



IMPORT/EXPORT MILLIONAIRE

HOW TO BECOME A MILLIONAIRE WITH YOUR OWN HOME-BASED IMPORT/EXPORT SERVICE

A small import/export business can easily be started from a home-based office. Beginning slowly at home will help you to keep the start-up costs relatively low. And you won't need formal education. The earning potential for the import/export business can range from a few hundred dollars per month to many thousands of dollars per week. There are a number of insider secrets that you'll need to know in order to successfully begin this enterprise. Following is a step-by-step guide for getting started.

There are actually few barriers to importing merchandise into the United States. You can buy from overseas all kinds of quality made products such as clothes, toys, computers, radios, clocks, stereos, shoes, and so forth. Most of the time, the items can be purchased at a fraction of the cost of buying the same thing in the U.S.A. due to lower labor costs in most foreign countries. Thus, you can easily enjoy huge markups from 500% to 1,000% and still sell your products at reduced prices.

Over \$50 billion dollars worth of goods are exported from the U.S. every year. Most are hi-tech items or food. In other words, products that foreign countries have difficulty producing for themselves. So there is also a tremendous earnings potential in exporting. However, overall it's probably easier for a beginner to start with importing foreign goods.

Anyone can easily start an import/export business. But before you rush blindly head-on, there are a few questions you should answer:

- (1) Do you want to import, export or both? Most people choose either importing or exporting at the start?
- (2) Do you have any knowledge of international trade?
- (3) Do you want to start full time or part time? Generally, it's best to start part time.

- (4) Will you start with any particular type of products? You should select products that you understand and enjoy.
- (5) Who are your target customers -- individuals, wholesalers, or retailers?
- (6) How much money can you afford to invest?
- (7) Do you want to work as an agent, broker, or merchant?
- (8) Are you willing to learn the necessary skills?
- (9) Can you communicate well? If not, you'll need to learn good communications, writing, skills.

BUSINESS OVERVIEW

Becoming an importer/exporter requires that you to learn many new ways of doing business. It will not be difficult, but it will take some time. You'll need to learn about international money transfers, politics, business in general, and perhaps (later on) even a foreign language.

There are a number of personal characteristics that can help you in this business. These include: persistence, salesmanship, communication skills, business skills, and dealing with people. It's not necessary to speak a foreign language, however it could be an asset in certain situations. Most of the major and medium sized companies will communicate in English. But for dealing with some of the smaller companies, you may need an interpreter.

You can start an import/export business rather quickly. Here are the steps you'll need to take:

- (1) Learn as much as possible about the import/export business and international trade.
- (2) Decide what type of products you want to import or export.

- (3) Determine how you will sell the products.
- (4) Set up a business checking account, decide upon a name, set up an office.
- (5) Begin making contacts with foreign companies.
- (6) Start slowly by making small deals first.
- (7) Begin to expand by making more and larger deals.

In order to be regarded as a legitimate import/exporter, you'll need a supply of business letterhead stationary, envelopes, and business cards. It's also important to have a business telephone and telex number, along with an answering machine and a fax. You must make a good business-like impression when you contact foreign firms.

There are plenty of places to find help with starting an import/export business. Some excellent sources are listed at the end of this report. The U.S. government, as well as foreign governments, is also willing to help. Here's how:

- (1) A Basic Guide to Exporting is a booklet that is available for \$1.25 from the Sales and Distribution Branch, U.S. Dept. of Commerce, Washington, DC 20230.
- (2) The Commerce Department sells lists of foreign firms which make any item you want. Get information on this service from the Bureau of International Commerce, Commercial Intelligence Division, U.S. Dept. of Commerce, Washington, DC 20230.
- (3) For U.S. export regulations, send \$1 to U.S. Export Control Regulations, Superintendent of Documents, Washington DC 20402.
- (4) Custom duty information for imported goods, write U.S. Custom Service, Washington, DC 20226

(5) Foreign embassies will gladly provide you with information about products and companies from their country. Contact the embassy of the country in which you're interested. Most are located in New York City or Washington D.C. A handful of other large U.S. cities also house a few foreign embassies.

