On 1 January 2005, Australia signed a landmark trade agreement with the United States called the Australia-US Free Trade Agreement (AUSFTA). The AUSFTA presents Australia and Australian companies with greater opportunities to do business with the world’s largest consumer market.

This agreement has played an important role in drawing US attention towards Australia as an innovative and significant global partner. AUSFTA has reduced tariffs, increased quotas, granted greater intellectual property protection, opened two-way investment and eased some market restrictions in the Buy American Act. As Australia’s economic relationship with the United States continues to strengthen, it remains a priority market for Australian companies eager to grow internationally.

The AUSFTA also provides a great example of a modern, bilateral trade agreement that has brought—and will continue to bring—trade and investment benefits to Australia for many years to come.

For more information about the AUSFTA and Australia’s other completed Free Trade Agreements, visit www.fta.gov.au. In addition, fact sheets about the benefits for Australian manufacturers, farmers and food processors, service providers, miners and metal producers, and creative industries can be found here:


This report has been prepared as a general overview. It is not intended to provide exhaustive coverage of the topic. The information is made available on the understanding that the Australian Trade Commission (Austrade) and the Australian Government are not providing professional advice. While all care has been taken in the preparation of this report, the parties do not accept any responsibility for any losses suffered by persons relying on information contained in this report or arising from any error or omission in the report.

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The United States is one of the world’s most complex and competitive economies, having the largest, richest and most varied consumer base anywhere. Given its size, wealth and diversity, the United States has a relevant market for almost every product or service.

The United States and Australia conduct more than A$55 billion in two-way trade and have an investment relationship valued at A$1 trillion⁰ making it Australia’s largest trade and investment partner.

Nearly 9000 Australian companies sell or operate in the United States². These mostly small-to-medium-sized businesses have found success by being smart, creative, prepared and persistent.

This guide provides practical information and advice that Australian exporters should consider when looking at business opportunities in the United States.

For endnotes and source information, see page 30.
With nearly 320 million consumers, the US market may overwhelm suppliers who assume the United States is a single, homogenous export market.
Given the size and complexity of the US market, it cannot be described as ‘one’ market. Every state and region has its own purchasing habits and regulatory considerations. Many distributors only cover certain geographic areas.

The United States is in fact made up of many different geographic and demographic consumer markets – each with distinct tastes, purchasing behaviours, distribution systems, regulations and climates.

The United States consists of 50 states, the capital city of Washington, District of Columbia (DC), and various territories including Puerto Rico, the US Virgin Islands and areas of the Pacific Ocean. Fourteen of these states have economies larger than New South Wales. California’s economy alone is larger than Australia’s national economy.

A number of significant regional economies characterise the United States. However no clear economic boundaries exist because of the ease with which operations and personnel can relocate.3

SEGMENTING MARKETS BY GEOGRAPHY

**The Northeast (Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont).** Located along the Atlantic Ocean, the Northeast region starts in New York and continues up to the Canadian border. It is known for its media, culture, technology, medical institutions and education system. The area’s higher education system has a variety of options, from large public research institutions to small liberal arts and most of the Ivy League schools. Boston, in Massachusetts, is the second largest city in the region and home to prestigious schools such as Harvard University and the Massachusetts Institute of Technology (MIT). New York City has the highest population of any city in the country4 and is known as a global financial hub. Fifty Fortune 500 companies are headquartered in New York State.5

**The Mid-Atlantic (Delaware, Maryland, New Jersey, Pennsylvania and Washington DC).** States in the Mid-Atlantic lie along the Atlantic Ocean on the east coast of the United States, stretching from Washington DC all the way north to New Jersey. Defence, communications and pharmaceutical industries are the most prevalent. The Middle Atlantic includes the nation’s capital, Washington DC, and its economy focuses mainly on the government, employing many public servants, much like Canberra. As a major tourist destination, the city’s economy is driven by the service sector. Nearby Delaware is known for its corporate-friendly laws, with more than 50 per cent of publicly traded companies incorporated there, including 64 per cent of Fortune 500 companies.6

For endnotes and source information, see page 30.
The United States consists of many different geographic and demographic consumer markets.
A major commerce centre, the South attracts foreign investment

The South (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia). The business culture of the region has similarities to that of Australia. Due to the area’s temperate weather and sprawling lands, agriculture has been the primary industry in the South, but manufacturing and tourism have also become important. A major commerce centre, the South attracts foreign investment across the manufacturing sector because of the region’s low costs, generous state incentive packages, low rates of unionisation and a high quality of living. For example, the South has manufacturing facilities of large transportation companies, such as Airbus, Gulfstream Aerospace Corp, and GE Aviation. Virginia, on the northern border of the South, also attracts business with 24 Fortune 500 companies based there.

Important hubs for advanced manufacturing and agriculture

The Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin). The region is often referred to as the nation’s ‘breadbasket’ because of its abundant production of oats, wheat and corn. While the Midwest is not densely populated, with fewer big cities than its neighbours to the east, it has important hubs for advanced manufacturing and agriculture. The largest city is Chicago, Illinois, a major port and transportation hub. A popular state for business, Illinois contains 32 Fortune 500 companies, such as Boeing and McDonald’s.

A global leader in energy and chemicals

The Southwest (Arizona, Oklahoma, New Mexico and Texas). The land in this region is generally flat and dry, with many deserts, and the weather is very hot. The second largest by land mass and most heavily populated state in the United States with 26 million people, Texas has 52 Fortune 500 companies. Texas leads the nation in petroleum refining and chemical products production, and is a global leader in the closely related petrochemical industry. Companies such as Exxon Mobil, Valero Energy and ConocoPhillips are based in Texas. Recently, manufacturing has become important in Arizona and Texas, notably in the electrical, communications, aeronautical, automobile assembly and aluminium industries. The Southwest has also become a popular retirement area due its consistently warm climate.

