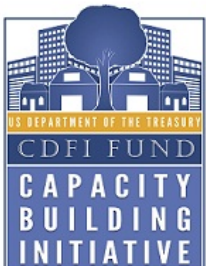


Training Module: Community Exporters

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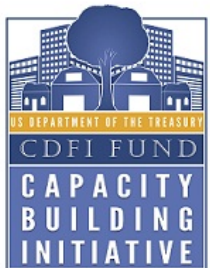
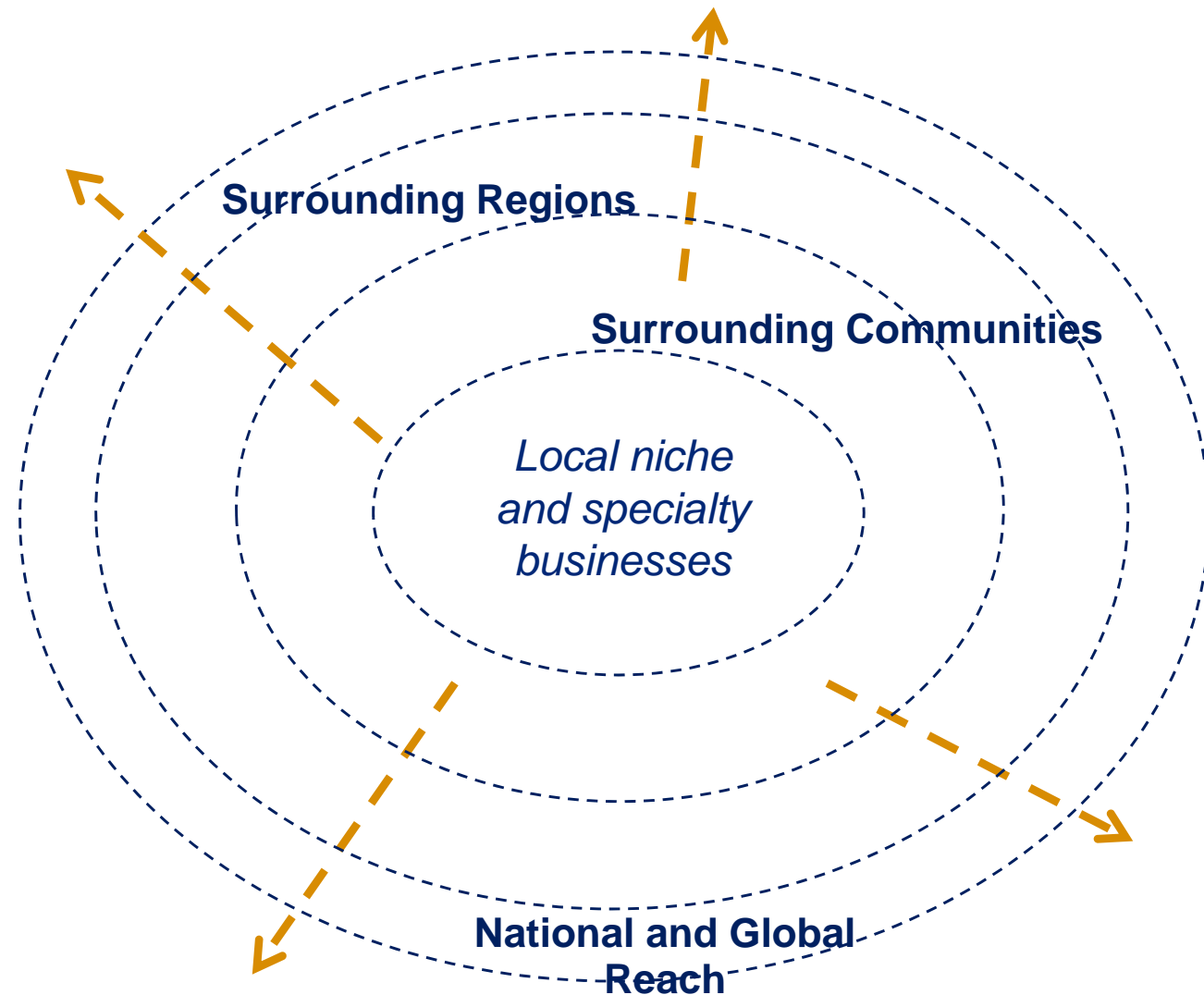
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What does Community Exporters mean?

Local niche and specialty businesses can export their goods or services outside the local community in order to expand their small business customer base, regionally, nationally, and even internationally.

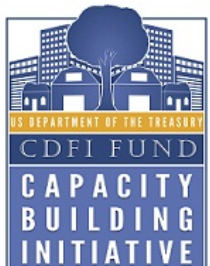
Growing interconnectedness makes exporting feasible for SBs at a lower cost



Why Community Exporters was selected?

