TRADE DEVELOPMENT IN TURBULENT TIMES
(FROM THE PERSPECTIVE OF A SMALL BUSINESS)

By
ZAHEER FARUQI
PRESIDENT
AVENTURE AVIATION
Peachtree City, GA
10th December 2008
AVENTURE AVIATION:-

- Major aviation parts supplier.
- Based in Peachtree City Foreign Trade Zone approx 25 miles south of Atlanta’s Hartsfield-Jackson International Airport.
- Company has been in business since 2002.
- Sales have seen steady growth over the years and last year 90% of the business was generated from International Sales.
BUSINESS PLANS OF AVENTURE AVIATION

► AVENTURE intends to continue to explore opportunities in international markets.

► Product diversification and customer focused needs are being closely monitored.

► Financial credit risks with Clients have been much reduced leading to decline in our sales.

► Last week we had a Grand Opening of our new facility.
In 2006 the Governor of Georgia and the World Trade Center of Atlanta re-instated a historic Georgia tradition of the Governor’s International Awards to honor companies who have promoted and developed international business in the state.

AVENTURE AVIATION was selected as one of four finalists in the category of "International Trade". This category was open to all size companies in all sectors, and was not only based on the magnitude of trade flows, but the uniqueness of approach, barriers overcome, creativity, business alliances and relationships were also considered.
In 2007, USA Chamber of Commerce launched ‘Faces of Trade’ magazine featuring 44 successful GA companies responsible for Exports.

AVENTURE AVIATION was included in the list and was asked to join senior Trade Representatives from Washington D.C. along with GA Commissioner in the release of the publication and to meet the Press.
FACTS ABOUT SMALL BUSINESSES

- 97% of all U.S. Exporters are small-to-medium sized companies
- 2/3rds of them sell to only one foreign market
- 95% of the world’s consumers live outside of the United States
- 20% of U.S. goods and services are exported.

NEWS OF THE WEEK

► TOKYO – Sony is slashing 8,000 jobs, or 4 percent of its global work force, aiming to cut costs by $1.1 billion a year as an economic downturn and a stronger yen batter profits at the Japanese electronics maker.

► Sony Corp., which has 185,000 employees worldwide, said Tuesday it will complete the job cuts — all in the electronics sector — by the end of March 2010.

► The company will close several plants, including one in Dax, France, cut investment in electronics and outsource some work. The moves will deliver more than 100 billion yen ($1.1 billion) in savings a year by March 2010, the company said.
NEWS OF THE WEEK

► DOW CHEMICAL IDLES 200 PLANTS

► In a move to save approximately $700 million, Dow Chemical on Dec. 8 announced the permanent closing of 20 plants and the temporary shutdown of 180 more worldwide. The chemical maker will cut 5,000 full-time jobs and shed another 6,000 contractors from its work force.

► "We are accelerating the implementation of these measures as the current world economy has deteriorated sharply, and we must adjust ourselves to the severity of this downturn," CEO and Chairman Andrew N. Liveris said in a statement.
NEWS OF THE WEEK

NEWS ON DUPONT

The Dow move comes a week after competitor Dupont announced the layoff of 2,500 employees and warned its fourth quarter would not show a profit because of automotive and construction slowdowns.

Also last week, Dow closed on a joint venture with a company controlled by the Kuwait government. The company expects to close on the $15.3 billion buyout of Rohm & Haas early in 2009 and will save another $800 million in synergies from the acquisition.
ISSUES FACING INTERNATIONAL BUSINESSES

► In the days before operating globally was standard practice for companies, changes in foreign currency vs. US Dollar was less of a concern. For example, a company manufacturing and selling products primarily in USA was insulated from changes to the British pound or Japanese yen.

► Once international business was transacted across borders in multiple currencies, companies faced the exposure that comes with international sales.
DOWN TURN EFFECTS

- Clients are scared, particularly the retailers who are realizing they'll probably see very minimal growth - if any - this holiday season.

- Just this fiscal year, the number of SBA loans are down substantially and the dollar volume on those loans is down 11% to 15%.

- For small business owners whose firms are suffering - or whose loans have been called - times may be tough for a while.

- Small businesses, squeezed between rising expenses and reduced demand are likely to be the first to cut employees and growth.
No bailouts forthcoming for small businesses!!
Don’t wait for the bailout to take effect, manage credit closely, watch costs, think globally, and hang on until a recovery materializes.
Cut extra expenses. Re-evaluate marketing budgets. Get creative with cash flow. Consumer spending is down. Plan normal inventory request every few months. Only order as much now based on historical economic data.
Use it up, wear it out, make it do, or do without.
Reduce inventory, extend terms you pay out, speed up payables, and cut future plans until recovery is evident.
STRATEGIES FOR SME SURVIVAL

► Make sure business plan has three scenarios - a most likely, a best case, and a worst case and be prepared to execute each of these business scenarios.

► Review business plan with 'trusted financial advisors.' Make sure the following people are a part of this review process: banker, accountant, and lawyer.

► Revisit the assumptions that underline the business and market needs for this expansion.

► Accelerate receivables, maximize investment income, pay bills on time.
STRATEGIES FOR SME SURVIVAL

- Entrepreneurs are most likely to sleep well when no single client represents more than 10% of their business.

- It's easy to invoice, easy to do the books, and easy to control just one relationship. But if a Client has a controlling position over the business and that client experiences some hard times, the company will suffer.

- Small business owners will persevere, despite the difficult times. Small businesses are very adept and they are total pragmatists.
ASSISTANCE REQUIRED BY SMALL/MEDIUM ENTERPRISES

► A bailout would be nice....when can we meet?

► Local Small Business Administration (SBA) guidance is essential.

► State and US Commercial Offices located in foreign countries are an excellent conduit for gathering information on local opportunities.

► These offices can provide services that allow small businesses to meet with local clients or representatives or agents.

► International trade shows exhibition under the banner of individual States is an excellent way to showcase small businesses and provide an avenue for growth.
ASSISTANCE REQUIRED BY SMALL/MEDIUM ENTERPRISES

► Overseas State/Commercial Offices provide the leverage necessary sometimes in winning new business and subsequently getting paid.

► The above Offices provide the much needed exposure to USA companies as they are familiar with local language, culture and businesses.

► The local State Offices such as GA Dept of Economic Development have been a major asset to Small Businesses in organizing Trade Missions and facilitating such opportunities.
CONCLUSION

SUMMARY: STRATEGIES FOR SME SURVIVAL

► Be flexible in the services offered.

► Be aggressive in capturing international business.

► Control costs and develop a contingency plan.
CONCLUSION

► PROVIDE SBA AND TRADE OFFICES THE SUPPORT NECESSARY THAT WILL ALLOW THEM TO ASSIST SMALL BUSINESSES TO THRIVE IN THESE DIFFICULT TIMES.