A global technology hub

The West (Alaska, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington and Wyoming). The West is best known for its natural beauty, coastline, technology and adventure opportunities. The nation’s most populous state in the West, California also boasts strong agricultural and film industries. California produces more than half of the country’s vegetables and fruits. Following the development of Silicon Valley in the late 1970s, California has become a world leader in the manufacturing of computers and electronics, and remains the primary location for information and communications technology in the United States. There are 53 Fortune 500 companies such as Apple, Google and Walt Disney, headquartered in California, the largest number of any state in the country.

For endnotes and source information, see page 30.
Even after dividing the country by region, industry and population, many Australian exporters would still be overwhelmed by the scale of supply needed to meet consumer demands in the United States. Sometimes the scale of even a single customer in the United States can be staggering.

For example, one of the world’s largest supermarket chains, The Kroger Co, has 2640 stores in the United States, operating under various store brands such as Kroger, Fred Meyer, QFC and Ralphs – which has 256 supermarkets alone. In 2013, The Kroger Co had fiscal sales of US$98.4 billion.\textsuperscript{13} For a small-to-medium-sized Australian food company, one order from The Kroger Co’s subsidiary Ralphs on its own would represent nearly a year’s worth of purchasing in the Australian market. With such scale and volume like this, Australian exporters must figure out a way to segment the market, become highly targeted and identify their niche.

The United States provides a considerable amount of information through free market research, industry publications, statistics, associations, databases and studies – all readily available to help identify the relevant segment.

You can find information on key trends, economic drivers, industries of focus and breaking news across each state in the United States at the US Small Business Administration. This information can help you determine everything from the age and wealth of your target customer to their preferences and shopping behaviours. \url{www.sba.gov/content/economic-development-agencies}

For example, if you produce an organic energy bar for the male fitness market, various resources may help you identify the most health-conscious cities in the United States cross-referenced with cities with the highest number of fitness clubs and largest male populations under the age of 40. These findings would then help you focus on one or two cities to conduct a systematic and targeted approach.

For endnotes and source information, see page 30.
The US market attracts the attention of businesses from around the globe.

### The United States by the Numbers

With established supply and distribution channels in place, relatively wealthy consumers and access to entry across a broad range of industries, the US market attracts the attention of businesses from around the globe.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land mass¹⁴</td>
<td>9.3 million km²</td>
</tr>
<tr>
<td>Population¹⁴</td>
<td>318,892,103</td>
</tr>
<tr>
<td>GDP¹⁵ (annual growth 1.6%)</td>
<td>US$16.72 trillion</td>
</tr>
<tr>
<td>GDP¹⁴ per capita</td>
<td>US$54,800</td>
</tr>
<tr>
<td>Defence budget¹⁶</td>
<td>US$526.6 billion</td>
</tr>
<tr>
<td>Interest rates¹⁷</td>
<td>3.98%*</td>
</tr>
</tbody>
</table>

*Based on 30-year fixed mortgage, annual average for 2013

### Number of:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>States</td>
<td>50, District of Columbia and territories</td>
</tr>
<tr>
<td>Supermarkets¹⁶</td>
<td>65,085</td>
</tr>
<tr>
<td>Airports¹⁴</td>
<td>13,513</td>
</tr>
</tbody>
</table>

### Diversity (2013)³⁸

<table>
<thead>
<tr>
<th>Race</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>63.0%</td>
</tr>
<tr>
<td>Hispanic or Latino⁺</td>
<td>17.9%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>13.2%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.3%</td>
</tr>
<tr>
<td>Two or More Races⁺</td>
<td>2.4%</td>
</tr>
<tr>
<td>American Indian and Alaska Native</td>
<td>1.2%</td>
</tr>
<tr>
<td>Native Hawaiian and Other Pacific Islander</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Diversity includes persons reporting only one race.

+Hispanics may be of any race, so are also included in applicable race categories.

### Median Household Income (2008-12)³⁸

<table>
<thead>
<tr>
<th>Age Structure</th>
<th>Male (million)</th>
<th>Female (million)</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 years</td>
<td>31.6</td>
<td>30.2</td>
<td>19.4</td>
</tr>
<tr>
<td>15-24 years</td>
<td>22.4</td>
<td>21.3</td>
<td>13.7</td>
</tr>
<tr>
<td>25-54 years</td>
<td>63.5</td>
<td>63.7</td>
<td>39.9</td>
</tr>
<tr>
<td>55-64 years</td>
<td>19.3</td>
<td>20.7</td>
<td>14.5</td>
</tr>
<tr>
<td>65 years and over</td>
<td>20.3</td>
<td>25.9</td>
<td>13.9</td>
</tr>
</tbody>
</table>

All figures current as of June 2014.

For endnotes and source information, see page 30.
Though Americans and Australians may appear to have a similar language and culture, the business cultures differ greatly. Awareness and understanding of these differences will maximise your chances of success and better equip you to negotiate deals and develop long-term business relationships.

**CULTURAL ASPECTS TO CONSIDER**

**Americans often build relationships through business**, rather than business through relationships. They generally work out the details of the deal first, the relationship may come later.

**Build a US-based network.** This will help facilitate the success of your US venture, especially if you can do so before formal meetings begin. By networking extensively and finding out about esoteric elements of your particular industry in the United States, your progress and chances of success increase greatly.