1. **Community Wealth Creation** - Exporting provides opportunity for revenue and cash to come back into the local community
2. **Federal Government Priority**- Increased federal government priority to push exporting by small businesses
3. **Job Creation** - Potential for creation of high quality jobs, not just a matter of the number of jobs created
4. **Growth Prospect** – Allows small businesses to follow the growth trajectory as they mature - local, regional, national and international

Stages of Maturity of Local Business



Major Trends in Community Exporters

- 1. Regional and National E-Commerce Opportunities increase for Local Specialized Products**
- 2. U.S. Mobility creates National and Global Demand for Regional Niche Products**
- 3. The Global Market is more open to Small Business**

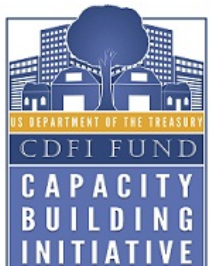


Trend #1 – Regional and National E-Commerce Opportunities increase for Local Specialized Products

- Over 2 billion internet users worldwide spent ~\$8 trillion through e-commerce
- Online marketplaces facilitate SBs to connect with, understand, and inform potential customers and partners, (such as Etsy, eBay, Zulily, etc.)
- Wider net of consumers allows niche businesses to grow revenue



Source: Treehouselogic.com 2011

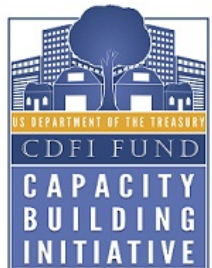
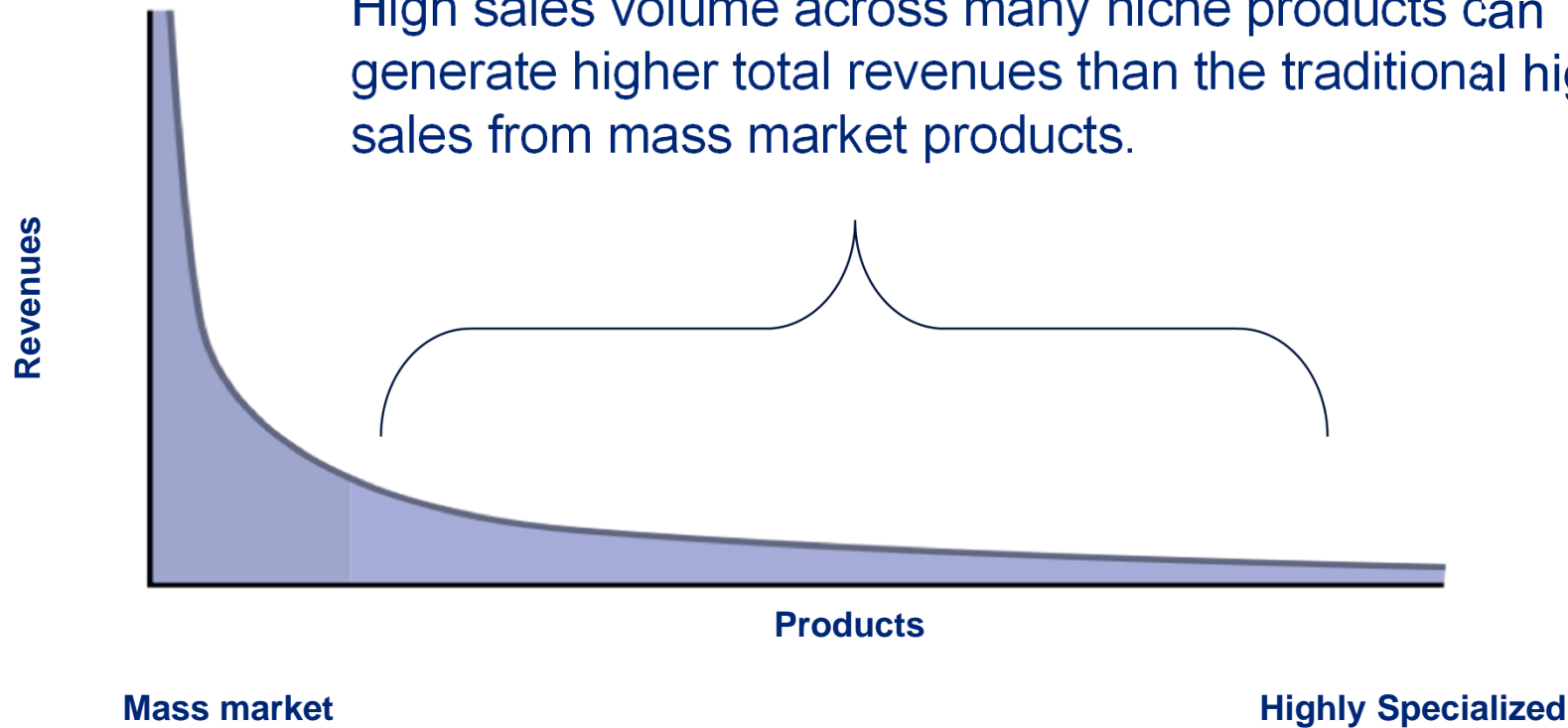


Related Innovation: The National Storefront

How has the E-Commerce Marketplace changed the Business Model for selling niche products?

