

IBNewsmag™

International Business News

April 2018

Finding New International Distribution Avtech Software, Inc.



Richard Grundy
Avtech President

In this issue:

Tips for Finding New Distributors/ Steel-Aluminum Tariffs/ Country Profile: Saudi Arabia



Advertorial

Held & Associates forms new global partnership



Held & Associates, Freight Forwarder & US Custom Broker in Kansas City, has formed a new international partnership with Florence-based Savino Del Bene USA, Inc. (SDB).

SDB is a 100-year old global logistics provider with a worldwide network specializing in air, ocean, surface transportation, and other related services. Its airfreight services offers worldwide air consolidation, direct and consolidated consignment services, express services, hand carriage, charter services, door-to-door, perishable cargo, oversized and hazardous cargo, security areas for high value cargo, bonded facilities and in-house customs brokerage services.

The company also provides logistics services, which include complete supply chain management, inbound/outbound logistics integration, customized solutions, IT solutions and integration development, specializing in supply chain management, offering services for ocean, air and surface transportation. The SDB Group maintains over 4,000 employees, 158 owned branches, 102 subsidiary offices and with support of over 150 selected correspondents.

SDB Group offers tailor-made solutions combined with competitive rates and professionalism.

Held & Associates President, Rick Held, pointed out that “this is a true partnership, and we will continue to offer Held services to our valued customers without disruption but with greater capabilities.” Held & Associates is celebrating 37 years in business serving clients throughout the World!



Email Rick@held-assoc.com / 816-842-6701, ext. 202



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IBNewsmag™: cover image



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Publisher's letter

Finding reliable distribution is a key precursor to building export sales. Without identifying solid distributors and sales reps, there are no sales.

And, there is no easy way to find international distribution. Sure, there are trade shows, websites and government support. But they all require diligence to make them pay off.

In this edition of *IBNewsmag*, we profile a small to medium-sized exporter (SME), with a distinct export strategy and its own set of challenges in working with distributors.

Avtech Software is a Rhode Island exporter that produces Room Alert monitors used throughout the world in data centers, hospitals, warehouses and other storage facilities. Its approach to distributors is quite different, which you can read beginning on page 4.

There are more questions than answers on the President's tariffs on imported steel and aluminum. Here an experienced international attorney summarizes the current situation, and we examine additional import tariffs announced by the US Trade Representative.

To reinforce the challenge of finding the best channels of distribution, we present a few practical tips on how to do it based on the experience of a seasoned UK international businessman.

In this edition, we look at practical tips for doing business in the burgeoning market of the Kingdom of Saudi Arabia.



Avtech President Richard Grundy holding the Room Alert 12E Monitor with a Digital Temperature Sensor mounted above in a data center.

Avtech embraces the distributors that found them

It isn't often that a small to medium-sized exporter (SME) has distributors/resellers that come to them, but it happened to Warren, Rhode Island-based, Avtech, a manufacturer and world-wide exporter of Room Alert environmental monitors, sensors and accessories.

As Avtech President Richard Grundy explains, "At the time Room Alert was released, there wasn't much available on the market capable of monitoring, logging, reporting and alerting of environmental conditions. As a result, many of our now customers and resellers (distributors) found us."

Because Avtech Room Alert monitors have FCC and CE approval, the company ships power adapters that are compatible with all international market applications, and has been exporting all of its 30 years in business.

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One of its newer products is the Digital Active Power with Temperature Sensors that allows customers to place the sensor on the outside of any electrical cord to determine power status and temperature of the connected device, versus having to isolate conductors or open their electrical panels to install current-loops. It was instantly in demand and is being sold worldwide.

While Avtech has always been in the data center market around the world, its markets have evolved monitoring some of the largest warehouse and storage facilities. And, many hospitals rely on Room Alert to monitor sensitive equipment, medications and vaccines.

Additionally, food and beverage distributors depend on Room Alert to preserve product qualities.

“Data centers are often early adopters of new technology,” said Mr. Grundy, “but other markets are quickly catching up and using our Room Alert to monitor and avert environmental conditions that could impact their business.”

According to Mr. Grundy, the greatest barrier Avtech faced in both domestic and international sales is its low overall product cost. “This may seem counterintuitive,” he claimed, “but resellers initially thought it might be easier to sell one high-end switch than 5 – 10 Room Alert monitors.” It proved otherwise.

