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A person or company (often a forwarding agent) who does not own or operate the carrying ship but who contracts with a shipping line for the carriage of the goods of third parties to whom he normally issues a house bill of lading.

This is called a N.V.O.C.C. –or in layman’s term is a Non-Vessel Operating Common Carrier-

Freight forwarder - Duties include the booking of space on a ship or airplane and providing all the necessary documentation and arranging customs clearance. A transportation company that pools their shipments to achieve lower freight rates. Savings are sometimes passed on to shippers.

How to Find and Use an Export Management Company

Direct exporting is one of the most profitable small businesses. In fact, small businesses represent 96 percent of all exporters of goods in the United States. Here are some expert advice to help you start earning big money from exports. by Nelson T. Joyner, Chairman, The Federation of International Trade Association

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This article discusses an alternative approach to direct exporting through the use of an export management company (EMC), an export intermediary acting as your export department. This approach requires limited use of a firm's time and resources in building an export business. One advantage cited for use of an EMC is that it gives the firm instant access to foreign market knowledge and export know-how. Furthermore, most EMCs will not charge you a fee for their services, and they will frequently pay you on whatever terms you sell to your best U.S. customers. You will have relatively few out-of-pocket costs.

(article continued below ...)

THREE QUESTIONS.

If the answer to any of these three questions is "No," then do as over 5,000 small (and even some large) manufacturers have done: turn over the job of building an export business to a specialized export sales firm called an Export Management Company (EMC).

Does your firm have the time and specialized knowledge to enter export markets?

Does your firm have the money or specialized personnel needed to develop an export business?

Is your business growing at a satisfactory rate?

WHO SHOULD USE AN EMC?

All manufacturers without export experience should consider an EMC. Even sophisticated exporters may want to consider using an EMC for selected products for certain foreign markets. Firms looking for new markets in order to accelerate their business growth should consider using an EMC.

WHAT IS AN EXPORT MANAGEMENT COMPANY?

An EMC is an independent firm which, in effect, acts as the exclusive export sales department for noncompeting manufacturers. Their loyalty is to their U.S. manufacturers and they are working hard to develop a successful export business. An EMC functions in foreign markets just as a sales representative or exclusive wholesaler functions for a manufacturer in the U.S. market. An EMC usually has a formal agreement with manufacturers (whom the EMC often calls the "principal" or the "factory") to "manage" their exports. Sometimes EMCs will represent all of a manufacturer's product line, but not always. The EMC generally receives exclusive rights to sell in all foreign markets, but, again, not always. EMCs should not be confused with Export Trading Companies (ETC's) - organizations that specialize in procurement on behalf of foreign clients. An ETC has no "loyalty" to a particular manufacturer. They are seeking the best terms for their clients.

Some EMC's Act as an Agent. The EMC establishes the marketing presence in foreign markets soliciting orders from foreign customers in the name of the manufacturer. Invoicing is done in the name of the manufacturer and the EMC helps the manufacturer with all the details of the export transaction. The manufacturer bears the risk of nonpayment, and may be asked to extend credit to the foreign customer. "Agent" EMCs are paid a commission on export sales. The EMC may suggest an export price, but his principal has final say on price and even whether to accept the order.

Other EMC's Act as a Distributor. More frequently, EMCs operate as an exclusive distributor on a "buy-sell" basis. The EMC buys from the manufacturer at a set price and resells to foreign customers at prices established by the EMC. The EMC is responsible for invoicing and bears the risk of nonpayment. The EMC pays the manufacturer on agreed terms - usually similar to the manufacturer's terms for their best U.S. customers. Note well: when the EMC is acting as a distributor, the manufacturer may have no control over the export price and not even know who the foreign customers are. However, many EMCs work closely with their principals on both pricing and customer relations. This is particularly true if the products are technical and call for special servicing and/or installation.

EMC'S COME in ALL SHAPES and SIZES.

No matter what your product, one or more of the 1,000 U.S. Export Management Companies is capable of handling your export. But they are not alike. Some EMCs are relatively large, handling lines from 50 or more U.S. manufacturers, cutting across a wide range of industries and exporting to most world markets. Other EMCs are smaller and will have a few carefully selected principals. Some EMCs specialize in certain products and/or focus on selected regions or countries, while other EMCs are generalists. Some EMCs may be involved in other export related activities such as procurement on behalf of foreign clients. Most EMCs are independent businesses.

HOW an EMC EXPORTS.

EMCs usually have long established sales networks abroad. Some have established foreign sales and warehousing subsidiaries. But more commonly, EMCs appoint export agents, or representative, and networks of exclusive distributors and dealers in each foreign market.

EMCs are experienced in all facets of exporting: foreign travel, export marketing, etc. Here are the typical strengths:

An ability to handle all details. EMCs have the know-how to answer inquiries, prepare quotations, enter orders, handle shipping details, and get paid. They are export professionals. The lifeblood of an EMC is active contact with foreign firms.

