

## WHO ARE THE SMMs WITH THE GREATEST EXPORT GROWTH POTENTIAL: Part 2-- What Makes SMM Exporters Successful

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### Understanding What Makes SMM Exporters Successful Allows Us to Identify SMMs with the Greatest Export Growth Potential

*Successful*<sup>ii</sup> exporters have two key characteristics:

- **They have a differentiated product**
- **They have committed resources to proactively and aggressively pursue exporting**

1. **Differentiated Products and Services** As stated above, U.S. SMM exporters are unlikely to compete successfully solely on price. Thus, they must articulate a value proposition that differentiates their products and services. The company may offer a unique or innovative product, superior performance or quality, or specialized capabilities. Or the company may differentiate itself based on services, for example, lead time, customization or technical support.<sup>23</sup> **Customers in foreign markets will buy from a local supplier (or from foreign competitors) if a U.S. exporter cannot articulate a value proposition that distinguishes its products and/or services.** Chart 4 illustrates sources of differentiation for *successful* exporters.

2. **Proactive Leadership Committed To Exports** MEP's research collaborations with the U.S. Commercial Service and other organizations concluded that *successful* SMM exporters have a proactive approach to global sales.<sup>24</sup> This means that they commit the necessary time and resources to aggressively pursue international opportunities, and they have an explicit export game plan or strategy.<sup>25</sup>

**Resource Commitment** *Successful* exporters are much more likely to dedicate staff to their international business, are willing to wait for profitability, are prepared to invest in new products and capabilities for the international market, and are prepared to travel abroad extensively.<sup>26</sup>

**Aggressiveness** An internal USCS/MEP survey indicated that *successful* exporters were 76% more likely than *moderate* exporters to say they want to "aggressively" grow export sales.<sup>27</sup> On the other end of the spectrum, reactive exporters export only in response to foreign inquiries; they may serve a few customers in a few countries, but are not actively soliciting export sales.<sup>28</sup>

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<sup>ii</sup> MEP and U.S. Commercial Service internal studies defined "successful" exporters as firms where: 1) international sales were at least 10% (2006 study) or at least 20% (2009 study) and ; 2) international sales were growing at a minimum of 10% per year. The category of "moderate" exporters includes all other exporters that do not meet the criteria for "successful".

DIFFERENTIATION – COMPANY EXAMPLES (MEP AND EXPORTECH CLIENTS)		
Company Name and Location	Strategic Advantage	Product Offering and Differentiators (i.e. Why Customers Buy from them Versus Competitors)
<b>Timberline Tool Montana</b>	Unique, patented product	Sells patented tools used by utility operators to squeeze off the flow of natural gas through a polyethylene pipe to allow for repairs. Compared to traditional pipe repair methods, Timberline keyhole technology reduces excavation costs (including avoidance of costly under the pipe excavation) and reduces the number of operators and operations required.
<b>Stress Indicators Maryland</b>	Better performing product than competition	Sells tension indicating bolts for critical applications where the bolt must be tight. DTI SmartBolts® indicate whether a bolted joint is loose or tight with a clear, visible indicator that gradually darkens from bright red to black as the fastener is tightened. Their product allows for visual inspection of tightness, from several feet away, allowing maintenance people to focus on loose bolts. In a typical two week maintenance cycle, on an installation of 1000 fasteners, SmartBolts® can reduce maintenance time by 80% and costs by up to 50%.
<b>Joint Production Technology (JPT) Michigan</b>	Unique or specialized process capability and application knowledge	Designs and manufactures specialized cutting tools and tooling systems, mainly for the auto industry. Their differentiator is application knowledge, developed from machining a variety of specific components to tight tolerances. For example, differential cases are a focus for JPT, and they have established a “library” of 70 differential case part prints. Elements of their designs have U.S. and international patents (and patents pending).

**Planning** *Successful* exporters are much more likely to have an export game plan, as shown in Chart 5. 71% of *successful* exporters have identified specific target countries for expansion, whereas only 42% of *moderates* have done so. Similarly, *successful* exporters are twice as likely to have established international revenue targets.<sup>29</sup>

Research from other sources corroborates these conclusions that *successful* SMM exporters take a strategic approach<sup>30</sup> and have a “bias-for-action” or “entrepreneurial orientation” related to exporting.<sup>31</sup> In addition, export assistance practitioners agree that SMMs cannot achieve export success by pursuing global sales sporadically and



Source: Internal USCS & NIST MEP 2009 Study (n=864)

ignoring international whenever the domestic market gets busy.

*Successful* exporters may have been reactive initially, but pursuing success required a change in mindset from opportunistic to proactive.

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<sup>23</sup> Stone & Associates, *International Growth: Successful Export Strategies for Manufacturing CEOs*, Prepared for NIST MEP, February 2006; ExporTech experience

<sup>24</sup> Stone & Associates, *International Growth: Successful Export Strategies for Manufacturing CEOs*, Prepared for NIST MEP, February 2006; USCS and NIST MEP, Market Segmentation (internal) Research Initiative, December 2009, Prepared by the Pacific Consulting Group (Stone & Associates was project advisor); Stone & Associates interaction with export assistance orgs, interview with TPCC 9-20-12

<sup>25</sup> *ibid*

<sup>26</sup> Stone & Associates, *International Growth: Successful Export Strategies for Manufacturing CEOs*, Prepared for NIST MEP, February 2006; USCS and NIST MEP, Market Segmentation Research Initiative, December 2009, Prepared by the Pacific Consulting Group (Stone & Associates was project advisor)

<sup>27</sup> *Ibid*

<sup>28</sup> *Ibid*

<sup>29</sup> *Ibid*

<sup>30</sup> RSM McGladrey, *Manufacturing & Distribution Monitor*, Fall 2011 Report

<sup>31</sup> Dirk De Clercq, Harry J. Sapienza & Hans Crijns, "The Internationalization of Small and Medium-Sized Firms," *Small Business Economics*, (2005) 24: 409–419; SBA Office of Advocacy Working Paper, *Leveraging Entrepreneurial Orientation to Enhance SMM Export Performance*, January 2009