**Business in the United States tends to be conducted in a more direct manner than in Australia.** US-based businesspeople tend to get directly into business discussions, after which social conversation may or may not occur. Focus on business preparation so that you can capture the attention of your audience immediately.

**For Americans, time is money.** Develop marketing collateral that is specific to the target audience and be prepared with samples, packaging and success stories. Know your return-on-investment (ROI) calculations or sales forecasts, pricing and logistics. Deadlines are real and short – respond quickly or risk losing the business.

For Americans, time is money – so be prepared.
Americans generally conduct business in a conservative, polite and succinct manner.

**Clearly define your competitive advantage.** Be specific about your advantage when communicating with potential customers and partners.

**Being direct is a virtue.** Ask for what you want, say what you mean and do as you say. Being shy and unassertive may be seen as a weakness in the United States. Americans won’t take offence to well-phrased, direct questions because they always reserve the right to say no.

**Be positive.** The Australian tendency to be self-effacing or downplay achievements can clash with Americans’ can-do attitude and tendency to take information at face value.

**Follow up.** This is an essential action and requires persistence to make contact. If you have called or emailed two or three times and have not received a reply, do not assume there is no interest. Instead, remember that Americans expect and reward persistence. It may take as many as 10 to 12 attempts to get a response, whether positive or negative. Follow up by phone and email, and do not assume that emails reach your target. When you follow up, show that you are interested in their business by sharing an article of interest—which will be more effective than saying ‘just checking in.’

**Americans generally conduct business in a conservative, polite and succinct manner.** So clarify your business’s benefits for the prospective consumer and keep it short. Dress according to the region/market you are in as well as the industry. For example, in Silicon Valley where much of the technology industry is centred, they tend to dress more casually. However, in the financial services industry in any part of the country, the dress code requires business suits. The best advice would always be to check with others who have visited your particular destination.

**Avoid colloquial terms.** They will confuse your audience. Be informed around nuanced differences in language to avoid confusion. For example, Australians use the word ‘holidays’ to explain time off from work, while Americans use ‘vacation’ and refer to ‘holidays’ as public holidays such as those at a federal level.

Aside from the obvious seasonal difference between Australia and the United States—their winter is our summer and vice versa—certain markets such as the Northeast make decisions on a seasonal basis. Understand the buying patterns and forecasted budgeting timelines to ensure you find the right window in which to pitch your product or service.

**TIP:** When planning a visit to the United States, especially in the Northeast, the summer months of July-August tend to be similar to the Australian summer months where many people go on summer/school holidays with their families, sometimes making it more difficult to conduct business.
The majority of Australian companies doing business in the United States are small operations that often have just a few employees and a limited budget. The key to success doesn’t lie in being large but in having a strong product or service and being able to clearly articulate your competitive advantage. Competitive advantage is what distinguishes you from your competition in the minds of your customers.

US decision makers are bombarded with marketing collateral and sales pitches from numerous companies from around the world. As a result, it is extremely difficult to get their attention. Success in the United States is often based on persistence. A buyer often needs to hear your message numerous times before they can differentiate it from other competitors. Diversify the channels you use to deliver your message, such as email, telephone, publications, third parties and personal visits to increase your chances of being heard.

You will also increase your chances of getting noticed by keeping the message concise. Americans invented the 30-second ‘elevator pitch.’ You need to move a US decision maker from passive disinterest to curious engagement as quickly and effectively as possible—ideally in 30 to 60 seconds.

An elevator pitch should include the following four elements:

> Articulate the problem your product addresses, the solution it provides and why it’s better than its competitors. For example, ‘My software solves the problem of product tracking in the retail industry and provides a 30 per cent higher savings rate than my two top competitors’.

> Use American English. It sounds like common sense, but many Australian exporters speak in metric units, reference Australian locations and use Australian slang and spelling in US pitches. For example, ‘turnover’ refers to employee retention versus revenue and terms such as ‘scheme’, while neutral in Australia, have a negative connotation in the United States.

> Try to reference companies that are already active in the United States when establishing your advantage or credibility. Whether presenting testimonials or claims against competitors, the US decision maker needs to quickly understand who you are in contact with in their industry.

> Be specific about the benefits. Avoid using generalities such as improved return-on-investment, productivity or sales. Instead, provide specific numbers, data and percentage increases on aspects of business that show you understand the buyer’s concerns.
PRESENTING ON A TOPIC OF INTEREST AT A CONFERENCE CAN POSITION YOU AS AN EXPERT.

ACCESS

Due to the size, complexity and competitiveness of US markets, leverage groups to gain knowledge, positioning and contacts. The key groups are associations, which are good examples of ‘multipliers’. In the United States, there are associations for almost every area of business. Many associations are located in Washington DC, to be near the money, power and influence of the federal government. Similar associations often exist at the state and local levels as well.

Associations host a variety of events, from webinars to conferences. Conferences provide opportunities to enhance your brand, learn about market opportunities, understand issues and trends, and network with people in your industry. Networking, the most important aspect of conferences, can deepen existing relationships and provide the opportunity to develop new relationships. An example of leveraging associations to enter the market and improve results is participation in committees and events. For example, presenting on a topic of interest to a committee and/or conference can position you as an expert and cause members of the audience to seek you out for advice, which can lead to new business opportunities.

In addition to industry associations, you can access professional community hubs such as co-working spaces and www.meetup.com, both of which are commonly used in the United States for networking.

