

# RUSSIN & VECCHI

INTERNATIONAL LEGAL COUNSELLORS

BANGKOK  
MOSCOW  
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SANTO DOMINGO

---

OSC-VTP BUILDING, 15/F  
8 NGUYEN HUE BLVD, HO CHI MINH CITY  
TEL: (84-8) 3824-3026  
FAX: (84-8) 3824-3113  
E-MAIL: LAWYERS@RUSSINVECCHI.COM.VN

TAIPEI  
VLADIVOSTOK  
WASHINGTON, DC  
YUZHNO-SAKHALINSK

HANOI CENTRAL OFFICE BUILDING, 11/F  
44B LY THUONG KIET ST, HANOI  
TEL: (84-4) 3825-1700  
FAX: (84-4) 3825-1742  
E-MAIL: LAWYERS@RUSSINVECCHI.COM.VN

## SELLING YOUR PRODUCTS IN THE UNITED STATES

Sesto E Vecchi, Russin & Vecchi \*

Exports from Vietnam to the United States grew dramatically after the US-Vietnam Bilateral Trade Agreement was ratified on December 10, 2001. In 2001 Vietnam's exports to the US were US\$1 billion. In 2011, they will exceed US\$14 billion.

Even so, there remain large opportunities well beyond the major exports to the US. Duties are important, but duties are not the only factor.

Generally speaking, the less goods are processed, the lower the duties. Thus, rubber, coffee, and coal compete reasonably well in world and US markets. Also, excluding crude oil, exports by local companies far exceed in value exports by foreign invested enterprises. As for finished or processed products, an entrepreneur seeking to export to the US should examine the US Harmonized Tariff Schedule, which can be found on the World Wide Web at <http://dataweb.usitc.gov/> to see on which articles duties are non-existent or relatively small when compared with the selling price of the product. Again, duties are not the only factor. Vietnam has certain cost and skills advantages that mean it competes successfully.

Vietnam has many niche exports. Based on current statistics, those niche markets are nuts, fruits, vegetables, and processed foods, leatherwear, bamboo products, ceramics, gemstones and much more. Exports are not driven by statistics. Exports respond to market needs.

### WHAT ARE THE CORNERSTONES OF A SUCCESSFUL EXPORT BUSINESS?

- General business knowledge and experience—after all, general business principles apply equally to the export business.
- Knowledge of the special rules that apply to an export business.
- Thorough knowledge of the product.
- Thorough knowledge of the market.
- Knowledge of the costs to bring the product to market.
- Good working relationship with the distributors.
- Knowledge of price structure—from wholesale to retail.
- Working capital.

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\* Sesto E Vecchi is Managing Lawyer of Russin & Vecchi, a law firm with offices in Ho Chi Minh City and Hanoi. The material for this article is taken largely from "Exporting to the USA" by Edward G Hinkelman, 1995-1996 Edition.

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**WHY DO EXPORT BUSINESSES FAIL? SOME FAIL BECAUSE THE EXPORTER:**

- lacks the knowledge or experience to make a success of what is, first and foremost, a business;
- thinks that exporting goods to the US may be the same as selling goods to an established local customer;
- is not totally familiar with his product or is unable to discern differences in quality, specification, or price that are relevant to the intended market;
- fails to factor in all the costs involved in order to bring the product to market;
- is unable to guard against foreign exchange fluctuations which wipe out potential profit;
- is unable to maintain a good working relationship with distributors or customers in the US;
- lacks sufficient understanding of the US domestic market;
- has inadequate working capital for the size and scope of its operation;
- is unable to establish and maintain good working relationships with his “professional partners:”
  - freight forwarder
  - customs broker
  - banker
  - attorney
- is unable to meet strict US Customs regulations for:
  - marking and labeling
  - quotas
  - other requirements
- is unable to meet US government regulatory requirements for:
  - product safety
  - quality standards
  - other standards
- fails to assure that goods arrive in time for seasonal sale.

**MANY PRODUCTS ARE EASY TO IMPORT. FOLLOWING ARE 22 SUCH PRODUCT CATEGORIES:**

The following products are relatively simple to import into the US in that they are not subject to significant restrictions, prohibitions, permits, licenses, or documentation other than basic Customs requirements. However, the exporters must still investigate particular requirements.