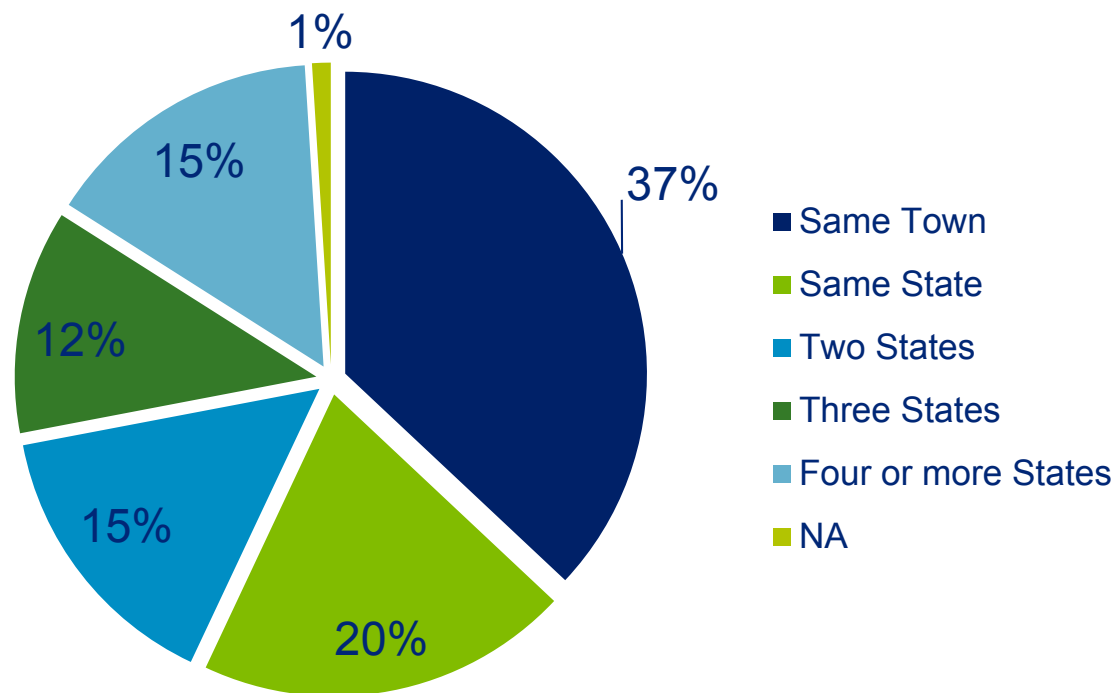
The Long Tail Business Model

High sales volume across many niche products can generate higher total revenues than the traditional high sales from mass market products.



Trend #2 – U.S. Mobility creates National and Global Demand for Regional Niche Products

How Many Places Have you Lived?

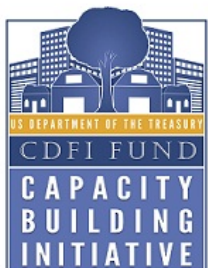


- Since the recession, rates of out of state migration have increased
- 25-29 year olds represent the biggest gains in mobility
- 42% of survey respondents have lived in at least 2 states
- 38% of survey respondents say the place they consider home isn't where they currently live

Source: Pew Research Center

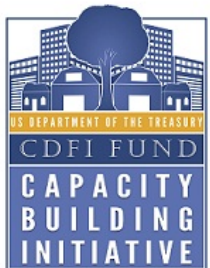
Identifying SB Opportunities

Look for Regional Specialty Items that could be marketed Nationally



What are the characteristics of niche or specialized products?