TIP: Some Australian companies that supply or provide services to subsidiaries of US companies (for example, Microsoft) have been able to leverage their Australian relationships for introductions to decision makers at the headquarters in the United States. Americans are often more comfortable working with existing relationships and internal referrals versus the unknown.
One of the main challenges for any new entrant to the US market lies in understanding the various channels to that market and determining the best entry point. Considering the sheer volume of people and companies spread across a landmass that is comparable to Australia, this is hardly surprising. Everyone wants their products and services delivered on time and at the lowest possible cost. However, the US distribution model is highly fragmented and complex as noted further below.

Define your target audience and then develop a distribution strategy for that audience. Selecting the right distribution channel involves considering several factors, including the most basic one: the final price of your product. Exporters who choose a more traditional distribution channel into the United States using intermediaries such as importers, distributors or brokers often find their product’s price has doubled or tripled by the time it reaches the end user.

**FACTORS TO CONSIDER**

Examine the following aspects of your business and goals before choosing a distribution channel.

**Number of customers:** If you only have a few customers, consider selling directly to them. If you have a large number of customers, you may decide to sell directly to the larger accounts and use other means to service the smaller customers.

**Location of customers:** Consider where your customers are geographically concentrated. You may want to set up your own warehouse facility or office near them. If your customers are geographically dispersed, you may want to use the services of a fulfilment warehouse, wholesaler or distributor.

**Price of product or service:** If your product or service is a high-volume, low-priced unit, your distribution options will be considerably different than a high-price, low-volume product. Higher-priced items are often better suited to selling through an industry-specific broker or manufacturer’s representative with the support of direct shipping or a fulfilment warehouse.

**Complexity of product:** Fulfilment warehouses, wholesalers, distributors and many other players in the distribution channel do not typically provide intensive support and technical advice before or after the sale. If your product or service involves a lot of relationship management, consultative support or technical services, you will need to consider setting up your own local office or managing a sales force of agents.

**Regulations affecting distribution in your target state or industry:** In the United States, some industries and states may have regulations that dictate a specific distribution channel for your sector. An example is the wine industry where Australian wine can only be imported into the United States by a licensed importer. In addition, individual states and counties often have their own sets of rules and regulations affecting wine distribution, such as prohibiting or restricting wine sales.
Sales channels: Each industry uses its own unique distribution model(s). Some sales channels are simple. Products or services that can be downloaded online have straightforward distribution that let the supplier retain maximum control. Other channels, which at first might seem simple, such as a single, large retailer like Nordstrom’s or Macy’s, can prove to be quite complicated. Many of these retailers are unwilling to buy direct from an international supplier and instead funnel business through intermediaries such as agents or wholesalers.

Importance of price, quality, timing and brand control to your marketing strategy: Essentially, the more control you want over these factors, the less attractive multilayered, traditional distribution channels will be. If you are unable to set up your own operations in the United States, you may prefer franchising or licensing your intellectual property to a company that already has established production and distribution facilities. If your brand is not important but your product quality is, consider selling your product under a private label direct to retailers.

Transportation and storage costs: For some companies, it may be more cost-effective to source or manufacture some or all of your products in the United States, rather than shipping from Australia.

DIFFERENT MODELS

All business models require close monitoring of your US presence to ensure the market position is properly nurtured. Market entry options can vary widely across industries—use the option that makes strategic sense to you and reduces risk for your customers. Some of the most popular market entry and distribution options used by Australian exporters in the United States include:

Selling direct to customers: It may not always be possible or efficient to sell direct to US businesses. However, when it is possible, it is often the preferred and most cost-effective option. It is not uncommon for Australian exporters to work directly with businesses in the United States, as this gives exporters more control, allows US businesses to receive higher margins and ultimately delivers lower prices for the end user.

E-commerce, catalogues and television retailing: Non-traditional channels can be a great option for exporters that sell their products or services directly to consumers through mediums such as the internet, catalogues and television. Australian exporters often overlook these virtual channels when entering the US market—they should be considered given the rapid growth of online sales. Setting up physical distribution systems to support these sales channels can be as easy as pay-per-click downloads; couriering supplies directly from Australia via commercial companies such as DHL and FedEx; selling directly to the catalogue or television retailer’s preferred distributor; or using the services of a fulfilment warehouse.

Fulfilment warehouses: A number of warehouses have combined several traditional roles into a single service, which helps streamline processes for Australian exporters.
Look for fulfilment warehouses that can provide customs clearance, warehousing, pick-and-pack order fulfilment, processing of invoices and credit cards, toll-free customer support lines, return services and inventory tracking. Fulfilment providers often do not take ownership of the products, so the inventory still remains your asset.

Sales agents, brokers and manufacturers’ representatives: Companies in these roles act as your sales force. Their central role is to complete the order and build ongoing customer relationships. They often specialise by geography, industry or target customer channel. Typically these agents operate on sales commissions or retainers, do not take ownership of the goods or services, and are not responsible for warehousing or product delivery.

Distributors: Australian exporters coming to the United States often think using a distributor is the best option because this method oversees all aspects of the US business, from importing to marketing to bearing the cost of poor sales or debts. However, distributors in the United States often want exclusive distribution rights, high discounts, preferential pricing and full control over the final pricing, servicing and marketing of your products. Exclusive distribution contracts limit you to supplying one customer in a given market. Distributors vary by industry and geography in the United States. Some may market a product, while others do not. Some hire sales representatives to market a product. It is important to understand the market well and to know the key stakeholders before entering an exclusive agreement. It would be disastrous to enter an agreement with a future competitor that wants to lock you out of the market. An exclusive distribution agreement should have strict performance guidelines and boundaries.

