



TenStep Supplemental Paper

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Direct and Indirect Exporting

Exporting is particularly attractive to entrepreneurs, who seldom have the capital for foreign investment or the expertise to set up international ventures. When they venture into exports as an entrepreneurial activity, they can choose to become a direct exporter or an indirect exporter.

Direct exporting: Entrepreneurs can become direct exporters, bypassing intermediaries to sell directly to overseas buyers. Direct exporting requires entrepreneurs to take responsibility for selecting overseas markets, contacting buyers, arranging shipments and payments, and handling documentation. A major issue they have to address is selecting the distribution channel to reach target customers and negotiating sales to foreign customers within that channel. This can be done by appointing an agent in potential countries or selling directly to foreign retailers or end users.

Indirect Exporting: When entrepreneurs choose to become indirect exporters, the export process becomes less arduous because they take the help of an intermediary. The intermediary helps handle negotiations and legal transactions with overseas buyers, and leverages excellent market connections to close a sale efficiently, without any risks.

Aspiring exporters must take due diligence to determine the commercial feasibility of the product or service, research the markets thoroughly, structure responsibilities, and obtain the necessary resources. They need to become knowledgeable about the realities in the markets they wish to operate in, and familiarize themselves with the host country's cultural and legal issues.