Many foreign firms will "drop ship" for you. This allows you to make sales without investing much money in buying inventory. You simply make a sale and collect the money from the customer. You then send the drop ship fee to the supplier. The supplier, in turn, will ship the merchandise directly to the customer.

The drop ship fee is usually a small percentage (10% to 30%) of the retail price.

GETTING STARTED

You can set up your business as a sole proprietorship where you are solely responsible for all activities of your venture. Or, you can form a partnership, if you have a business partner. For the time being, forming a corporation is a bit complicated and probably not necessary.

Choosing a business name is not difficult. If you do business under your own name it does not need to be registered. If you select a trade name, Johnson's Imports for example, the name must be registered with your state.

You will be required to have a business license and perhaps pay sales tax. See your local government agencies for complete information on license requirements in your area.

Selecting a banker can be a critical step. For best results, pick a bank that has some import/export experience. Open a checking account and make your initial deposit.

The least costliest way to open an office is to create an office area in your home. In the beginning you won't need employees. But you'll need a typewriter or computer for

correspondence with foreign firms. And, perhaps, a fax machine. A home office may be tax deductible, so check with your bookkeeper or CPA.

In the past, having a cable or international telegram address was an important detail for dealing with foreign firms. Today, the most important way (next to letters) is to correspond through a telex number. A telex machine is expensive, so I suggest that you don't make that investment until you are well established.

Another important starting step is to set up an easy-to-use record keeping system. You must keep accurate accounts of your income and expenses.

IMPORT EXAMPLE

- (1) Locate products to import using the techniques described in this report.
- (2) Write directly to the suppliers and request a brochure of their product, or a catalog and price list.
- (3) Select products that you think you can succeed with, and purchase samples. Samples can be ordered by registered letter with international money orders as payment.
- (4) Take the samples to prospective buyers. Get their opinions of the product.
- (5) If you think you can sell the item, contact the U.S. Customs to determine duty fees, if any.
- (6) Arrange trial orders from your buyers.
- (7) Order trial shipments by airfreight, freight collect, and insured.
- (8) Determine your total costs -- including transportation insurance, sales commissions, and so forth. Add in your profit.

(9) When you successfully sell the trial shipment, it's time to place bigger orders and perhaps use lower cost surface transportation.

You can sell to buyers -- directly to individuals, to wholesale and retail companies, or by using sales agents. As you can see, this business is, for the most part, marketing intensive. Products for which there's a market are easy to find. Your success is finally determined by how you market your products.

EXPORT EXAMPLE

(1) Review export publications at your local library.

(2) Contact potential customers (foreign buyers), introduce your company, and determine what they're looking for.

(3) Contact U.S. companies that make the products, which may interest your potential customers. The best way to find U.S. manufacturers is by looking in the Thomas Register of American Manufacturers, available at most libraries.

(4) Get the prices for various quantities of the items in which you are interested. Find out shipping weights and shipping carton dimensions.

(5) Ask each supplier to send a letter quoting prices and commissions.

(6) Figure the total shipping costs and develop a price for the overseas buyers.

(7) Contact the potential customer and give them a price quotation and perhaps pictures of the item.

(8) Your letter should include shipping and lead times, and the number of days you'll hold your price.

(9) When your overseas customer buys, make certain that you have arranged satisfactory payment procedures. Usually, this is done via bank-to-bank collection, wire transfer, confirmed Letter of Credit, or by air mailing an international money order.

(10) Complete the deal and follow-up to make sure the customer received the product in good condition and is satisfied.

If all is well, this is the time to begin working with the client for additional orders.

It's probably somewhat more difficult to start an export business than an import business. There are more rules and regulations for imported items. And it is more difficult to find foreign buyers. Some foreign companies also have import restrictions, so you must check with the appropriate consulate.

SELECTING PRODUCTS

There are a number of important factors to consider in selecting products for importing. At first it's best if you are familiar with the product in question. You don't have to be an expert. But you do need to be able to judge prices and quality.

Unless you can afford to travel to foreign countries to view products, the best place to look is in "trade directories." There are many excellent publications that provide information on imports. Your local library probably has many, or write for the ones listed at the end of this report. Then select products which

you think you can sell, and for which there's a proven market, and contact the suppliers.