Regardless of the method of entry or distribution, a key factor to success is to remain engaged with your distributor or partner throughout the sales process.

TIP: While the list above provides a quick description of many of the most common forms of market entry and distribution channels, other more traditional options might also be suitable depending on your industry. These include opening a branch office, joint ventures, licensing and reseller agreements, cooperative production and marketing, or selling under a private label.
Though most Australian companies set aside smaller budgets than Americans for promotion, there are still numerous options available.

For instance, creating a strong branding presence provides the first step toward being successful in the United States, whether you are a business-to-consumer or a business-to-business enterprise. However, do not assume your branding efforts in Australia will work in the United States. Certain words may have different meanings. ‘Boot’, for example, in the United States generally means a type of shoe, while in Australia it could be the back of the car – which in the United States is called a ‘trunk’.

Using an unconventional, or low-cost approach to your marketing can make an impact on consumers. Marketing techniques rely on creativity and dedicated allocation of available resources – even if those resources are people, energy and flexibility – to marketing activities that help you achieve the sales volume and customer loyalty needed to run a profitable and sustainable business in the United States.

Some of the most common marketing tools and techniques used by Australian exporters in the US market include:

**Website:** A website provides the basic foundation for any marketing approach, as well as a great opportunity to build your brand and inform customers in ways that influence their buying decisions. Americans demand high-quality websites that are easily navigated – failure to meet this expectation will affect sales. Also consider using blogs, e-newsletters, special offers, viral campaigns and other communications to create a relationship with consumers. As consumers increasingly turn to smartphones and tablets to search for local business information and to shop for products and services, your website needs to be optimised for these devices.

**Social media:** Businesses are successfully building social media channels into their marketing plans to generate loyalty and engagement with their customers and potential customers. Determine which social media channels work best for your business: Facebook, Twitter and LinkedIn provide strong platforms to reach consumers with business updates, sales and promotions, and new products and services.

Social media also offers the ability to engage in one-on-one conversations with consumers regarding questions, concerns and complaints. Specialised social media sites provide their own benefits. Pinterest, for example, enables businesses to share visually appealing offerings such as clothing, furniture, art and jewellery with a self-selecting audience. Sites such as YouTube enable small businesses to post videos to share information. As a starting point, spend time mapping out which social media channels you want to use for your business and why.
Publicity instead of advertising: Attracting editorial coverage in media that reaches your target audience can be a far more effective way to influence buyers than purchasing advertising space. Editorial endorsements carry great weight with the US consumer, and media attention helps drive sales and create brand awareness. Identify industry publications in Australia and the United States, make contact with editors, and send press releases, samples, articles and reviews of your product or service.

Influential users or recognised reference sites: Pick one or two well-respected reference sites and focus your energy on getting them to endorse or purchase from your company. For example, if you produce medical equipment, getting the Cedars-Sinai hospital in Los Angeles to buy your item would give you credibility with many other hospitals in the country.

Celebrity endorsement: Contact a celebrity’s publicist or manager with information and a free gift of your product or service. If you include a self-addressed envelope and comment card, you may get feedback from the celebrity that can be used in marketing materials.

Memberships in associations: This traditional marketing method provides an effective way to access networks, information and business in any new market.

Sponsorship: The US market attaches credibility to charity events and the organisations that support them. Your company may be a good match for a local non-profit. Commercial events can also offer worthwhile sponsorship opportunities with good logo placement, media exposure and access to the event’s audiences.
Trade shows offer important benefits as part of the US business landscape. Thousands of events are held every year for nearly every industry, from gaming technology to quilting supplies.

The main trade show capitals of the United States include Atlanta, Chicago, Las Vegas, Los Angeles, New York and Orlando but other cities also host various trade show events.

Trade shows provide networking opportunities and a one-stop shop where companies can meet new and existing buyers, distributors, agents and media. They also provide a great opportunity for new suppliers to test product or service offerings on the market, observe their competition and discuss trends. However, paying for this type of exposure can be expensive. Australian exporters should think carefully about whether exhibiting is the best option for their company.

Also, US buyers consider the majority of new exhibitors to be short-lived operations that will be out of business within a year. As a result, buyers often test a company’s viability by waiting to see if it returns to the trade show for a second or third year. Many exporters only begin to make significant sales after their third year of exhibiting.

If you can’t commit to exhibiting for several years, consider attending a trade show rather than participating. Note that many trade shows evict attendees who actively sell on the trade show floor without actually exhibiting, so concentrate on gathering market intelligence and attending seminars and networking events instead.

If you decide to exhibit, be sure to research the available trade shows to ensure they attract the sort of attendees you need, for example, trade versus consumer. Most trade shows will have attendee numbers, profiles and exhibitor lists on their websites. You can easily see which events your competition or target partners are attending.

TIP: Remember for all communications with US markets:

• **Use US measurements** (inches, feet and yards versus metres; any materials that are printed for the United States should be on US standard letter- and legal-sized paper versus A4 or A5).

• **Price in US dollars only.** American buyers may not be familiar with AUD and current conversion rates.

• **Make things as simple as possible** for a US business to work with your organisation (for example, US phone numbers that are accessible during US time zones).
The links to the articles below can help you review your objectives and activities before, during and after a trade show. Thousands of free articles and checklists are available on the internet. Trade show organisers often also provide additional marketing and promotional support activities for exhibitors.

A comprehensive list of trade shows in the United States, including location, date, net square footage, number of attendees and number of exhibitors.

www.tsn.com

A guide used to educate a technology company’s global community on how to make the most of trade shows.


An effective trade show planning article, reprinted from The New York Times.