- Household appliances
- Art, specifically original works of art
- Cutlery
- Artificial Flowers
- Artificial Fur
- Gems and Gemstones
- Glass and Glass Products
- Jewelry
- Leather Goods (other than those derived from endangered species)
- Leather Hides (other than those derived from endangered species)
- Lighting Fixtures
- Musical Instruments (other than those made from endangered wood)
- Optics and Optical Goods

- Paper and Paper Products
- Pearls
- Plastics and Plastic Products
- Rubber and Rubber Products
- Sporting Goods
- Stone and Stone Products
- Ceramic Tile
- Umbrellas
- Utensils.

#### **PRODUCTS WHICH ARE DIFFICULT TO IMPORT.**

The following products are “difficult” to import into the US because of stringent regulatory requirements by one or more US governmental agencies. With a very few exceptions, however, it is possible to import all the products listed below. As usual, one must be prepared.

- **Drugs.** Highly regulated by US Food and Drug Administration (FDA); extensive requirements regarding drug quality and for drug-producing establishments.
- **Alcoholic Beverages.** Highly regulated by the Bureau of Alcohol, Tobacco, and Firearms; import permit required; labeling requirements, compliance with products standards of content, other federal, state, and municipal alcohol regulations, federal excise tax payable at entry.
- **Poultry, Poultry Products, and Eggs.** Highly regulated by the US Department of Agriculture. Import restrictions, port inspections, product certification, plant certification, and import permits apply.
- **Meat and Meat Products.** Highly regulated by the US Department of Agriculture. Import restrictions, port inspections, product certification, plant certification, and import permits apply.
- **Toys.** Highly regulated by the US Consumer Product Safety Commission (CPSC). Stringent safety standards, defect reporting requirements, record keeping for electrical toys or articles, extensive marking and labeling requirements apply.
- **Live Animals.** Highly regulated by the US Fish and Wildlife Service (FWS), US Public Health Service Centers for Disease Control (CDC), US Department of Agriculture (USDA), and US Food and Drug Administration (FDA), depending upon species. Restricted port of entry, quarantine, prior notification, license, import/export documentation, record keeping, etc. apply, depending upon species.
- **Textiles and Textile Products.** Subject to complex quota restrictions, US Customs country-of-origin declarations, labeling requirements, and flammability standards.
- **Prepared Foods.** Subject to regulations of the US Food and Drug Administration (FDA).

Entry notification, certification, extensive labeling requirements, compliance with product

standards, including ingredient-specific requirements, and entry notification.

## **KNOW YOUR MARKET.**

Knowledge of the product is important, but it is only one of the requirements. In order to succeed, the exporter must also know the market where the components or raw materials are sourced and the market in which the finished product is sold.

### **1. Buying and Selling Experience.**

Nothing takes the place of active buying and selling experience. Successful exporters are constantly in touch with their markets.

### **2. Volatility of the Market.**

Many variables have an impact on the market for merchandise, and even experts can be taken by surprise by changes in the market. An exporter – as a business person – is obliged to know as much about the market as the buyer. The exporter must know when, how, and why the market changes. If an exporter is aware of the fluctuations in its regional market only, then he may be caught off guard by events, competition, or changes in the markets.

### **3. Quality.**

The buyer defines quality. The exporter must make sure that it understands its customers' requirements. Most merchandise markets have very narrow ranges of acceptable quality. Each market has its own minimum standards of acceptability and maximum price. The exporter should know the range of quality for its product in the US target market.

### **4. Seasonality of Merchandise.**

An exporter must get its merchandise to the buyer at the appropriate time. The exporter must know the seasonality of its merchandise and the lead times required. An exporter must schedule backwards from the date the customer needs the goods. For example, if an item is being purchased to sell retail at Christmas, the retailer should have it in stock by mid-November.

The following movements of merchandise may each take from several days to several weeks to accomplish. The exporter has to allow for each step in its planning. Working backward, these steps are:

- retailer's warehouse to retail store shelves;
- importer's warehouse to retailer's warehouse;
- clearance through US Customs;
- transport from overseas port to US port of entry;
- transport from point of manufacture in exporting country to port of export;
- manufacturing time; and
- preliminary research, planning and design.

The total process can take from several weeks to more than a year!

## **5. Market Research.**

Market research is a valuable step that can help you to understand your target market. It can range from highly structured research conducted by an outside consulting firm to an informal approach, with the exporter asking the right people the right questions.