Once you have some product samples, you're ready to test how well it will sell. First, look over the product and make sure there are no problems that would make it unsuitable for the American market. You may need to have the supplier make modifications.

The next step is to present the product to potential buyers.

Get their reactions. Do they like the product? Can they sell it? Can they accept the price? Are they willing to place a test order? If all the answers are favorable, you are ready to place a trial order.

Before you buy large quantities of merchandise from any foreign suppliers, check these firms out thoroughly. There are several ways to do this:

- (1) Do their product literature and letterheads look professional? Do they have a telex number?
- (2) Do they respond promptly?
- (3) Do they have the capacity to fulfill large orders?
- (4) Check out their credit information and bank references.
- (5) If you are going to place large orders, you may want to visit the supplier.
- (6) Be sure you are dealing with a manufacturer rather than an export trading company.
- (7) Choose a supplier that you feel comfortable with.

Selecting products for exporting is relatively easy. That's because it's easier for you to check out the American manufacturers. Contact a few of their customers, and check out their reliability. Some American firms will want nothing to do with shipping to foreign countries. Therefore, you'll need to make shipping arrangements from the factory to the shipping port.

In exporting, it's best to have a product first and then look for the foreign buyers. You may want to build up a line of 8 to 10 related products to gain increased sales. Many American products may need to be modified for use in a foreign country. This is especially true for electrical items. Some products (medical, chemical, etc.) may have to pass tests. And you may need to make sure the product instructions are written in the

foreign language.

Next you'll need to check out any foreign laws related to the product. When you sell to foreign companies you can protect yourself by having a written agreement with your American supplier. This prevents the buyer from bypassing you and dealing directly with the supplier.

One of the best ways to be a successful importer or exporter is to have a product that no one else has. Or have a lower price, or better quality product than your competitors.

SELLING OPTIONS

There are a variety of ways to sell imported items. Each of these methods possess certain advantages and a few disadvantages. You must choose the method that fits in best with your talents and amount of marketing funds.

Mail order selling is used by many companies to sell imported items. But it does require some up-front funds of anywhere from \$1,000 to \$5,000. It is difficult to succeed in mail order by selling only one or two items. Most successful mail order sellers develop a small catalog that contains 15 to 30 different items. They then gradually build up a list of buyers.

Unless you have a lot of mail order knowledge, you should use another selling method. If you have an exclusive item, an aggressive price, and the product is in huge demand, you could succeed by using mail order marketing.

The most cost effective mail order technique is called the two step method. The advertiser places small, low cost classified ads, or 1-inch display ads, to acquire inquiries from prospects who are interested in a product. They then send the inquirers a Full-scale package that describes the product.

Getting dealers to sell for you is another low cost selling strategy. Using this method requires that you convince established companies or individuals to include your product

along with the other products they sell.

In order to gain dealers you must be willing to sell to them at a price of 50% to 70% discount off the retail price of the product. This should be relatively easy to do because you should be obtaining the item at well below the retail price.

There are many different types of dealers available including: wholesalers who supply to retail outlets, retail stores, flea market dealers, mail order companies, and catalog companies. The type of dealers you want to contact will depend upon the kinds of products that you are selling. Potential dealers can be recruited by mail order, personal visits, or by telephone. And can be found by reading most any of the business opportunity or salespeople magazines.

Selling directly to retail outlets can work well depending on the product and the price. An exclusive product at a reasonable price will give you the best chance for success. Retail outlets can be contacted by mail or personal visits. You may need to offer them a sample at reduced prices. Some department store buyers will be difficult to sell to, if you are a new import company.

Selling via the flea market channel is a growing method that has been successful for many importers. There are a number of flea market publications that can help put you in touch with dealers. Another technique is to simply load up a van and go to flea markets yourself. This gives you the option of directly selling the imports yourself, or contacting the other flea market dealers.

Marketing your imports will require a lot of effort and planning on your part. Don't purchase a lot of imports without having a marketing plan ready. First impressions count, so always strive to give the appearance of a stable, reliable, and quality company. This will give your buyers confidence in you as their supplier.