- Not easily replicable
- Price Inelastic – demand for product is greater than the relative cost
- Shipping and distribution costs are low relative to product price
- Strong local recognition of product
- Differentiating factors such as price, quality, or market



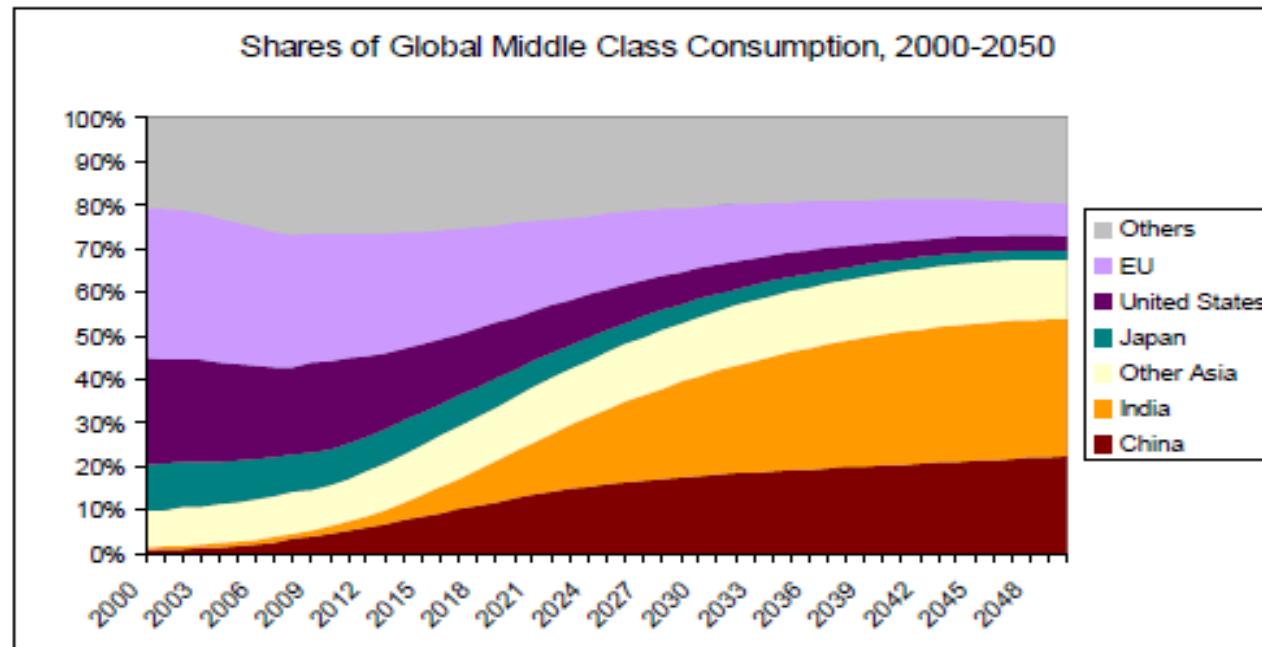
Trend #3 – Global Market is more open to small business

Two factors have created opportunities for Small Businesses to expand abroad:

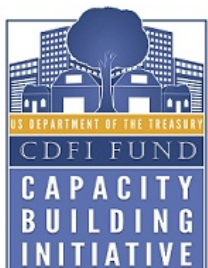
1. Macroeconomic trends favor small business exports:

- Weaker dollar makes U.S. goods more attractive abroad
- Trade agreements have been enacted, further opening markets
- Technology has created seamless banking networks

2. Rise in the Middle Class Abroad creates increased global demand for quality niche products from U.S. Small Businesses



Source: OECD, *The Emerging Middle Class in Developing Countries*, January 2010



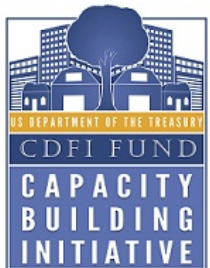
Innovations across markets #1: The Nationwide Storefront

CDFIs can finance Small Businesses with successful local products and services to expand to surrounding communities and nationally through online platforms



Why National Product Expansion through Online Platforms was selected?

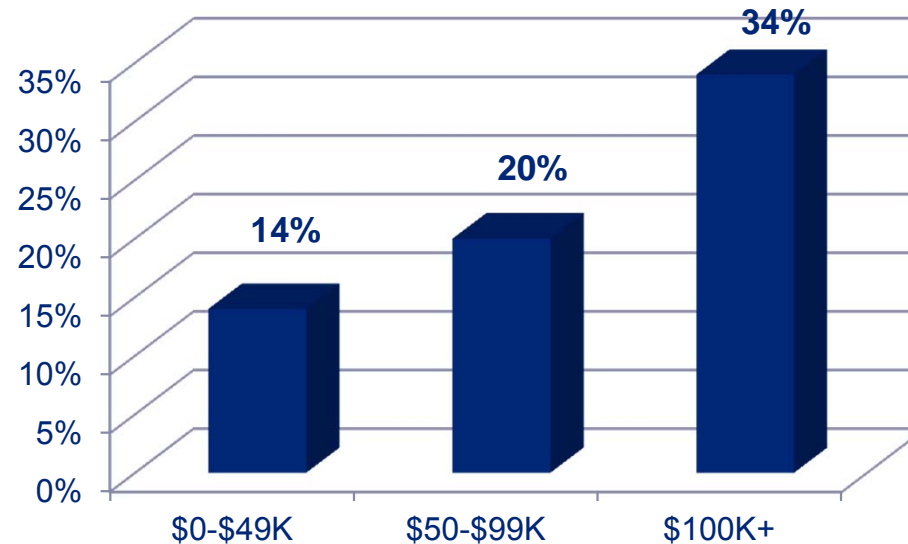
- Small businesses can reach a wide customer base without needing to create a website.
- There is potential for high demand and sustainable profit for niche products.
- Niche products are less replicable
- Niche products can also warrant higher margins
- Opportunity to make sustainable profits and good jobs for small business owners.



