CHALLENGES OF A FOREIGN MARKET

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While the market in the United States continues to grow and strengthen, companies continue to focus on the international market. A staggering 95% of the world's consumers live outside of the United States. In 2013, the U.S. export market represented $2.3 trillion of trade and opportunity. Since the market collapse in 2009, nearly 1/3 of the growth in the U.S. is driven by the foreign market. But reward often comes with risks:

1. **Country risk -** refers to risks of changes in the business environment that would have an adverse effect on a company's operations, profits or asset value in a particular country. It includes risks of political stability, legal systems, economic conditions, cultural environment and expropriation, restriction of operations or remittance of profits.
2. **Credit risk or financial risk -** refers to risks of non-payment, late payment or even fraud by foreign buyers. These risks may result either from the difficulty in verifying a buyer's creditworthiness and reputation due to larger distances between trading parties or the payment options available for international trade.
3. **Foreign currency and exchange rate risk** - occurs due to the uncertainty of the future value of a currency. It is the risk that a company's operations or export value will be affected by changes in exchange rates or the fluctuation of currency value.
4. **Transportation and logistics risks -** transportation risk refer to risks of transferring goods from one country to another. Such risks may include theft, damage of goods in transport, and the possibility of the goods not arriving. On the other hand, logistics risks relate to risks of international logistics, in particular the contract of carriage. A carriage contract is drawn up between a shipper and a carrier (i.e. transport operator) and largely depends on Incoterms 2010.
5. **Other risks –** Exporting to a foreign market involves more complex documentation and administration, protection of intellectual property and geographical remoteness from markets and customers compared to operating domestically.

While navigating these international waters can be risky, knowledge of the market and customers are vital. Chasing international growth requires an understanding of new countries & customers. New territories come with new companies: local knowledge is needed in tracking local businesses. A company must make sure that it has the support of its centers of influence - a company's CPA, lender, and legal counsel must understand international trade in order for a company to grow outside the U.S. To grow effectively, a company must follow the laws governing the markets it is penetrating, have access to the required capital, and have the reporting foundation needed to safely expand. One can't grow without the support of others.