The importance of research is especially crucial for traders. The greater the distance between product source and market – and therefore the greater the time and cost to get it to the ultimate consumer – the more important market research becomes. Domestic suppliers may be in a better position than international traders to serve their customers on a timely basis. Therefore, importers need to stay ahead of the market.

## **6. Who Comprises the Market?**

What type of individual and what type of business constitute the natural target for the exporter's product?

- Is the individual from a particular age, ethnic, social, or economic group? Are the buyers largely male or female?
- Is the individual more interested in fashion or more interested in quality and durability?
- Is the individual interested in the snob appeal of the item?
- Is the person more interested in the price?
- Is the person interested in the “story” that goes with the item?
- Is the person already buying the product or do you have to educate him to buy the product and to buy your product specifically?
- What need does the product fill?

## **7. Where is the Market?**

Define the geographic location of the potential market. This can mean a neighborhood, a city, a metropolitan area, a county, a state, a region, or an entire country. A clear definition of the market area will keep marketing efforts focused.

- Who needs the product and why?
- Is the product purchased only once or occasionally, or is it purchased, consumed (or becomes obsolete), and then replaced?
- What makes the product different and desirable?
- Where does one find the people who need the product?
- What criteria lead to acceptance or rejection?
- List prospective market areas which could support a sales effort for the product.
- Test the markets to determine where marketing efforts will be most productive.

## **8. Contact Potential Buyers/Customers.**

If an exporter is established in a business, then the best place to start its research is with its existing customers. It should be easy to know their current product requirements as well as their future needs, and to find out what the exporter doesn't already know. An exporter who knows its market and customers will always be in a position to offer what the customer needs, rather than to try to sell what's in stock.

It is always easier to supply demand than to create it. To change the scope of an established business, or to start a new business, the question should be: "How do I know which items will sell?" To find out, the exporter needs to know how to ask the questions and how to listen to the answers.

Seek out likely customers (distributors, wholesalers, retailers). Develop good rapport, and ask them:

- what do you need?
- what are your customers asking for?
- what is selling well?
- what is hard or difficult to find?
- which items are costing more than they should?
- for what products would you place an order right now?
- how much would you pay?
- would you pay in advance for those goods?
- would you pay COD (cash on delivery) or do you require a certain period of time to pay?
- if so, what terms would you require?
- what stores and businesses are interested in these goods?

### **KNOW YOUR COMPETITION**

Here are a number of questions you might ask concerning your competition.

- What products are competitive with ours?
- Who and where are our competitors?
- How are their products marketed?
- How and why does their marketing work or not work?
- What are the weak points in their marketing organization?
- What are their short- and long-range plans?
- What business problems are they facing?
- Do they have any unusual advantages?
- What is the extent and quality of their research and development effort?
- What new products are they developing?
- Who and where are their suppliers?
- What are they paying for merchandise?
- What supply problems do they have?
- If they have labor problems, why?
- What is the manufacturing cost of their goods?
- How do our products compare with theirs?
- How many middlemen handle their product before it reaches the consumer?
- What are their sales terms, credit requirements, and commissions?
- What payment terms and commissions are extended to distributors, to sales people, and to retailers of their goods?
- How are their goods advertised?
  - Promotion techniques?
  - Media?
  - What is the extent of their advertisement?
- How does the marketplace view our products compared to theirs?

- How good is their after-sales service?
- How does their pricing compare to ours?
- How are the above factors likely to change?
- How much does the competition know about us?

## 20 SOURCES OF INFORMATION

There are many sources of information regarding selling products in the US.

- Ho Chi Minh City, Foreign Trade Development Center
- Relatives and friends in the US
- Vietkieu, Vietnamese, students and businessmen returning from the US
- Vietnamese Embassy and Consulates in the US
- American Chamber of Commerce in Vietnam
- US attorneys in Vietnam
- US banks with operations in Vietnam
- Other exporters
- US importers with experience and connections in Vietnam
- US and domestic trade publications
- Shipping companies
- US Customs brokers
- Freight forwarders
- US trade and industry associations
- Travel guides
- Foreign businessmen from the US
- The American Export Register
- Dun & Bradstreet at <http://www.dnb.com/>
- The Thomas Register at <http://www.thomasnet.com/>
- The US Department of Commerce website at <http://www.commerce.gov/>

Exporting to the US can be very profitable, but, like any other business, it is important to be well informed and well prepared.