Selling exports directly to private individuals is usually

out of the question except for all but the largest companies. Therefore, most of the time you will be selling to wholesalers or directly to businesses that need the product. The big problem with exporting is that some of the buyers may decide to bypass you and try to deal directly with the manufacturer.

Finding and choosing foreign wholesale agents or distributors can be a difficult task. There are few foreign wholesaler directories available. You could advertise in foreign publications. Another way is to visit foreign countries and make contacts with local agents. You could also write to the Chambers of Commerce of major foreign cities.

It's also critical to choose the correct agent. You must make certain that they have a good reputation and knowledgeable about the products you are exporting. You will want to have a signed agreement with the agent along with an agreed upon commission amount.

Working with a foreign sales agent could require the following steps: motivating him to sell the product, product training, and sales training. You may need to visit the agent in order to provide the training he or she needs.

CUSTOMER CREDIT

In importing or exporting, it's important to know the credit worthiness of both your suppliers and your customers. This is to insure that they will meet their obligations to you. There are a number of ways to do background credit research.

Bank and trade references are the least expensive ways to check out a firm. It simply means that you ask the customer for their bank and trade references. You can have your own bank to check these references for you. You should end up with a report that details how long the account has been open, average balance, credit line, payment records, and so on. The quickest method of checking is by using a telex letter.

Credit reporting services are available to give you

information on American suppliers and customers. There are small local credit reporting agencies listed in your phone book. Also, there are large national firms such as TRW or Dun & Bradstreet. These reports will cost from \$50 to \$200 each. Many foreign countries also have credit reporting agencies that you can use.

INTERNATIONAL PAYMENT METHODS

There are a number of different payment methods that can be used when you deal with foreign firms. Some are more risky than others. For example: an open account is the most risky for exporters, and payment in advance is the most risky for importers. Therefore, payment methods need to be negotiated with your customer or supplier.

Open Account payment means that the exporter sends an invoice with every shipment. The importer can then pay with a bank check or international money order. If you are a small importer, you'll not be able to get an open account with foreign firms. If you are an exporter, you'll need to decide about giving open accounts. You are safe when dealing with well established reputable firms. But some unscrupulous firms may try to cheat you.

Documents Against Acceptance is an order in writing addressed to a foreign buyer ordering him to pay the amount of the draft by a specified date. It's also known as a bill of exchange. This again presents risk to the exporter, since the importer will already have the merchandise. This method is often used for smaller sums (\$500 - \$3,000), and with firms that know and trust each other.

A Commercial Letter of Credit is also an often-used payment method. It is often referred to an LC. Simply put, a letter of credit is a letter written by the importer's bank to the exporter. It verifies that the payment will be guaranteed when the bank is presented with the concrete documents (bill of lading, and freight documents). Most letters of credit are "irrevocable" once the importer has had them sent.

Letters of Credit are formal payment methods that offer a lot of protection to the parties.

Payment in Advance means that the buyer sends the money when the order is placed. It is the simplest and easiest method to use. However, you'll want to make sure that you are dealing with an honest supplier. Many times you may be ask to pay 1/2 of the cost in advance.

SUPPLY AGREEMENTS

Sometimes you may want a formal agreement with your supplier. This is in case you are dealing with an exclusive product and will spend a lot of time and effort developing the market. A formal agreement can help protect you from others who would also import the same item. These agreements cover many things including the products, a specified territory, sales volumes, payment and shipping terms, shipping times, re-labeling, handling disputes, and so forth.

INTERNATIONAL SHIPPING

It's important to know all of the international shipping methods and terms. The most used set of terms is INCOTERMS (International Commercial Terms).

FOB -- free on board and means that the freight has been paid by the exporter to the specified location. Example, FOB to Seattle-Tacoma International Airport.

FAS -- Free Alongside Ship. The item is shipped to a dock ready to be loaded onto the ship.

C&F -- Cost and Freight. The exporter pays the ocean shipping costs, but not insurance.

CIF -- Cost, Insurance, and Freight are all paid by the exporter.

WORKS -- means that the exporter places the goods on the

dock of his factory. After that, the importer takes over all transportation arrangements. You'll want to avoid these terms, if you are an importer.

