The export success of small businesses in the future will depend on their ability to capitalize on a number of factors. A solid management commitment to exporting coupled with an understanding of foreign markets are two variables. Others include the use of technology to create a unique array of products and maintain a comparative advantage. In many developed countries, population growth rates have slowed, making the competition for consumer products in an already proliferated marketplace extremely intense. The

development of new and creative marketing applications with the addition of quality service and guarantee contracts could significantly augment a product's acceptance and a firm's international reputation.

Many of the barriers commonly associated with international trade have been drastically reduced since World War II largely due to the efforts of the General Agreement on Tariffs and Trade (GATT). An international organization established in 1947, the GATT has developed a set of international rules for the nondiscrimination of trade barriers as well as mechanisms for solving country trade disputes. Although the impact of the more than 80 country member organization is being challenged in contemporary trade policy, a replacement for GATT has not been defined.

In spite of the enduring battle to reduce trade barriers, "value-added" exports continue to expand (Figure 5). The opportunity for small and medium sized processors to capitalize on foreign market niches for their speciality products is eminent. The ramifications of current negotiations to lower trade barriers in several Pacific Rim countries will have special significance for processors of red meat, fruits and vegetables, confectionary products and beverages (Handy and Seigle, 1989). The "new" 1992 European Community will present additional markets for quality U. S. "value added" agricultural exports. International trade strategies should be expertly planned and managed to achieve the desired results of expanded market share and profit maximization. Most importantly, the key to international success is a firm's long term commitment to exporting.



**Figure 5. U.S. Agricultural Exports: Bulk vs. Value-Added**

Source: USDA, FATUS, Calendar Year various issues

## **Information Sources Directory**

### **American Association of Exporters and Importers**

11 W. 42nd Street  
New York, NY 10036  
(212) 944-2230

### **Center for International Trade Development**

Oklahoma State University  
Hall of Fam and Washington  
Stillwater, OK 74078  
(405) 744-7693

### **Economic Research Service**

International Economics Division  
1301 New York Avenue, NW  
U. S. Department of Agriculture  
Washington, D. C. 20250-3800  
(202) 786-1494

### **Export-Import Bank**

811 Vermont Avenue, N. W.  
Washington, D. C. 20571  
(202) 566-8819  
(800) 424-5201

### **Food Quality Acceptance Service**

Agricultural Marketing Service  
Market Research and Development  
Food Quality Assurance Branch  
Room 0610-S  
P. O. Box 96456  
U. S. Department of Agriculture  
Washington, D. C. 20090-6456  
(202) 475-4939

**Food Safety and Inspection Service**

Export Coordination Division  
International Programs  
Room 0036, South Building  
U. S. Department of Agriculture  
Washington, D. C. 20250-3700  
(202) 447-9051

For Oklahoma

Food Safety and Inspection Service  
Southwestern Region  
1100 Commerce Street, Room 5-F41  
Dallas, TX 75242  
(214) 767-9116

**Label Clearance Program**

High Value Products Division  
Foreign Agricultural Service  
U. S. Department of Agriculture  
Room 4649, South Building  
Washington, D. C. 20250  
(202) 475-3408

**Mid-America World Trade Center**

301 North Main Street  
Epic Center, Suite 1810  
Wichita, KS 67202  
(316) 291-8491

**National Association of State Departments of Agriculture**

1616 H Street NW 7th Floor  
Washington, D. C. 20006  
(202) 628-1566

**Oklahoma Department of Agriculture**

Market Development Division  
2800 N. Lincoln Blvd.  
Oklahoma City, OK 73105-4298  
(405) 521-3864

**Oklahoma District Export Council**

5 Broadway Executive Park  
6601 Broadway Extension, Suite 200  
Oklahoma City, OK 73116  
(405) 231-5302

**Oklahoma International Export Services**

440 South Houston, Room 505  
Tulsa, OK 74127  
(918) 581-2806

OR

5 Broadway Park  
6601 Broadway Extension, Suite 200  
Oklahoma City, OK 73116  
(405) 521-2401

**Oklahoma State University**

Division of Agriculture  
Department of Agricultural Economics  
424 Agriculture Hall  
Stillwater, OK 74078-0505  
(405) 744-6155

