

Silver Advantage **Consulting Alert**

Are You Missing Out on International Opportunities?

By Steve Handler, CPA - Partner

JUNE 2014 -- Your business is already successful in the U.S. At this stage, though, you may be asking: will my successful product or service sell profitably beyond American borders? Will global opportunities allow me to profitably sell more products or services, and/or perhaps lower my costs?

We are increasingly operating in a global business environment. Therefore, the question becomes: in order to grow and become more profitable, how should you expand, and where? And, with whom should you discuss the myriad of possibilities?

Who Should I Discuss the Possibilities With?

There are a wide range of resources available. Michael Silver & Company CPAs can help you explore the opportunities that might prove best for you, and help you refine and narrow your initial geographic focus. Working together, once we identify some general approaches, we can focus on how to go about the planning process and what other resources we should draw upon. Having worked with many companies from all over the world, we can quickly assess opportunities and help prevent disasters.

Will My Product or Service Sell Profitably and Successfully Outside of the U.S.?

What distinct competitive advantage does my product or service provide that will make it a success elsewhere? Despite costs of logistics, will my prices be competitive in other countries? What makes my product better than the competition? Is my intellectual property better or my design more appealing? Are my services so unique that I can save my clients time and money? Do I have access to a scarce natural resource? Are marketing or training skills far superior to others?

How Should You Expand Globally?

- ▶ Look for a joint venture partner
- ▶ Do a start-up:
 - Support office
 - Sales office — with or without inventory
 - Manufacturing plant
- ▶ Contract with independent distributors
- ▶ Via the Internet

Can I Lower My Costs by Purchasing Globally?

Will I be able to lower my costs by outsourcing labor? Can I import materials for less than our current cost? Will my quality standards remain intact? Are the difference in labor rates in China, India, Mexico and various other countries more than enough to offset logistical, regulatory

and quality control costs? Are the material costs low enough outside the U.S. to offset shipping, customs and lead time issues? Will the foreign materials, such as steel or fabric, meet acceptable quality standards? What are the relevant factors to consider apart from cost savings? Reputation, reliability, and control are but a few things you should consider.

Where is/are the Best Location(s)?

The entire world is open to you. Identify the advantages and disadvantages of various markets in order to narrow down the choices. Consider factors such as labor costs, labor supply, natural resources, culture, image, buying population, weather, and local government.

Now That You Have an Initial Idea of Where and How, What Comes Next?

There are two ways to begin your international expansion journey:

Dive Right In?



Or Plan?



Should you dive in or develop a detailed plan? Back in “Gold Rush” times, if you spent too much time planning, all the best prospecting locations were already claimed. That is why they called it a “Rush.”

Those days are long gone. While the gold is still there, it takes more time and money to locate it. In the old days, there were plenty of people ready to sell a bad claim or provide bad advice. That hasn't changed, so it's important to plan carefully and exercise due diligence in identifying the right advisors.

Therefore, "diving right in" is not the best option. Developing a detailed strategic plan is the better choice. Take your time and do it right. Get the assistance you need to develop the plan. Identify the right professionals to work with, both here in the U.S., as well as in the country where you are planning to expand. Invest in market research. Talk to the right people, including foreign trade office personnel.

There are two general "rules of thumb" that apply to the international strategic planning process: It takes at least twice as long as and costs at least twice as much as you expect. Patience and planning will save you both time and money over time. If you would like to learn more about how to benefit from our international knowledge, please contact me at 847.213.2107 to arrange a complimentary consultation.

Steve Handler is the Partner in Charge of Michael Silver & Company CPAs' International Services practice. With decades of experience providing a broad range of international services to companies based in over 25 countries, Steve is a frequent speaker before international groups and entities, including the Stockholm Chamber of Commerce, the University of Chicago Booth School International Alumnae Program, and the Glasgow Chamber of Commerce. He is an active member of the International Executive Committee of GMN International, and serves on the board of the Swedish Chamber of Commerce, Chicago. Steve is also a Certified Management Consultant, and provides his clients with a broad range of management consulting services, including mergers & acquisitions, strategic and long-range planning for closely-held businesses, incentive compensation planning, and commercial lease negotiations.

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