Trade show tips provided by Skyline Exhibits.

www.exhibitorcentral.com/ec/tips/ectips.asp
A pricing strategy has to take into account the basic need to cover costs and provide a reasonable profit margin.

Australian exporters should avoid the temptation to use their Australian price points as the foundation of a US pricing strategy. Instead, you should consider where you want to be positioned in the US marketplace – lower, middle or upper-end of the market—and then invest time, even if only on the internet, looking at the retail prices of competitors.

Do not assume that premium price points in Australia will be similar to premium price points in the United States. For example, in the United States, an Australian wine with a price point of more than US$12 may be considered to be in the upper-end of the market. In contrast, a designer costume jewellery piece might be considered inexpensive at US$180. So it is important to find the correct price point – pricing your product too high or too low for your market segment can very easily damage your chances for success in the United States. The best strategy is to identify your preferred price positioning in the United States and work backwards to see if you can deliver the goods or services at that price.

When calculating your pricing structures, be sure to consider whether any of the following costs need to be built into your calculations:

- Export certification and documentation
- Shipping and insurance
- Product liability insurance
- Customs duties
- Customs broker fees
- Exchange rate fluctuations
- Translation costs for packaging in US English, measurements and paper sizes
- Labelling costs – UPC (bar codes) and EDI capabilities
- Transportation from the port of entry to the distributor’s warehouse
- Warehouse and fulfilment capabilities and the cost of inventory
- Importer or distributor mark-ups
- Retail sales tax, which varies by state in the United States
- Handling warranties or returns
- Marketing support costs and sales incentives
- Retailer mark-ups.

When pricing for US customers, many smaller businesses have never dealt with an international supplier before and may not understand export pricing. Therefore you need to be sure you are both speaking the same ‘language’ and understand the pricing structure. Quoting should be in US dollars.

To avoid costly misunderstandings, be clear about where in the distribution chain responsibility and ownership of the goods or services changes hands. For example, many US buyers will ask you to quote in US dollars FOB (free on board). Without clarification surrounding where the buyer actually wants to shift delivery or ownership, it is possible that an Australian exporter will assume the US buyer is using the common shipping term, which refers to FOB port of origin, such as Sydney. However, in the United States, FOB can often mean free on board to a US inland carrier of choice, which could be in Nashville, Tennessee.

**TIP:** The most common form of pricing is CIF (cost, insurance and freight) to the port of entry, although many US buyers may still ask you to factor in transportation from the port of entry to their importer warehouse or inland carrier. For a full list of Incoterms and their definitions go to: www.export.gov or www.iccwbo.org.
Australian exporters need to be aware of the many regulations, standards and guidelines that may affect the sale of their products or services in the United States.

US laws and regulations may restrict or limit entry of certain products in certain states and require specific treatment, labelling or processing as a condition of entry.

The regulatory environment affecting Australian exporters may vary significantly between industry and geography (state, county and city). While in most instances states follow federal frameworks, there may be additional state-based guidelines that need to be considered. Exporters should take great care to comply with federal, state, local and industry regulations to avoid delays, extra costs or the prohibition of goods. Engage appropriate business services (including legal) that are expert in the relevant issues, industries and geographies.

Most requirements can be obtained online directly from the federal, state and local regulatory agencies. The federal agencies most likely to impact transactions include:

  For regulations affecting the importation of all articles into the United States.

> **Food and Drug Administration (FDA)**  [www.fda.gov](http://www.fda.gov)
  For regulations relating to US bioterrorism laws and the labelling of food, dietary supplements, cosmetics, drugs (both prescription and over-the-counter), medical devices, items that emit radiation and animal foods.

  • Responsible for developing and executing policies on farming, agriculture, forestry and food. Its duties include overseeing national programs such as the National Organic Program (NOP) and regulation of importation of meat, agriculture and live animal products.
  • Through its Food Safety and Inspection Services (FSIS), the USDA is responsible for ensuring that the US commercial food supply is safe, wholesome and correctly packaged and labelled.

  • For regulations and voluntary standards affecting consumer products that may pose a risk of injury or death, such as flammable products, toys, items containing lead and defective electronics.
  • The CPSC comes under the umbrella of the Federal Trade Commission (FTC):  [www.ftc.gov](http://www.ftc.gov)
Australian exporters that are interested in selling their products and services to the US public sector need to learn about the Buy American Act and Buy America Act of 1933. The Buy America Act and Buy American Act are two separate pieces of legislation with different regulation requirements.

The Buy America Act applies solely to grants issued by the Federal Transit Administration and Federal Highway Administration. In contrast, the Buy American Act may be applied to all direct US federal procurement. Both acts contain preference for purchasing US-made iron, steel and manufactured products.

Whether you are a domestic firm or a foreign corporation, spending money on US legal advice upfront can help avoid expensive lawsuits.