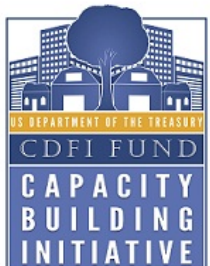
Potential of Niche Product E-Commerce Expansion

- Americans in lower income areas are increasingly using the Internet for e-commerce – expanded markets
 - 75% of low income earners own an internet accessible mobile phone and 42% own a personal computer
 - Only 19% of internet users, making less than \$50K, do not shop online.
- High Income Earners make online purchases more frequently- market deepening

Percentage of Users by income bracket that make online purchases at least 3 times per month



Source: JP Morgan 2010 Internet User Survey



Small Business E-Commerce – Where the CDFIs Fit

- **As Lenders**
 - Provide growth financing
 - Provide working capital funds
- **As a partner**
 - Connect with the SBA, the Department of Commerce, and other e-Commerce resources
- **As Service Providers**
 - Provide small businesses with support in development of growth plans
 - Help small businesses strategically position themselves on Online Platforms
 - CDFIs could also create an Online Platform to sell products and services of strong small businesses in their communities



What to look for in an Expansion Plan

- Product has demonstrated a strong and sustained demand in its current market
- Clear growth plan that covers the following:
 - Justification for new target market
 - Identified strategic partners
 - Operational capacity to manage the growth
 - Experience in liquidity management to allow them to adjust for fluxes in accounts receivable

Key E-Commerce Product Performance Indicators

Traffic, Conversion, Sales, Net Promoter Score, Frequency of Purchase, and Return Rate



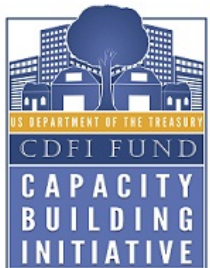
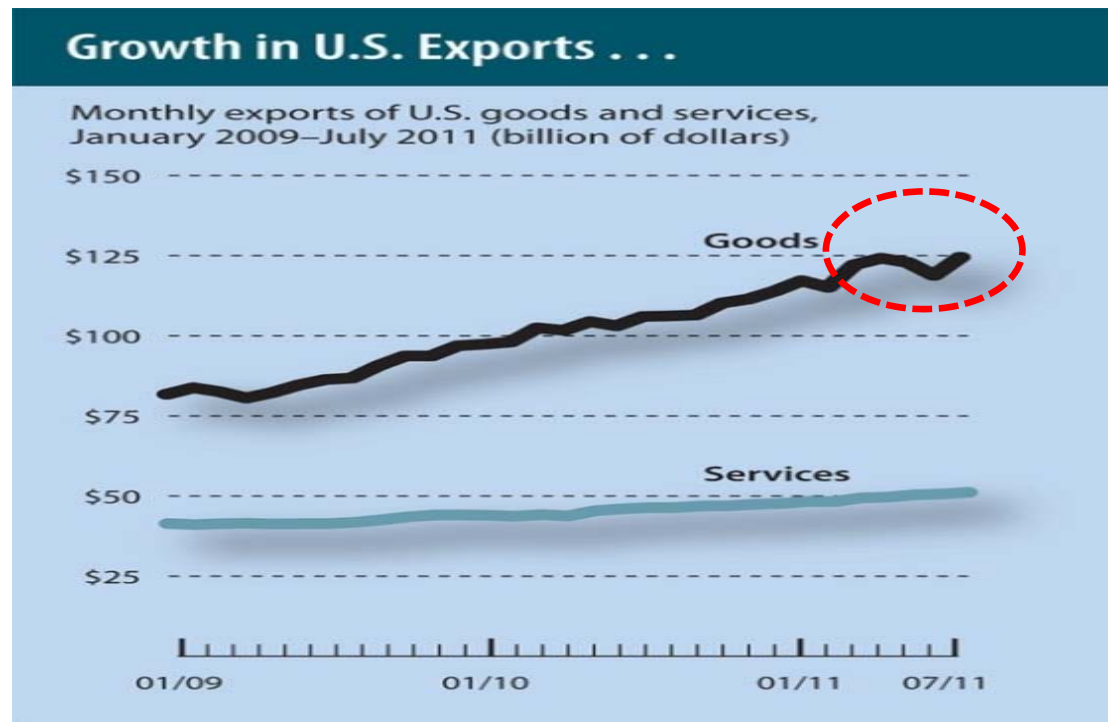
Innovations across markets #2: Small Business International Exporting