OR

Global Studies  
322 Life Sciences East  
Stillwater, OK 74078-0266  
(405) 744-5663

**Southern United States Trade Association**

World Trade Center, Suite 346  
New Orleans, LA 70130  
(504) 568-5986

**U. S. Department of Agriculture**  
**Foreign Agricultural Service**  
Room 5071, South Building  
Washington, D. C. 20250  
(202) 447-4761

**Trade Assistance and Planning Office**  
3101 Park Center Drive  
Suite 1103  
Alexandria, VA 22302  
(603) 756-6001

**High Value Products Division**  
Room 4649 South Building  
Washington, D. C. 20250  
(202) 447-7103

**U. S. Department of Commerce**  
**International Trade Administration**  
Oklahoma District Office  
6601 Broadway Extension  
Oklahoma City, OK 73116  
(405) 231-5302

**U. S. Small Business Administration**  
200 N. W. 5th, Suite 670  
Oklahoma City, OK 73102  
(405) 231-5237

**Service Corps of Retired Executives**  
616 South Boston  
Tulsa, OK 74119  
(918) 585-1201



## **Publications:**

*A Basic Guide to Exporting*  
United States Department of Commerce  
International Trade Administration  
Washington, D. C. 20230

*Business America*  
(Bi-weekly publication from the U. S. Department of Commerce,  
International Trade Administration)  
Superintendent of Documents  
U. S. Government Printing Office  
Washington, D. C. 20402  
(202) 783-3238

*International Marketing Handbook*  
Southern United States Trade Assn.  
International Trade Mart, Suite 338  
New Orleans, LA 70130  
(504) 568-5986

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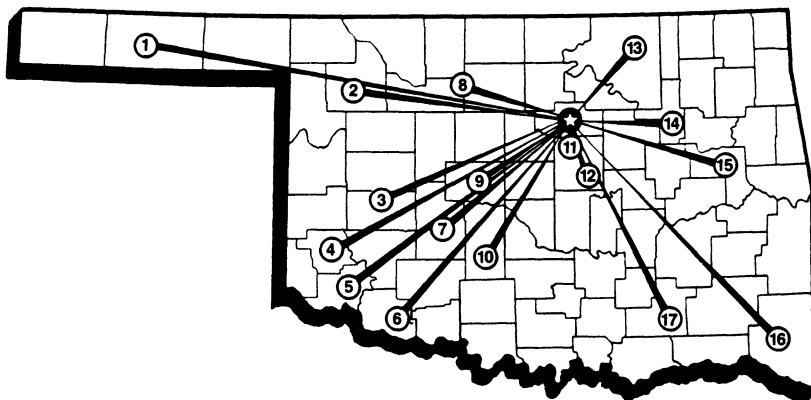
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# THE OKLAHOMA AGRICULTURAL EXPERIMENT STATION System Covers the State



- ★ **Main Station – *Stillwater and Lake Carl Blackwell***
- 1. **Panhandle Research Station – *Goodwell***
- 2. **Southern Great Plains Field Station – *Woodward***
- 3. **Marvin Klemme Range Research Station – *Bessie***
- 4. **Sandyland Research Station – *Mangum***
- 5. **Irrigation Research Station – *Altus***
- 6. **Southwest Agronomy Research Station – *Tipton***
- 7. **Caddo Research Station – *Ft. Cobb***
- 8. **North Central Research Station – *Lahoma***
- 9. **Forage and Livestock Research Laboratory – *El Reno***
- 10. **South Central Research Station – *Chickasha***
- 11. **Agronomy Research Station – *Perkins***  
**Fruit Research Station – *Perkins***
- 12. **Pecan Research Station – *Sparks***
- 13. **Pawhuska Research Station – *Pawhuska***
- 14. **Vegetable Research Station – *Bixby***
- 15. **Eastern Research Station – *Haskell***
- 16. **Kiamichi Forestry Research Station – *Idabel***
- 17. **Wes Watkins Agricultural Research and Extension Center – *Lane***