An ability to establish a strong foreign distribution system. They have the know-how to select agents and distributors, and to manage their distribution network.

They are experts on business conditions abroad. EMC executives travel for first-hand experience. Even at the home office, they constantly appraise market conditions and sales opportunities.

Their profits are based on how successfully they export. Thus, they're motivated to do a good job.

WHAT DOES AN EMC CHARGE?

An EMC's charges to their principals vary depending upon the product, the degree of promotion required, and the EMC's method of operation.

EMCs operating on a commission basis will usually want a commission that equals - or even exceeds - your best domestic commission. This might range from 10% for consumer goods to 15% or more for industrial products.

EMCs functioning on a buy-sell basis will ask for your best U.S. discount plus an extra discount. EMCs that do accept the manufacturer's best U.S. price will usually have to mark up the product more than a U.S. distributor in order to make a profit.

In addition to commissions or discounts, an EMC may charge for other items. Some EMCs will ask for "special event" contribution such as a 50/50 sharing of costs to exhibit in a foreign trade show. EMCs may require a contribution for advertising and other promotional activities, usually on a shared basis.

A few EMCs ask for a monthly retainer, especially in the early stages of establishing export sales. It is unusual for a well-established EMC to ask for a retainer for other reasons.

ARE THE EXTRA DISCOUNTS JUSTIFIED?

Some manufacturers feel that EMC services are not worth the extra commission or discount they get. But remember, an EMC has many costs that even domestic distributors do not have. Some of these include:

Commissions or special discounts to their foreign agents.

The cost of running an export business: experienced personnel, communications, foreign travel, and export paperwork.

Promotion costs, if not shared with their principals.

EMCs claim, with some justification, that they receive little or no benefit from the manufacturer's domestic promotion. Therefore, they want lower prices or higher commission rates as the EMC will be responsible for export promotion and other special expenses.

AN EMC COULD BUILD YOUR FIRM'S EXPORT BUSINESS.

Should you use one? Here are four advantages to using one:

Export sales come quicker. EMC's already have a net-work of foreign agents and distributors. Your product, if compatible, will have a built in distribution system. If you were to build your own export business, it will take much longer to realize sales.

Your out-of-pocket expenses will be less. An EMC has the time. Even with adequate financial resources, you may lack the time necessary to build an export business because of other priorities.

You will learn from a pro! There's no better export practitioner than an EMC. If you want your own export department eventually, then prepare yourself by seeing how an EMC operates.

BUT EMC'S HAVE SOME LIMITATIONS.

Export Management Companies aren't the answer for all export situations.

EMC's, for the most part, are relatively small and may have limited financial resources. Thus, some may not be able to stock your product, or to offer extended in-house financing to foreign customers.

EMC's focus their efforts on those products that bring them the most profits. New lines, or those with limited potential, may be overlooked.

Most EMC's do not cover Canada. Yet Canada is among the best potential export markets for many U.S. products.

With EMCs, manufacturers relinquish some degree of control over the export effort. EMCs are independent businesses. When an EMC acts on a buy-sell basis, manufacturers sometimes have no control over who buys, the selling price, the degree of promotion, etc.

FINDING an EMC. Finding an EMC that can handle your products is not as easy as it should be, EMCs tend to be very independent. They don't readily band together, nor do they generate much publicity about themselves. EMCs are often lumped in with other types of export intermediaries that may not be suited to handling your products on an exclusive basis. Here are several sources for locating EMCs that might be able to handle you products:

The Federation of International Trade Associations (FITA). Use FITA's web-based Directory of EMCs (<http://fita.org/emc.html>) to develop a short list of EMCs. The directory is searchable by product capability. Note: some EMCs may not be included in FITA's directory.

Your industry trade association. Many trade groups have EMCs as active members, or your association may know of EMCs experienced in exporting similar products.

Trade publications. Publications in your industry, especially the marketing magazines, will know of EMC's in your product field.

U.S. Department of Commerce Export Assistance Centers around the United States are familiar with EMCs in their area and gladly will give you names. However, the best EMC for your products may be located in another part of the country and unknown to the Export Assistance Center, so don't hesitate to call other Export Assistance Centers elsewhere, especially in port cities.

TO SUM UP. Many U.S. manufacturers have found they can develop a profitable export business without their own export department through the use of an Export Management Company. No matter what your goods are, you will find an EMC capable of building your export business. EMCs come in many forms and shapes, and aren't always easy to locate. While they may ask for an extra discount or extra commission, their requests are often justified.

Nelson T. Joyner, a former EMC proprietor and author of *How to Build an Export Company*, currently serves as Chairman of The Federation of International Trade Associations.

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