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Looking Abroad for a Bigger Boost in Business

Weak Economy, Dollar - Prompt Firms to Chase - Foreign Consumers

By RAYMUND FLANDEZ

September 9, 2008- For three years, David Rosenberg, co-founder and chief executive of a concrete-product maker, had thought about doing business overseas. But the timing just wasn't right. Until now.

With slowing domestic commercial and residential construction, Hycrete Inc. is putting a bet on growth abroad this year. And it seems to be paying off.

"The U.S. market is an established market," Mr. Rosenberg says. "If you look at India, Europe and the Middle East, you see decades of underdevelopment and underinvestment there. The construction boom that's taking hold in those markets is tremendous....We're also going where the money is."

The Carlstadt, N.J.-based company says its products are being used in the construction of the tallest residential tower in India and mall projects in Eastern Europe. The company also is getting in on the Middle East's green building boom. Hycrete's product is a water-based chemical mixture called Hycrete Elite that is mixed into concrete to make it water- and corrosion-proof.

With a shaky U.S. economy hurting domestic sales and a weak dollar making U.S.-made goods more attractive to foreign buyers, a rising number of small companies are shelving domestic growth, for now at least, and are seeking bigger opportunities abroad. For some, it is an initial foray. Others already have dipped their toes in foreign markets but are now diving in. Some others are forming partnerships or affiliate deals to facilitate their entry into an unproven market.

"There is so much focus on foreign markets at this time...because of the state of the U.S. economy, which adversely affects sales volume and prices," says Raphael Amit, a professor of entrepreneurship at the Wharton School of Business at the University of Pennsylvania. "Yet in overseas markets, U.S. manufacturers and service providers can compete effectively and realize substantial profits due to favorable exchange rates." He adds that "expenses are in dollars and revenues are in currencies that are stronger."

Although the dollar has surged over the past few months, since 2006 the U.S. currency has lost 11.5% of its value against the currencies of major trading partners, according to Federal Reserve data.

Small businesses are "struggling in their own market, so they have to be creative and innovative and find new approaches to grow their business," says Laurel Delaney, president and founder of Globetrade.com, a consulting and marketing solutions company for entrepreneurs seeking international expansion. Ms. Delaney says her business has quadrupled to about two dozen clients in the past year.

'A No-Brainer'

ProMark Associates Inc. had dabbled in projects overseas over the past few years – in Chile, Mexico and Middle Eastern countries including Kuwait and Qatar. But in recent months, the Skokie, Ill., maker of commercial air purifiers has ramped up its overseas business, while scaling back work at home.

Company co-founder Jeff Roseberry says he saw domestic development slowing. And going abroad gave ProMark access to the type of big projects the company didn't get back in the U.S. because they no longer exist. For instance, it is currently installing about 120 systems in a new airport in India.

"We would much rather be here," Mr. Roseberry says, "but the opportunities seem to be brighter over there....It was a no-brainer."



Hycrete Inc.

About 100,000 gallons of Hycrete concrete water-proofing additive are being used in the construction of the Palais Royale in Mumbai, India.

He says a former client recommended ProMark for the airport project, which is valued at \$500,000 initially. The company also is planning to install its systems in a new thoroughbred racetrack in Dubai.

"It will be a significant increase in sales for us," says Mr. Roseberry, who declines to disclose any numbers.

Doubling Sales

Another firm boosting its overseas presence is Folbot Inc., a Charleston, S.C.-based maker of kayaks and folding boats. The 75-year-old company, which was recently taken over by new owners, has had flat or slightly declining sales for the past few years. So it decided to take advantage of the weak dollar and work more aggressively to sign exclusive distribution deals in countries with a strong market, such as Sweden and Norway.

Folbot's sales have increased about 10% since last year. Traditionally, international sales have made up about 20% of the company's revenue. But over the past three months, the percentage of international sales has doubled to 40%.

David AvRutick, Folbot's owner, says he fields a lot of cold calls from prospective dealers overseas. So the company has had to vigorously vet potential partners, verifying marketing plans and making dealers adhere to certain performance standards, such as selling a certain number of products within a given time frame.

In addition, with shipping costs dramatically rising over the past year, Folbot has had to come up with options to accommodate its growing roster of international clients. It has added air-freight and surface shipping by boat and has negotiated a new agreement with UPS, its main deliverer. Shipping costs, which the dealers pay, can run from a few hundred dollars to well over \$1,000, Mr. AvRutick says.

"We have to do the best we can," he says. "Our customers pay for it. The more expensive it is for them, the less attractive the purchase is."

Finding Affiliates

Some companies recognize that they are too small to venture abroad alone, so they are setting up partnerships or affiliations with foreign sellers.

Take eDressMe.com Inc., a 12-employee online retailer of women's dresses. "About six months ago, when we realized the impact of the weakening dollar was going to have on our business, we established an outreach program to affiliates overseas," says Joanne Stoner, the company's chief executive.

Affiliates are online retailing sites around the world that feature and promote an eDressMe link or banner ad or actual eDressMe dresses. If a customer purchases an eDressMe dress, the affiliate gets a commission. New York-based eDressMe.com pays a site a commission of 5% to 10% of sales depending on how much traffic it generates.

Ms. Stoner signed up with Commission Junction Inc., an affiliate marketing manager in Santa Barbara, Calif., which helped her connect with more than 3,000 affiliates world-wide.

As of Aug. 31, eDressMe.com has generated sales of \$6.8 million this year, double that of the same period a year earlier. Among the company's strongest overseas markets are Belarus, Bulgaria, Canada, Ireland and the U.K.

One customer in the U.K. is Andrew Cox, a 41-year-old stylist and costume designer for film and television. Mr. Cox was running out of dresses for a talent show earlier this year, so he looked online and came across eDressMe.com. Seeing the site's wide selection of dresses and their low cost compared with European suppliers, he started to place an online order for five dresses for \$1,000. But he soon realized that it would be cheaper and quicker for him to grab a flight to New York and browse through the company's Manhattan store in person than having the dresses shipped. He ended up spending an additional \$1,000 on dresses during the visit. Since May, he has taken three trips to shop at eDressMe and has spent between \$1,000 and \$2,000 each time.

"What made eDressMe a great deal for me was the amazing variety of styles and colors," he says. "They're not available in the U.K. and the prices were extremely competitive with the exchange rates. And all the dresses that I had seen that were similar in the U.K. were twice the price."