Another challenge is the protection of its patent and intellectual property. “We work with a team of intellectual property attorneys who regularly advise us as how to best protect our IP in the over 180 countries we sell to,” said Mr. Grundy. “Despite the best legal efforts, we find the best way to protect our IP is to continue to focus on the overall value and integration of Room Alert, our sensors, software and tools. Someone may copy one or two of our products, but it’s tough to replicate the entire suite of products and the way they seamlessly work together. We feel it’s impossible to replicate the quality of our team, the quality of our products, and how we treat our customers, resellers and partners.”

In finding and keeping its distributors or resellers, the company discovered that its best ones are managed service providers or out-sourced IT firms whose clients install firewalls, gateways, Wi-Fi and other IT equipment. “Our Room Alert monitors are a good fit in protecting the capital invested

made into other equipment, while rounding out an organization’s business continuity plan,” said Mr. Grundy.

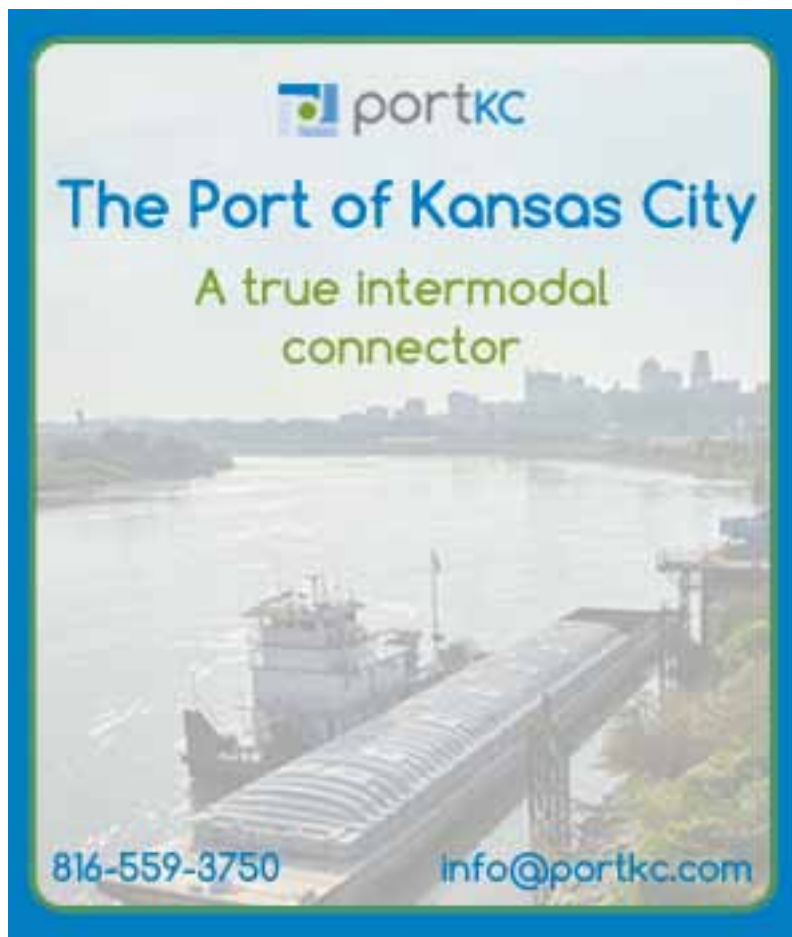
“We’re fortunate to have so many international resellers who have been with us for many years,” he continued, “some for well over 15 years.”

When asked about the recently-imposed import tariffs on steel and aluminum, Mr. Grundy noted, “We’re already seeing the impact of the tariffs starting to affect our supply chain. Most of our Room Alert monitors use a steel enclosure. We proudly manufacture all our products, including the enclosures, in the USA with US steel. The rising cost of foreign steel has increased demand for US steel. That increased demand is causing higher pricing. We’re hopeful that US suppliers will be able to ramp up to meet demand so the price increase is temporary, although we must regularly monitor our

Avtech continued on p. 6



Avtech Room Alert 12E.



Avtech continued from p. 5

supply chain to minimize the impact.”

“We believe strongly in and are 100% committed to domestic manufacturing. Our customers depend on Room Alert to monitor for extreme conditions at their most critical facilities and locations. For us, maintaining high quality means keeping all aspects of the manufacturing process as close to our headquarters as possible.”

Mr. Grundy’s tips for SMEs striving to identify and qualify international distributors?

“The Internet has made the entire world be just a click away. Embrace the opportunity and don’t be afraid of the unknown.