Some of the most common legal considerations that affect Australian exporters include:

Trademark and patent protection: A patent protects inventions or discoveries. A trademark protects words, phrases, symbols or designs identifying the source of goods or services. Protecting your brand or intellectual property should be a priority in the United States. The need to verify the patent protection includes the United States. Even if you won’t have the financial capacity to prosecute trademark or patent infringements, you should still register your trademark or patent with the US Patent and Trademark Office online or via a low-cost service provider. [www.uspto.gov](http://www.uspto.gov)

Copyright: Copyright is a form of intellectual property law in the United States. It protects original works of authorship including literary, dramatic, musical and artistic works, such as poetry, novels, movies, songs, computer software and architecture. Copyright does not protect facts, ideas, systems or methods of operation. This protection covers both published and unpublished works. In general, a work is protected for the duration of an author’s life plus an additional 70 years from the moment it is created. Registration with the copyright office is voluntary, but recommended, in case you ever need to bring a lawsuit for infringement of a US work. [www.copyright.gov](http://www.copyright.gov)

Incorporate: Incorporating offers liability protection, potential tax savings and other benefits. The most common forms are an LLC, C corporation, sole proprietor and partnership. Australian companies can incorporate online for as little as US$100. Various locations in the United States, such as Delaware, allow businesses to incorporate quickly, easily and cheaply through a law firm. The structure of your corporation in the United States will have legal and tax implications, making proper legal and financial advice at the start a sound investment. The US small business administration provides some general information online. [www.sba.gov](http://www.sba.gov)

- **LLC (Limited Liability Corporation):** Provides liability protection without requiring incorporation. LLCs are not taxed as an entity so losses can be applied to your own tax liabilities. LLCs have fewer corporate formalities and ownership restrictions. However, LLCs don’t generally allow for shareholders or outside investors.

- **S corporation:** Provides personal liability protection but permits a pass-through tax (in other words, no double taxation). Profits must be distributed evenly. Some restrictions apply, such as investors cannot be corporations (e.g. venture capitalists) or non-US residents.
**C corporation**: Allows for the largest number of investors and liability protection and often used by publicly traded companies. Requires a board of directors and has specific reporting requirements. The company becomes a legal/taxable entity and pays tax on all income (therefore double taxation). In order to raise capital, your company will need to be a C corporation.

**Sole proprietorship**: The most basic type of business structure with only one owner and no formal legal structure or liability protection.

**Partnership**: An unincorporated business with more than one active owner, no double taxation and no liability protection.

**Product liability**: Insuring every segment of the distribution chain is critical to many industries, such as food, cosmetics, toys and electrical equipment. Your US vendor might require you to have product liability insurance. In these instances, you will need to acquire adequate coverage to protect yourself. Before automatically seeking product liability insurance, you should try to evaluate your amount of risk and what level of insurance, if any, is necessary. For example, if you sell 10 to 15 pieces of high-end jewellery each year through a few boutique retailers, you may decide that product liability insurance is not a necessary investment for your company.

Compare coverage. Some reputable organisations can provide insurance for as low as US$5000-US$6000 a year for up to US$2 million of coverage. Consider adding directors and officers insurance to protect against personal liability.

**Contract advice**: Whether it is a sales agent, distributor or joint venture partner, Australian exporters should always consider obtaining some form of US-based legal advice on contracts. This doesn’t have to mean extensive legal fees – three or four hours of review by a reputable legal firm on a proposed agent’s contract may be sufficient.

The private sector business guides on page 29 provide more information about the legal environment.

**TIP**: If you were about to sign up a manufacturer’s representative, you could go to the Manufactures’ Agents National Association (MANA), which provides free draft contracts that are fairly standard across the nation. Within a few hours of US legal advice, you could ensure that the contract clearly meets your specific needs and performance requirements.

**Bribery of foreign public officials**

Bribery of foreign public officials is a crime. Australian individuals and companies can be prosecuted in Australia for bribing foreign officials when overseas. Australian businesses also need to be aware of how anti-bribery laws of other countries may apply to them, including different laws governing facilitation payments. For more information, visit www.austrade.gov.au/Export/About-Exporting/Legal-issues/Bribery-of-foreign-public-officials.
Australian exporters should always consider obtaining some form of US-based legal advice on contracts.

Taxation
In addition to federal taxes, many US states and even cities impose income taxes. In addition, the United States imposes a sales tax at the point of sale. This rate varies and is regulated at the state and local levels (county and/or city). Advice on your tax liability should be obtained from professional tax advisers, accountants or lawyers for Australians establishing a business presence in the United States, as income and corporate tax laws may apply.

Among the various sources of information available, many major accounting firms provide overviews of US tax systems, such as Ernst & Young’s ‘Doing Business in the USA’. The US Small Business Administration provides direct links to state-based tax information. The private sector business guides on page 29 of this guide provide additional examples of resources available to you. www.sba.gov

Information on changes made in early 2003 to the Australian and US Double Taxation Treaty are now available from the Treasury Department. The Australian Taxation Office can advise on Australian tax implications.

Visa/immigration
Nearly 60 different types of temporary US visas exist, as do a variety of ways to become a permanent resident. It is important to seek legal advice and counsel well in advance of your market visit to ensure all appropriate documentation is filed prior to departure. Generally a citizen of a foreign country who wishes to enter the United States must first obtain either a non-immigrant visa for a temporary stay or an immigrant visa for permanent residence. When beginning this process, first visit the US Department of State website (www.state.gov) to research obtaining the correct visa class. Engaging an accredited visa or immigration specialist and visiting the American Immigration Council website may be beneficial as well. www.americanimmigrationcouncil.org

E-3 visa
The United States has one class of visa, the E-3 visa, which is available only to nationals of Australia and their spouses and children. The principal applicants must be going to the United States solely to work in a specialty occupation. A ‘specialty occupation’ is one that requires 1) a theoretical and practical application of a body of specialised knowledge; and 2) the attainment of a bachelor’s or higher degree in the specific specialty (or its equivalent) as a minimum for entry into the occupation in the United States. It is not enough that an E-3 applicant holds a particular degree—the job itself must also require a bachelor-level or higher qualification. E-3 workers may be admitted initially for a period of up to two years, and extensions of stay may be granted indefinitely in increments of up to two years. There is no limit on the total length of stay for an E-3. For more information, visit the website for the US Embassy in Canberra: http://canberra.usembassy.gov/e3visa.html
Are you ready for the US market?

