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Global Products designs, manufactures and distributes logoed, licensed and custom apparel, headwear, giftware and collectible items worldwide.

We have 4 distribution centers: St. Peters, Missouri; Earth City, Missouri; Toronto, Canada; Munich, Germany

We export to Canada, Latin America, Europe, Middle East, Africa, and Asia Pacific countries.

Our statement today recounts what we have experienced as we work to grow our export business.

Corporate barriers to successful export are internal and external.

The four directly related to Human Resources and Staffing are:

1. **Product development and quality control**
2. **Marketing knowledge and current information**
3. **Logistics**
4. **Financial resources and accountability**

The external barrier:

5. **Legal**

A well designed and manufactured product will not gain export markets unless it can be transported and delivered to import markets safely, punctually and reliably

Possession of required assets and skills in each area enables us an exporter to identify product opportunities in the export market, develop appropriate export marketing strategy and execute it effectively.

Key assets and skills of our firm constitute its source of competitive advantage. There are major difficulties in understanding exporting procedures, as they are different for each country.

Setting up our software financial systems to utilize functional and originating currency, VAT/GST/HST reporting and proper tax commodity codes has been an ongoing and expensive endeavor.

#### **The Process:**

##### **1. Product Development and Quality Control**

Have a product in demand outside of the US

We have to create a culturally suitable design and image for the export market. Each country has its own cultural demand for color, fabric, style, desire.

Product problems are related to quality and technical requirements of the targeted export market segment. (Russia with higher expectations of stitching, fabrics, etc. at lowest price.)

There is an intensity of price competitiveness with local markets that we are not aware of (some of it is knock-off)



Design, style, quality, packaging and labeling requirements and product adaptation or modification based on import laws and customer expectation (needed to add Korean to our ballcap tag, etc.)

Problems meeting importer quality standards and establishing these standards with language barriers and misinterpretation of phone calls, and emails (Ukraine presented a contract for payment based on our performance and on acceptance of product)

Knowledge of CPSIA (or similar product quality) laws in every country

No one cares about your product and customers like you, the customer has no idea of the efforts we put into getting the product into their hands and how much work the American employee has put into the goods

Another important factor for exporting is supply of raw materials. Made in China fabric or raw goods for less than \$1, embellished in the US (to include R& D, sampling, embellishing, packaging) at greater than \$3/per item must still state made in China

## **2. Marketing knowledge and current information**

We have a means to market the product internationally and we don't have access to all of the media and events available

We do not have sufficient information about overseas markets -the identification of foreign markets, business practices, and competition;

We need more access to information about appropriate overseas direct sales representation and communication with overseas customers

We have a lack of management experience to generate marketing materials in foreign language

We have a lack of knowledge to locate foreign opportunities and promising markets

Our Export marketing strategy must include the differences between market systems in each country

Firm sizes and presence of foreign competitors across markets should be taken into account and we don't have access to this information

Due to culturally different preferences, there are many unfamiliar business protocols and practices

The capacity of the firm to market internationally is limited due to:

Availability of staff with international experience;

We need higher education focus on international business

We have difficulty hiring immigrants due to visas and prefer to hire unemployed people in Missouri

Our firm's capabilities and constraints in internationally experienced staff profoundly influence the choice of marketing strategy and ability to execute. We are now looking for internal Japanese/ multilingual employee. We have Spanish, Russian, German and Chinese staffing now but this took years of training and hiring issues



### 3. Logistics

We must ship the product to the country with appropriate documentation

Typically we pay the fees for an exporter to review customs compliance and complete documentation

We must learn to set up a system internally to create the documents to lower these costs

We need to find a method to determine and verify the harmonized tax code (TCC) and description for the product and make sure it is coincide in the US and the other country

We believe the selected TCC is correct, but the description is a vague attempt to cover all items under the TCC. A TCC can have many determining factors; it can describe the materials used, how it is made, and much more.

With the above in mind and due the fact that a TCC # can only be listed once per item in our system, we contact a customs broker to verify, again another fee and more overhead

We must always bid the means to transport the product to the customer to avoid pricing the product out of desirability. We always send out bids to freight forwarders to quote rate and all fees associated to include tracking, transport time and required documents. To this day, not one firm has disclosed all the ancillary costs associated with transportation. Fuel surcharges from 2007 still apply today.

We are attempting to integrate the Technology to track goods and obtain necessary documentation, receipt, and payment and return/credit needs. This is time consuming and expensive.

Customer may have their own shipper, and we must make sure to provide all documents required, including country of origin. These may be different than standard operating procedure and cause more time to be involved shipping one order

We must know the different packaging and skid requirements for each country, maintain this in our database

We send a confirmation to the customer and ask for their credit card information or for cash wire transfer to our bank in US dollars. We have opened accounts in Canada and England, Germany and Australia to allow customers to buy in their currency. This is an additional burden.