There are resources available that can help open the international market while minimizing the risk to your business. Engage your state commerce

office and US Commercial Service for assistance. Identify a couple of key markets for your products, then determine if any changes will be required to sell your products in that market.

We’re lucky to have incredible support from Commerce RI, US Commercial Services, and the Chafee Center at Bryant University with other state and local agencies available to assist us with both domestic and international business development needs.”

For more information about Avtech, visit www.AVTECH.com



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Top tips for finding the right overseas distributors for you

For many businesses, particularly manufacturers and producers, success overseas depends on finding and building strong partnerships with distributors. Here are our top tips to help you do it right:

1) Take the initiative

Yes, it's true that sometimes a distributor will make the first approach. They may be responding to your website ("We're looking for distributors"), or have seen an ad you placed through some 3rd party service. They may even walk right up to your stand at a trade show and proposition you. Such an approach might appear simple and cost-effective, but it rarely yields good results, and is often inefficient in the long-term. Instead, decide what you need and then go for it.

2) Be involved in research

Selecting the right distributor(s) for a market is a crucial strategic task. If you conduct research to find distributors, tune your criteria, identify interesting leads, and avoid blind alleys. Sometimes a collaborative with your senior management is one way to identify distributors.

3) Set smart criteria

Gut feel is useful ("Do I like this person? Can we work with them?"), but it's never enough to make a good choice. You may want to create a spreadsheet with the new candidate distributors in rows with several criteria in columns, and score them as you go along. If a meeting with the distributor is involved then "Gut feel" may be included as one of the criteria. The criteria are given weightings too, so that more important ones have a greater impact on the result.

4) Use common sense

You may start with a long list of "potentials", but that will often need to be whittled down to 4 or 5 strong candidates before you can start to engage with them properly. That's because it's hard to keep more than 5 in mind at one time. If, after face-to-face meetings and visits to their sites, you feel the shortlist is wrong, drop some candidates from it before replacing them with others.

5) Think 360°

You're looking for a partner who will sell for you, and as such you may need to pitch your product to them. But don't forget that they are also selling themselves to you – in other words, you are hearing a sales pitch also. Look for customer reviews, talk with their other suppliers, check their formal accreditations, and – if possible – ask your end-user customers about them.

6) Make your "due diligence" holistic

Think of the "due diligence" process as an all-round assessment process. By gathering and cross-checking information about the candidate distributor from a number of sources, you will end up with a picture that has integrity, and that makes sense within their market context.

7) Be practical about language

Though SMEs have more linguistic resources at their disposal than ever before, not least among their own employees, the language of most supplier-distributor relationships is still English. And a high standard of spoken/written English will feature on your list of selection criteria. Remembering that your aim in this relationship is a win-win, try to make communication as simple as possible, and at the same time as you are trying to assess their capability to work with you in English. Do this by sending questions, documents and presentations in advance to allow time for preparation before meetings.

8) Window or wall?

If you want a distributor who may share a new window into a market, direct end-customer engagement and a more transparent, participative distributor arrangement, look for clear evidence of it. Will they share customer names and sales with you? Take other suppliers to meetings and trade shows? Are they open about end-pricing?

A special thanks to Matthew Grandage of the UK Chamber International for much of this content.

John Cruickshank appointed Canadian Consul General of the Chicago Consulate



John Cruickshank, Canadian Consul General, Chicago office.

Former media executive John Cruickshank was recently appointed Canadian Consul General of the Chicago Consulate office with responsibility for Illinois, Missouri and Wisconsin.

In his first official visit to Kansas City, Mr. Cruickshank served as the Canadian emissary to celebrate the Vimy Oaks remembrance at the World War I Museum. He also visited the Dairy Farmers of America headquarters office, addressed a World Trade Center/Husch Blackwell forum on steel and aluminum import tariffs, was introduced to Kansas City, Missouri, Mayor Sly James, and met with the Editorial Board of the Kansas City Star.

His message:

Canada and Missouri USA share a long-time trade relationship. "Let's preserve this mutually beneficial relationship and work together to make sure NAFTA works for both."

Prior to his appointment to the Canadian Consulate General, he headed newspapers and television companies in both Canada and the United States. He was Publisher of the *Toronto Star*, Canada's largest newspaper, and President of Star Media Group from 2009 until 2016.

