

LAYING A FOUNDATION FOR EXPORTS

CONSTRUCTION SUPPLIER “NAILS” CHINA MARKET

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Success in exporting takes more than a great product and a reliable freight forwarder. Personal tenacity, in-depth market know-how and a willingness to experiment are also key elements.

Maureen Russell, president of R.M. Waite company, learned this first-hand. Ten years ago, she bought R.M. Waite Company, a small roofing and building materials distributor based in Oakland, California. The company was well established, but it began to struggle in 1998. Most of R.M. Waite's international sales were to Asia, and the financial crisis saw the company's export markets deflate and international sales slow. New strategies and support from the U.S. Commercial Service led Russell to a market many small companies find daunting — China. Not one to be deterred by the unfamiliar, Russell has always brought a spirit of adventure to her business. “After all,” she laughs, “I wanted to go to the Middle East during the Gulf War.” Now, 80 percent of R.M. Waite's exports go to Asia, generating \$2 million in 2000.

Now an enthusiastic and knowledgeable proponent of U.S.-China trade, Russell describes her Chinese customers as “gracious and eager for American products.” Russell notes that U.S. businesspeople often approach China with a sense of trepidation but counsels that it need not be so. Chinese businesspeople are generally enthusiastic about

doing business with U.S. companies, and the difficulties posed by Chinese business systems are not insurmountable. Taking advantage of the insight and expertise of Commercial Service officers in China is one way for an exporter to gain an edge. International trade specialist George Tastard of CS San Francisco says, “entering the China market requires persistence, triple checking requirements and a solid Chinese partner relationship. But by working with federal and state international business professionals, U.S. firms can find assistance researching requirements and finding the appropriate business partner.”

BOOMING GROWTH, BOOMING OPPORTUNITIES

Russell has tapped into a market with which many exporters may not be familiar — China's building materials sector. In 2000, China imported \$396 million in building materials from the U.S., an increase of nearly 40 percent from \$241 million in 1998. The Chinese government designated the construction industry as a “pillar industry,” in 1996 but China had already been experiencing a major construction boom for several years. China's construction market has been expanding since 1992, and while it is showing some signs of slowing down, most analysts agree that a growth rate of 10 to 13 percent will be maintained for the next three years. Analysts estimate that three billion square meters of new housing will be needed nationwide every year for at least the next five years, and China spends approximately

\$25 billion annually on residential housing. But the market is not just in housing. Other Chinese construction projects include highways, bridges, railways, tunnels, dams, power plants, piers, airports, hotels, office buildings and schools. All of this creates great demand for building materials, and increased opportunity for U.S. exporters, like R.M. Waite, who are able to fill it.

China's accession to the WTO should prove to be a boom to U.S. companies hoping to sell building materials to the Chinese market. While demand for U.S. products in China is strong, tariff and other barriers have traditionally made it expensive for Chinese builders to buy high quality building products from the United States. China's WTO membership will benefit U.S. exporters by reducing these barriers allowing more U.S.-manufactured building materials to flow into the country.

One advantage U.S. building materials suppliers hold in the Chinese market is their relative technological capabilities. The Chinese currently lack the technological ability to manufacture materials of comparable quality to U.S. products. In building materials, high quality often translates into long-lasting, energy-conserving construction, which is increasingly valued by Chinese builders. Chinese buyers generally recognize U.S. ability to make low-cost, high-quality materials. Maureen Russell's experience in China supports this insight. She found buyers there eager to purchase R.M. Waite's products, particularly siding and asphalt shingles.

PROVIDING EXPORTERS WITH THE PROPER TOOLS

It is a good time to look for market opportunities in Asia. But it is no accident many small business owners are hesitant to pursue sales in China. This is a market with unique challenges and many pitfalls. How did Maureen Russell help her company to overcome them?

She did her research and turned to the U.S. government for assistance. Realizing that R.M. Waite needed help diversifying and strengthening its export markets, Russell began to investigate the extensive network of trade promotion agencies that can do just that. Her first stop was San Francisco's Center for International Trade Development (CITD). There, Director Richard Soyombo introduced her to the U.S. Commercial Service, a Department of Commerce unit that provides global business solutions to U.S. companies. With offices in more than 100 locations across the country, the Commercial Service works closely with other local, state and federal trade assistance agencies. "I did not realize such a network existed," says Russell.

Russell entered an international business-training program led by International Trade Specialist Stephen Johnson of the Commercial Service San Francisco and assisted by Soyombo of CITD. Part of the Commercial Service's Global Diversity Initiative, the six-month training program, is held in business centers throughout the U.S. It covers the logistics of international trade, including distribution channels, finance, transportation, e-commerce and documentation. As an experienced exporter, Russell did not know what she would get out of the program but was surprised by how much there was to learn. Soon she began experimenting with new methods and sources of financing like those of the Export-Import Bank.

With these tools in hand, Russell turned to new markets. Working with International Trade Specialist George

Tastard, Russell began to explore the Chinese market, which the Commercial Service lists as a leading consumer of U.S. building materials. Russell has high praise for Tastard, who continues to provide R.M. Waite with value-added counseling and extensive market research. "George gave me so much information on China," says Russell. "And he's so creative." Soon, R.M. Waite's sales were picking up.

PERSISTENCE PAYS OFF

One of the first things Russell learned about doing business in China was the importance of relationships. She built contacts with Chinese buyers, and continued to work closely with her network of Commercial Service export specialists. Tastard introduced Russell to commercial officers in Beijing, who provided their unique brand of on-the-ground know-how to speed the company into the market. In Beijing, for example, Commercial Officer Thessalonika Benny provided first-rate market research and helped Russell shape her market-entry strategy. For a small company without an army of staff to research marketing strategies and investigate sales leads, the expert consulting of the Commercial Service in China was key in creating new sales channels.

What's more, Commercial Service officers provided Russell with the intricate market knowledge necessary in order to steer through the often-rocky shoals of the Chinese market. For instance, when Russell's Chinese customers had difficulty getting visas to visit the U.S., putting a major deal in jeopardy, Tastard put Russell in touch with Congresswoman Barbara Lee to sort out the issue. Principal Commercial Officer Erin Sullivan of CS Shenyang also stepped in with guidance and advice. Russell is currently working with commercial officers in China to explore joint venture opportunities with Chinese companies.

Maureen Russell has come full circle, from a China novice to an expert and mentor. She recently demonstrated her expertise as a panelist at the China Trade 2000 conference in Oakland, California, speaking alongside U.S. Commercial Service Director General Marjory Searing. Russell has breathed new life into her well-established export company, learning firsthand the advantages of having the U.S. Commercial Service on her team. "U.S. businesses need persistence to break into the Chinese market," remarks Tastard. "But once in China, the rewards are great." ■



Maureen Russell of R.M. Waite with International Trade Specialists George Tastard & Stephen Johnson of CS San Francisco and Richard Soyombo, Director of the Center for International Trade Development.

Photo courtesy of U.S. Commercial Service