Create an invoice that is customs friendly, include country of origin, harmonized tax code and sku, description and price

We must ship the product immediately upon prepayment

If the customer is unhappy, we must be prepared to accept all costs for returns, including loss of revenue due to customs and duties and freight fees

Unless we are shipping volume, the effort is more than the profit

Our problems are related to the organization of our export departments (logistics and warehouse) and the lack of competent personnel to administer exporting activities. We have searched for four years and find ex corporate staff that only know a portion of the whole process and don't understand the hands-on small business method.



One of the most cited obstacles with regard to exporting concerns the time and paperwork required to comply with foreign and domestic market regulations.

We only get copies after we are billed as the freight forwarder keeps the original documents

Shipments can be held for documentation "originals". When this occurs it would be great if we could fax or email the documents to move the shipment along more quickly with the originals to arrive via email or courier at a later date.

Time zone differences and language barriers can cause delays in obtaining answers to questions.

Certificates of Origins may need to be legalized and stamped for each shipment. Ability to utilize copies of the first certification would be more time and financially beneficial.

Governments do not solely impose these procedural requirements. Independent organizations such as banks, shipping organizations and insurance companies, have their own procedures also.

The mere perception of inability to process the paperwork, either because of cumbersomeness or due to lack of time, constitutes a barrier to exporting.

#### **4. Financial Resources and Accountability**

We are fortunate to have the ability to finance our attempts to export; other small businesses may not have the ability to finance exports;

If the customer has an open account with terms, we must find out the local laws for interest fees for late fees, and a method for collections

Our credit card process must follow all of the legal and regulatory standards for security. This results in additional overhead for installation of a patrol program (expensive and high maintenance) to ensure compliance.

The imposition of tariff barriers and regulatory preferences, unfamiliar business protocols and practices, and regulatory import controls by overseas governments, fierce competition, exchange rate fluctuations and limited hard currency for international trade are all expensive. All of this needs to be added to our costs if the customer is not importing. This takes a significant amount out of any potential profit

Since we are maintaining inventories overseas in Toronto Canada and Munich Germany we must be good at projecting inventories, you have to have product available if you are going to market the goods. This has left us with excess inventories and shortages of desired goods.

We set up a system for VAT/GST/HST payment, collection and refunding, the flat tax system which is flow through but the costs associated with maintaining and reporting are very high

We are trying to understand duty draw back opportunities, this still has us dumbfounded

We have to be prepared for the unrealized gains and losses in currency fluctuations in our financials



We must always be prepared for the customs audit, and understand the VAT hold backs can last up to 18 months without any interest on your monies. Germany held over \$100,000 for 18 months during an audit, and returned it all.

Often, the documents are not properly completed, the customer cannot interpret the English emails or invoices and causes delay in payments and thus creating cash flow problems for us.

## **5. Legal**

The legality of contractual agreements with sales representatives or distributors in foreign markets has been a nightmare for us. We have found that the laws in the country of distribution or sale are the laws that are to be followed. To make sure we know the local laws that cover sales and distribution in foreign lands, we pay for an attorney and accountant in each country.

We are currently in litigation regarding a sales representative that went on vacation without any notification to us or our customer started a new business and went into competition with our business. The laws in Germany state that I should have allowed her 30 days notice of termination which would have been more days to create competition. I erroneously decided the competition would be more expensive. I am now in another law suit; it is distracting, expensive and prevents looking at the future.

Local laws supersede US law regarding theft of merchandise and poor performance; I lost a case due to the local German laws regarding the 30 day notice even though the theft was proven.

How do we find a reputable, sales force in the EU and Pac Rim? We truly need this to grow our export business.

### **Experience:**

My first step in the export/warehouse/distribution of our product was to contract with a local manager to oversee the warehouse of my goods and ship direct to customers: no one cares about my goods and customers like I do and both failed to meet performance standards.

I then rented facilities in Germany and Canada and moved into hiring my own staff which opened up the door for a new set of laws in socialized environments regarding contractual employees.

### **Action Items / Recommendations:**

I would like to see a small business organization in Missouri formed to pool resources so as to be financially capable to participate on the US and (other country) Business Council.

This would allow small businesses to piggy back on the existing and expensive costs of being on these Business Councils.

We need access to the current and forecast future of the strength of the US dollar and the export country currency in order to understand the political landscape and be prepared as we set our multiple currencies pricing biannually.



If we build a consortium of SME's that monthly share information on how to market, ship and collect for export exclusively, with our combined efforts we could share expensive employees, legal fees and marketing strategies.

We could meet monthly or quarterly to share in our knowledge of positives and negatives and pool our monies to bring in consultants for the above five stated issues.

We could pool our monies for Legal counsel so we could share legal and valid sales agreements, distribution agreements, questions about receivables and fees, etc before moving into these markets.

Finance - International Accounting firms to tap into as a group

Staffing – human resources – a shared pool of multilingual international business employees.

Pooled investment and resources would allow more small businesses opportunities to take the risk

Create an SME Advisory Board for exporting that could be shared or find a means to allow us to piggy back on the resources for the large boards that are available. Give a tax incentive to large corporations to open their doors and knowledge to us

We need more education focus in international business at high school and college level

We need the resources to find correct processes to streamline our export operation, knowledge from those who have already been down this path.

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