He served as Publisher of CBC News from 2007 to 2008 where he was responsible for all English-language television, radio and online news. Before joining the CBC, he was Publisher of the *Chicago Sun-Times* and Chief Operating Officer of the Sun-Times Media Group from 2003 to 2007 as well as Vice President, Editorial, from 2000 to 2003.

Born and raised in Toronto, Mr. Cruickshank is a graduate of Trinity College at the University of Toronto.



Kansas City, Missouri Mayor, Sly James with Canadian Consul General John Cruickshank and Consul, Monica Robson.

Steel and aluminum import tariffs raise more questions



Brian Murphy

According to Brian Murphy, Esq., a Partner with Miller & Company, P.C., “We have had many clients come to us with questions about how the new Section 232 additional 25% steel and 10% aluminum tariffs impact their business. The additional tariffs apply by Harmonized Tariff Schedule

(HTS) and country of origin, with imports from Canada, Mexico, Australia, Argentina, Korea, Brazil and E.U. countries temporarily exempted through April 30. The additional tariffs have prompted importers to re-evaluate and validate their declared tariff classifications and countries of origin. Of course, this may also impact their past shipments.”

Many imported steel and aluminum articles have been subject to low duty rates, but some are subject to high antidumping and countervailing duties. The 25% steel and 10% aluminum tariffs add significant extra costs on top of these existing duties. Further, the scope and temporary nature of

country exemptions have added to the uncertainty. There is a process to request product exclusions from the steel/aluminum tariffs. Many importers have already requested exclusions for their specific steel and aluminum products; however, none of these exclusions have yet been approved.

The additional 25% and 10% tariffs have also resulted in increased Customs scrutiny of imports. “It’s a big deal for U.S. Customs – incorrect tariff classifications or origins and undervaluation can result in significant loss of revenue for the government,” said Mr. Murphy.” Tariff classification, origin, and customs value errors could lead to Customs penalties as well as demands for underpaid duties for shipments up to 5 years ago.

“The temporary nature of the current country exemptions has also increased the unpredictability. For example, it is unclear from USTR reports if and when South Korea will receive a long-term country exemption, and if it will only shield Korean steel or also aluminum from the additional tariffs,” he declared. “The uncertainty has confused companies and complicated sourcing decisions.”

More potential import tariffs from China – Section 301

The recent release by the US Trade Representative (USTR) indicates a “possible” 25% additional tariff on selected products imported from China.

This is a “proposed determination of action” published by the USTR which is subject to change through public hearings and possible bilateral dialogues. With so many geopolitical factors affecting negotiation outcomes, the situation is fluid.

At this point, there is no way of knowing which items, if any at all, will ultimately be subject to the measure.

The USTR proposed list covers 1300 tariff numbers including, but not limited to, certain products from the Harmonized Tariff Schedule (HTS) Chapters.

- 29 – Chemicals
- 30 – Medicines

- 40 - Some rubber, tires & conveyor belts
- 72 – Iron/non-alloy steel
- 76 – Aluminum
- 84 – Machinery & mechanical appliances, including machinery used in manufacturing textiles & apparel
- 85 – Electrical machinery, television image & sound recorders & reproducers
- 86 – Railway & tramway
- 87 – Motor vehicles
- 88 - Planes & helicopters
- 89 – Boats
- 90 – Glass & microscopes
- 93 – Guns
- 94 - Aircraft seats & motor vehicle parts

See the Federal Register through the below link for more information:

www.gpo.gov/fdsys/pkg/FR-2018-04-06/pdf/2018-07119.pdf



PROFILE: Saudi Arabia

A Few Practical Tips for doing business in the Kingdom of Saudi Arabia (KSA)

- It is considered impolite to start talking business immediately.
- Friday is the holy day of Islam, so every business is closed. Businesses are also closed on Thursdays.
- Saudi business people pray five times a day. The exact times are published in the local newspaper every day.
- Meetings are often loosely scheduled around set prayer times.
- Do not take photos of people without their permission.
- Do not be impatient in business matters
- To do business, trust must be established first.
- Saudi men are addressed by their title and first name.
- During the month of Ramadan (exact days vary each year), business slows considerably. Note: Ramadan 2018 is from Wednesday, May 16 until Thursday, June 14.
- Meetings are often interrupted since there may be several people in the same office discussing multiple business matters, so some may leave the meeting to take care of other business.
- Never flatly refuse refreshments e.g. coffee, dates, tea. At least accept the first round.