Delivered and Paid -- The exporter makes all arrangements to deliver the goods to the importers warehouse.

FACE CARRIER -- The exporter delivers the goods to the importers carrier.

Shipping rates and time can vary greatly depending upon the mode of transportation and the point of origin. For small, low weight items shipping by mail (air or sea) could be the best method. Usually, sea freight is the cheapest.

INSURANCE

You should insure all international shipments against loss or damage. There are many different kinds of insurance. Most small importers/exporters buy "all risk" insurance that covers almost everything.

Many smaller dealers buy insurance from the freight forwarders, or directly from the airlines. Larger companies generally buy from insurance brokers.

DOCUMENTATION

The documents used in international trade are highly important. You must understand them and use them correctly. Otherwise, you could end up losing money. There are four basic groups of international documents: Commercial documents, Banking documents, Transportation and insurance documents, and Government documents.

Not every kind of document is needed in every transaction. Also note that there can be several different types of documents within each of the 4 groups. Some of the very simple transactions may only need a few documents, whereas some of the more complex transactions may require 10 or more documents.

REGULATION AND CUSTOMS

Different regulations and custom duties may be required, depending upon the countries involved, and the type of product. The U.S. Custom Service enforces the laws regarding import/export for products leaving or entering the U.S. No special import license is required in the U.S., but is required in some foreign countries. Exporting products may require a special license even in the U.S.

Some products must have a custom duty paid on them before they can be imported. You must find out if the product you want to import requires a custom payment. Check with the custom office and ask for the TSUS number for that product. Use this to determine the rate of duty for your product.

Next, you need to determine if the product requires any special markings. Almost all imports are required to be marked as to the country of origin (such as, made in Japan).

Once the product reaches the post of entry, you'll have 5 days to pick it up. You'll also need to fill out any necessary document at this time. These could include such forms as Informal Entry, Consumption Entry, or Entry Summary. Some types of products can only be imported under a quota system.

POTENTIAL PROBLEMS

There are a number of potential problems that can occur in the import/export business. You need to consider them for many transactions, especially when you are dealing with companies for the first time. Many of these potential problems are taken care of if you follow the proper procedures.

- (1) Damaged, mislabeled, wrong, or burned goods.
- (2) Importer goes out of business before the goods are paid for.
- (3) Foreign laws that restrict the importation of certain goods.

- (4) Shipping problems.
- (5) Misunderstanding of agreements.
- (6) Improperly filled out documents.
- (7) Exporter cannot fulfill the amount of product that you need.
- (8) Your shipment arrives late.

SUCCESS ANALYSIS

Eight contributing factors are measured on a 1 to 10 basis (with 10 being excellent) based on analysis on this opportunity.

1. Time Investment		9
2. Start-up Costs	9	
3. Gross Income Potential	9	
4. Net Income Potential	9	
5. Income in Relation to Investment		9
6. Stability		8
7. Overall Risk		6
8. Potential for Growth	9	

Overall Potential for Success 8.50

CONCLUSION

Starting an import/export business is easy and can be done with a relative low start-up cash. However, there are many details and regulations to learn. For this reason, I recommend that you begin by making a few small deals that don't involve a lot of value (less than \$1,000).

You'll also discover that there are plenty of sources for help. These include: books, government organizations, world trade clubs, consulting firms, and export service companies. Take full advantage of these help services. Learn as much as you can.

An import/export business can be very exciting to operate. It could eventually lead to travel in foreign countries, and could also lead to a very nice income. This report provides you with the basic information you need to get started. The rest is

up to you.

SOURCES

Made in Europe magazine. Lists supplies. \$40 from Mail Order Associates, 120 Chestnut Ridge Road, Montvale, NJ 07645

Gifts & Housewares Accessories. Free form Gifts & Housewares Accessories Association, P.O. Box 34-23, Taipei, Taiwan, R.O.C.

Trade Channel magazine. Export information. Call American Business Communications (914) 631-1802.

International Intertrade Index (201) 686-2382

Latin American Trade Directory, P.O. Box 12-1007, San Jose Costa Rica. 400 pages

Johnson's Worldwide Chamber of Commerce Directory is available in most large libraries.