The Export-Import Bank has created the SB Global Access program to mitigate the risks of International Exporting



Small Businesses can successfully export

- US Small and Medium-sized companies account for 98% of U.S. exporters, but represent nearly 1/3 of the known export value of U.S. goods exported
- Very small businesses (less than 20 employees) account for more than 70% of all exporting firms
- Less than 1% of America's 30M companies export
- Of U.S. companies that do export, 58% export to only one country



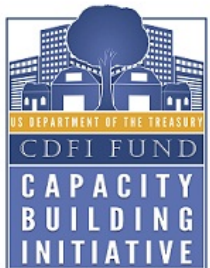
Why Small Business International Exporting?

- Increased Priority on SB Exports and expansion of our specialized product offering
- New markets provide growth opportunities for both existing SB exporters as well as those new to exporting
- CDFIs have the opportunity to bolster local jobs and support the creation of additional tax revenues for local community development
- Survey indicates that exporters account for well over 20% of total U.S. employment



What to look for in a Small Business Exporter

- Product has demonstrated a strong and sustained demand in its current market
- Successful past expansion efforts on smaller scale (regionally, nationally, etc.)
- Entering into a new or expanding in an existing foreign market with a clear growth plan



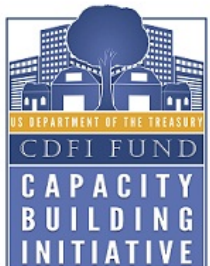
Strategies for entering New or Untapped Markets

- **Find and Expand into new geographical markets for an existing product**
 - Utilize resources such as the Port Import/Export Reporting Service (PIERS) which provides names of U.S. consignees or shippers as well as overseas suppliers
- **Target and penetrate emerging markets**
- **Source new products that complement existing ones and offer them as a new, specially priced package deal**
- **Reduce dependence on existing markets**
 - Protect your company against the risk of decline in domestic sales by exporting, using the Internet, licensing, or franchising your product



Risks and Challenges in International Exporting

- **Access to Finance**
 - Need working capital to fill export orders, most export businesses are under capitalized
 - Factoring the Receivables Financing is difficult in the U.S. because of the historically strong U.S. economy and limited underwriting of international receivables
 - Credit risk serving borrowers who may not qualify for conventional loans
- **Operational and Compliance Risk**
 - Understanding the Tariff Documents for differences in measurement standards i.e. the metrics system
 - Need Capacity to manage the growth into new or untapped markets
 - Compliance for filing insurance claims
- **Business Development**
 - Cultural Differences in Doing Business
 - Need to understand the demand potential for products in different countries based on local regulations, taste preferences, religious and social norms, etc.
 - Need to be able to develop and conduct local marketing



Strategies to Overcome the Challenges in International Exporting

<p>1. Access to Finance</p>	<ul style="list-style-type: none"> • Ex-Im Bank Export Credit Insurance mitigates the risk to US Financial Intermediaries • SBA has three loan guarantee programs • Work with an Insurance Broker of the Ex-Im Bank
<p>2. Capacity</p>	<ul style="list-style-type: none"> • One Stop Export Promotion Shops at local SBA Offices to mitigate the challenges and combine the resources of several agencies • Department of Commerce provides technical training to Export Businesses and Foreign Buyer Leads • Trainings provided by the Ex-Im Bank for Trade Financing
<p>3. Business Development</p>	<ul style="list-style-type: none"> • Be flexible and open to Cultural Differences • Develop Partnerships Overseas (e.g. for Distribution) • Utilize the Port Import/Export Reporting Service (PIERS), provides names of U.S. consignees or shippers

Getting Started

www.export.gov aggregates resources from across the U.S. Government to assist American Businesses in Exporting



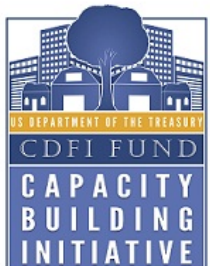
Mitigating the risks of International Exporting for Small Businesses

The Role of the Export Import Bank



What is the Global Access Program?