Saudi Arabia

Saudi Arabia Overview

The country is slightly more than 1/5 the size of the U.S. However, most of the land is not arable due to the lack of rainfall and fresh water. Hence, they continue to build extensive seawater desalination facilities for both direct consumption but for irrigating crops (wheat, barley, melons, tomatoes and citrus) as well as for raising cattle, sheep and chickens).

- Population Distribution: The population is concentrated in a wide area in the middle of the peninsula from Ad Dammam in the east, through Riyadh in the interior to Mecca-Medina in the west near the Dead Sea.

- Population: 28.6 million (July, 2017 est.)
- Population Growth: 1.45% (2017)
- Literacy Rate: 94.7% (age 15 and over can read and write)
- Government: Absolute Monarchy. Currently ruled by Crown Prince Muhammad Bin Salman who is instituting a number of reforms.
- Capital: Riyadh

Economy

Since Saudi Arabia is primarily dependent on oil and gas production, it continues to pursue economic reform and diversification. It is a member of the World Trade Organization and also is pursuing foreign investment.

- GDP: \$678.5 billion (2017 est.)
- GDP Growth Rate: 0.1% (2017 est.)
- Unemployment Rate: 5.6% (2017 est.)
- Exchange Rate: 1 US Dollar = 3.75 Riyals - (set rate)
- Labor Force: 12.34 million
- Labor Force Makeup: Agriculture - 6.7%, Industry - 21.4%, Services - 71.9%
- **Major Industries:** Crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, caustic soda, cement, fertilizer, plastics, metals, commercial ship repair, commercial aircraft repair, construction

International Trade

- **Major Exports:** Petroleum and petroleum products - 90%
- Total Exports: \$231.3 Billion (2017 est.)
- Total Imports: \$136.8 Billion (2017 est.)
- **Major Imports:** Machinery and equipment, foodstuffs, chemicals, motor vehicles, textiles
Major Export Partners: China - 13.6%, Japan - 11.3%, India - 10.7%, US - 9.8%, South Korea - 9.1%, Singapore - 4.7% (2016)
- Major Import Partners: China - 16.2%, US - 15%, Germany - 6.3%, Japan - 5.3%, UAE - 5%, South Korea - 4.3%

Saudi Business and News Publications

- Saudi Gazette - general news (In English) - www.saudigazette.sa
- Al Jazirah - leading newspaper (In Arabic) -

www.al-jazirah.com or
www.al-jaziraonline.com

- Arab News - general news (In English) - www.arabnews.com
- Online Saudi Daily Report - general news with a lot of business news - (In English) - www.livenewspapertv.com
- Aseer News - general news - (In English) - www.aseernp.com/en
- Al Riyadh - general news - (In English) - www.alriyadhdaily.com

Sampling of Saudi Companies

- A.A. Turki Group - diversified conglomerate - Dammam - www.atco.com.sa
- Advanced Electronics - electronic equipment design and manufacturing – Riyadh - www.aeci.com
- Balubaid - diversified conglomerate – Jeddah - www.balubaid.com
- Krimmley Contracting Company - heavy construction – Jeddah - www.krimmleygroup.com
- Nadec - food products and farming – Riyadh - www.nadec.com.sa
- Nama Chemicals - specialty chemicals – Jubail - www.nama.com.sa
- SABIC - specialty chemicals and metals – Riyadh - www.sabic.com
- Saudi Aramco - oil and gas exploration, development, refining, chemicals etc. - Dhahran - www.saudiaramco.com
- Savola Group - food products etc. – Jeddah - www.savola.com
- Zamil Steel Holding - building materials and fixtures, engineering systems and services for the construction industry – Dammam - www.zamilsteel.com

National Holidays

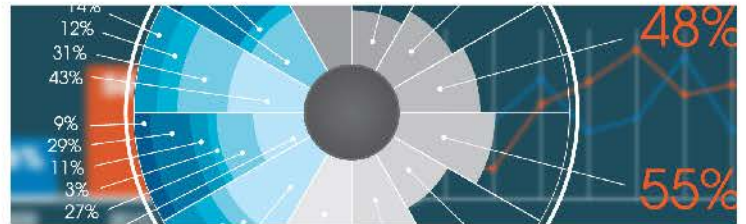
- June 14-17 - Eid al-Fita Holiday
- August 20-23 - Eid al Adha Holiday
- September 12 - Muslim New Year
- September 23 - Saudi National Day
- November 21 - Prophet`s Birthday

By Paul Mastilak
InterMark3, Inc.

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