- Have you identified an appropriate niche for your product and segmented the market into a manageable size for your business?
- Do you understand your US competition?
- Can you clearly and concisely present your competitive advantage?
- Is your marketing collateral free of Australian references, measurements and slang?
- Do you have specific data, product samples and sales sheets to support your pitch?
- Are you committed to being persistent and maintaining a long-term presence in the United States?
- Have you selected a distribution channel and do you know why it is the best option for your product or service?
- Have you developed a professional website and social media strategy?
- Have you developed a pricing strategy tailored to the US market in USD?
- Are your pricing terms explained in a clear language that US businesses will understand?
- Have you examined the federal, state, local and industry regulations that could affect your product or service?
- Do you understand the US laws surrounding intellectual property, incorporation, product liability and contracts?
- Have you developed a cost-effective US marketing strategy?
- Have you attended a US trade show for your industry?
- Have you decided whether trade show exhibitions would further your US presence?
- Are you prepared to adopt a long-term view in terms of committing time, resources and funding?

This section provides an overview of additional resources that may be useful when considering the United States as an export market:

- **Business intelligence tools** that consolidate important source information from key bureaus such as the US Patent and Trademark Office, Bureau of Economic Analysis and Census Bureau
- **State and territorial resources** including relevant cultural background information and key contacts within each jurisdiction
- **Private sector business guides** for business conduct overviews in the US market.

These resources provide good starting points toward researching the categories above:

**SelectUSA** [http://selectusa.commerce.gov](http://selectusa.commerce.gov)
Highlights the advantages the United States offers as a location for business and investment. You can participate in webinars, a state-by-state incentive map, and find a contact list for all state investment officials across the United States and more.

**The International Economic Development Council (IEDC)** [www.iedconline.org](http://www.iedconline.org)
A non-profit membership organisation dedicated to assisting the economic development community by effectively raising the profile of the profession, providing a platform for enhanced business connectivity, networking and relationship development, and insight sharing across the US market.

**US Small Business Administration (SBA)** [www.sba.gov](http://www.sba.gov)
An independent agency of the US federal government that counsels, assists and protects the interests of small businesses across all areas of the economy. This resource may be useful for those exporters wishing to connect with the small business community within their given product line of focus.

**SizeUp** [www.sizeup.com](http://www.sizeup.com)
A business intelligence tool that uses data from hundreds of sources including the Census Bureau, US Patent and Trademark Office, Bureau of Economic Analysis, IRS records and corporate annual reports. This comprehensive overview resource may be useful for exporters that want to better understand the small- and medium-sized business culture in the United States.

**U.S. Commercial Service** [www.buyusa.gov](http://www.buyusa.gov)
The US government’s commercial service portal for companies that want to locate US suppliers. The site provides separate areas for each listed country. Each country page provides information on potential US suppliers, suitable US trade shows, special programs and local contacts.

**Import Tariff Schedule** [http://hts.usitc.gov](http://hts.usitc.gov)
Information regarding import tariffs.

**Private sector business guides**
There are numerous free guides available for business conduct, legal guidelines, accounting and more in the United States, including:

- **Baker & McKenzie**: Legal Guide to Doing Business in the US
- **Deloitte**: International Tax & Business Guide for the USA
- **Ernst & Young**: The Inbound Guide to US Corporate Tax
- **Gallet Dreyer & Berkey, LLP**: Doing Business in the USA
- **HLB International**: Doing Business in the United States
- **KPMG**: Investing in the US: A Guide for Foreign Companies
ENDNOTES

1 United States of America country brief


3 The May 2014 ISA USA Country Report

4 Top 100 U.S. Cities—Ranked by Population, 2013
   https://www.baruch.cuny.edu/nycdata/world_cities/largest_cities-usa.htm

5 Fortune 500, 2014
   www.fortune.com/fortune500

6 NY Post, Chobani’s move to Delaware from NY signals IPO
   www.nypost.com/2014/05/13/chobani-move-to-delaware-from-ny-signals-ipo

7 USA TODAY: Aerospace manufacturing takes off in South
   usa today.com/story/money/business/2014/04/02/stateline-aerospace-manufacturing-south/7209467

8 U. S. Census Bureau, State and County Facts, Texas
   http://quickfacts.census.gov/qfd/index.html

9 Texas, Wide Open for Business, Economic Strength
   https://texaswideopenforbusiness.com/why-texas/economic-strength

10 Texas, Wide Open for Business, Petroleum Refining and Chemical Products
   https://texaswideopenforbusiness.com/industries/petroleum-refining-chemical-products

11 Southwest, Encyclopedia Britannica
   https://www.britannica.com/EBchecked/topic/556966/Southwest

12 California, Encyclopedia Britannica
   https://www.britannica.com/EBchecked/topic/89503/California

13 The Kroger Co Q4 earnings press release 2013

14 U. S. Central Intelligence Agency

15 The White House, Department of Defense

16 IBISWorld Industry Report 44511, Supermarkets & Grocery Stores in the US, January 2014

17 Freddie Mac, Mortgage Rates Survey, 2014
   http://www.freddiemac.com/pmms/pmms30.htm

18 US Census Bureau
The Australian Trade Commission – Austrade – contributes to Australia’s economic prosperity by helping Australian businesses, education institutions, tourism operators, governments and citizens as they:

• develop international markets
• win productive foreign direct investment
• promote international education
• strengthen Australia’s tourism industry
• seek consular and passport services.

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