- National Initiative by the Export Import Bank of the U.S. to engage more Small Businesses in foreign sales
- Helped 3,200 small businesses expand their export sales in 2011
- Products include:
 - Working Capital Guarantee
 - Single-Buyer Credit Insurance
 - Small Business Multi-Buyer Credit Insurance
 - Multi-Buyer Credit Insurance
 - Medium-Term Credit Insurance
 - Medium and Long-Term Loan Guarantee



Small Business Global Access Program: Where CDFIs Fit

With Financing:

Connect Borrowers to a suite of financing and technical assistance in Exporting, including insurance and credit products

CDFIs should explore partnership opportunities with the Ex-Im Bank

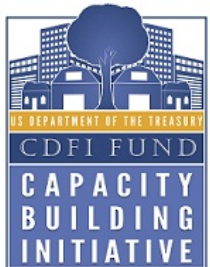
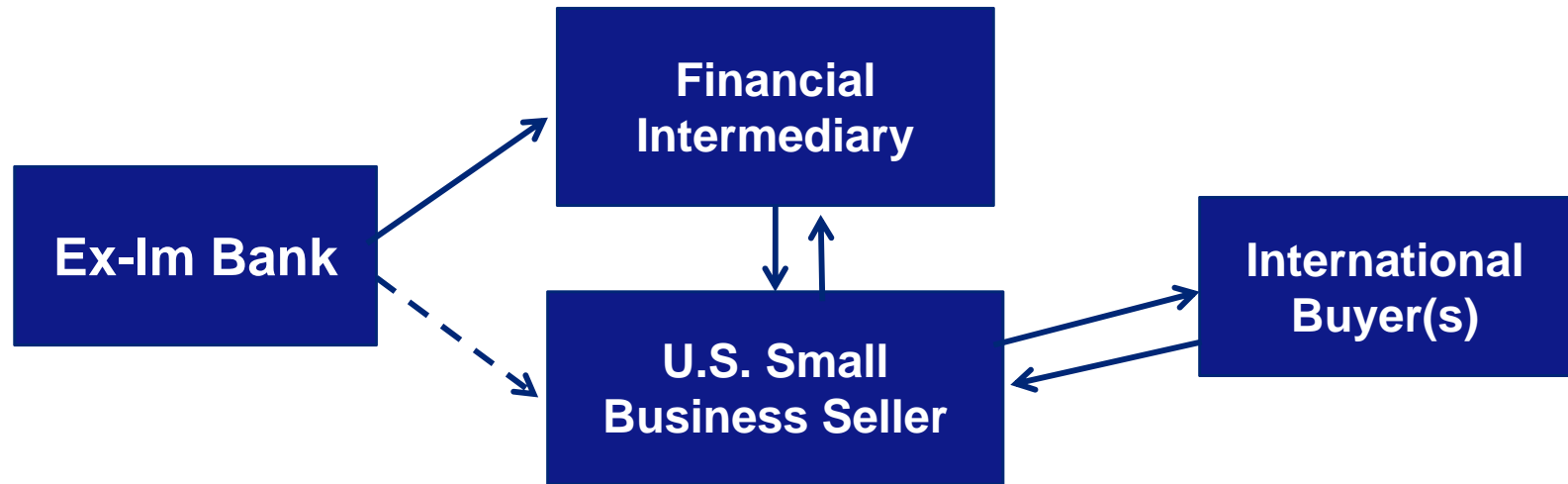
With Outreach:

CDFI can help with outreach for the SB exporting efforts of the Ex-Im Bank, the Dept of Commerce and the SBA, especially among minorities and women



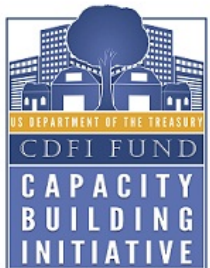
What is Export Credit Insurance?

- Ex-Im Bank insures the SB International Receivables for a single-buyer as well as for an entire portfolio
- Frequently a financial institution is the insured and will disburse funds to the exporter when the insurance coverage is approved
- Parties involved:



Criteria for Export Credit Insurance

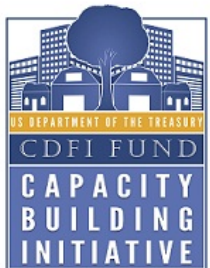
- Covering commercial and political risks
- Requires a down-payment by the buyer
- Eligible for financing even with less than 3 years of experience
- Should not be financing offshore operations or selling in a prohibited country



Walk Through

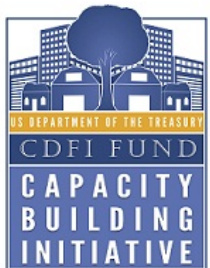
www.exim.gov

Ex-Im Bank Deal Examples Large and Small



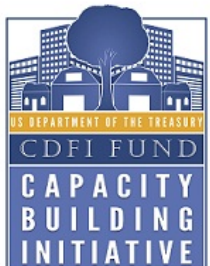
What are the capacity needs for this innovation?

- Strategy allows for international export financing
- Access to a subject matter expert in Exporting (paid or unpaid)
- Relationship with the Ex-Im Bank or other relevant organizations (i.e. Dept. of Commerce or the SBA), especially with the women and minority business units
- Mission impact analysis of the transaction on the target market (considering impact on jobs, and local revenue generation)
- Sufficient oversight or reporting provided by the secondary borrower to adequately file future claims with the Ex-Im Bank

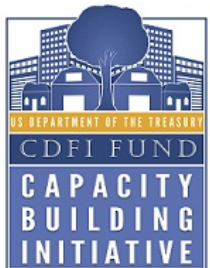
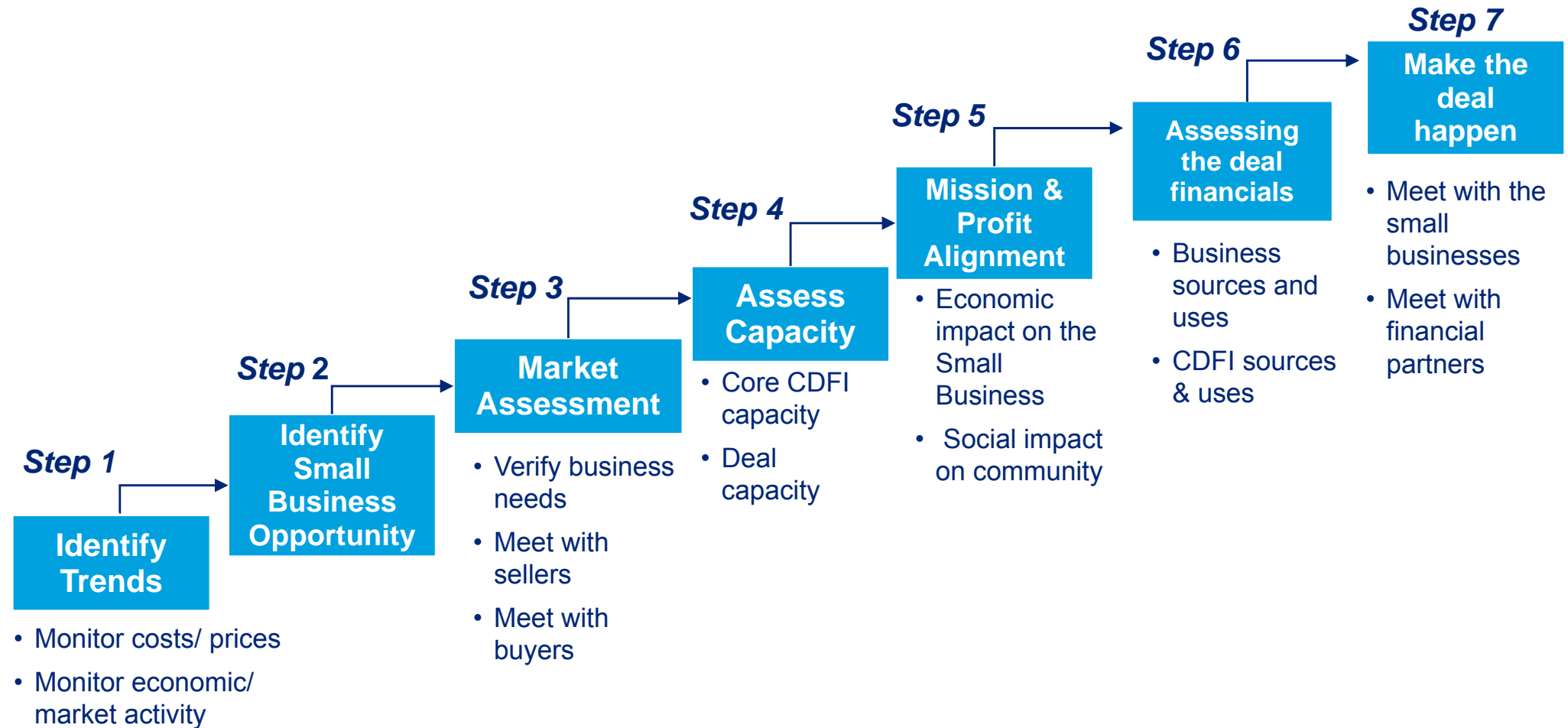


Who to contact at the Ex-Im Bank in your area?

Miami:	305-526-7436
New York:	212-809-2650
Chicago:	312-353-8093
Houston:	281-721-0470
Orange County, CA:	949-660-1341
San Francisco:	415-705-2280
Atlanta:	404-897-6082
Minneapolis:	612-348-1213
Seattle:	206-728-2264
Dallas-area:	214-551-4959
Detroit:	313-230-8832



Preview: The Process for Innovating New Business



For sources and further information, see the “Community Exporters” section of the Virtual Resource Bank

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