

HOW DO EXPORT ASSISTANCE SERVICES NEED TO CHANGE TO BETTER RESPOND TO THE NEEDS OF EXPORTERS – PARTICULARLY *THRESHOLD* EXPORTERS?

Excerpted from: ON THE THRESHOLD: REFOCUSING U.S. EXPORT ASSISTANCE STRATEGY FOR MANUFACTURERS; Stone & Associates June 2013

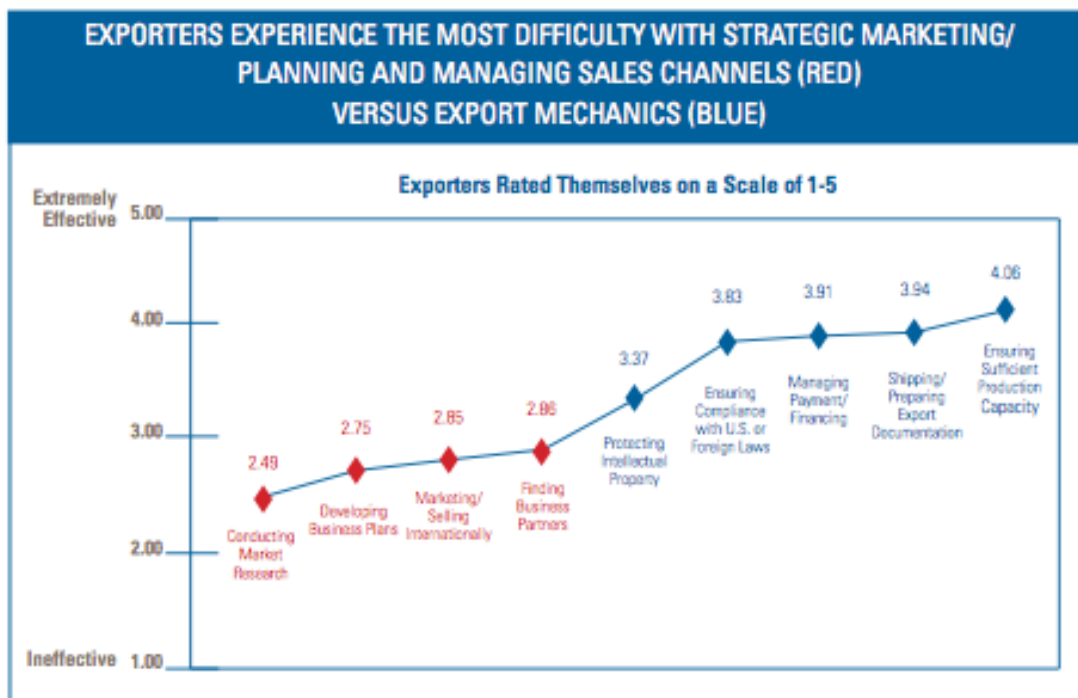
Export Assistance Organizations Need to Take Their Services to the Next Level

Export assistance organizations do a great job of providing business matchmaking, and their in-depth counseling (as discussed above) is highly valued. However, *threshold* companies need more if we're going to help them reach their export potential.

Although there are a wide range of possible roadblocks, barriers to international business can be roughly grouped into two categories: 1) strategic marketing/planning and management of sales channels and 2) export mechanics.⁵⁹ An internal 2009 U.S. Commercial Service (USCS) / MEP study reported that, in general, exporters rate themselves considerably lower in the effectiveness of their management of strategic marketing export issues as compared to export mechanics. (See Chart 12)

This does not mean that less experienced exporters do not struggle with export mechanics, but as we heard from export assistance providers, once a purchase order is in hand, companies will generally find a way (often leveraging the services of export assistance services or logistics companies) to manage the mechanics and fulfill orders.

Consequently, it is in the areas of front-end strategic marketing/planning where the export assistance world has important opportunities to enhance their services.



Source: Internal USCS/MEP Market Segmentation Study, 2009

CHART 12

Market Data is Often at Too High a Level to Be Useful

SMM exporters are often niche players, which means that they require global market intelligence that is highly specific to a company's particular product, market and value proposition. The data required must be more granular and relevant than what is often provided to exporters, such as trade data or broad indicators of a country's sectoral growth patterns.

According to an internal report by an export assistance organization, client feedback indicated that "research in their industry and markets of interest does not 'drill' deeply enough."⁶⁰ Often, U.S. export assistance organizations provide Harmonized System (HS) code-based trade data as an indicator of demand, and/or supply other country-level information. Then, they generally contact a foreign post or partner, which may or may not be able to offer information relevant to the company's niche.

CHART 13

NICHE PRODUCTS REQUIRE SPECIFIC MARKET DATA - PET GROOMING PRODUCT EXAMPLE

A 2011 International Trade Administration Trade Newsletter profiled a manufacturer of pet grooming products. In this case, potentially relevant HS (Harmonized System) and NAICS data would be captured under a variety of codes depending on what material individual products were made of, and these codes would likely capture similar products for human use (e.g. brushes, shampoos). In other words, they would be useless for assessing market potential. Furthermore, finding data on pet ownership by nation would be of limited value because this company focuses on *high-end* grooming products. The owner finds markets by tracking dog shows because these are the type of events that would be attended by her *high-end* potential customers.

Source: ITA, "Exporting, with a Warm Touch," International Trade UPDATE, June 2011

The example of a pet grooming product (See Chart 13) illustrates the challenge of relying on broad HS or NAICS code based data. This type of analysis not only requires in-depth market data, but also a fundamental understanding of how the client competes.

The U.S. Commercial Service has recognized the challenge of providing adequate market data to clients and is in the process of establishing a "Global Knowledge Center" as part of a set of improvements in this area.⁶¹

What We Need To Do Differently

Export assistance providers need to hire domestic and foreign staff who are experienced in market research and have enough business expertise to help companies find market data that is useful and relevant to their product, needs, and value proposition. We also should train

staff on research techniques useful for niche markets and consider working with outside partners who are both good and efficient at market research (as one of the key challenges is providing valuable information in a cost effective and timely manner).

Threshold Companies Need International Business Coaches, Not Just Technicians on Export Mechanics (documentation, payment methods, shipping, etc.)

Helping *threshold* companies with strategic export marketing issues requires experienced domestic counselors who can provide guidance on a wide range of challenging topics. Having staff that focus primarily on specific matchmaking or due diligence service requests is not enough to help *threshold* firms to reach their full export potential.

There are some federal and state trade specialists with industry experience (particularly in foreign offices) who can “go deeper” and coach on more advanced topics, such as how to manage foreign distributors and representatives or international marketing strategy. Some states have focused on hiring trade staff with industry backgrounds. Jean Davis, Director of North Carolina’s International Trade Division, told us: “Most (of our) Business Development Managers came out of industry – this is not common in other states... What really matters is our guys can go talk about business, [because they are a] business person who has sold overseas before.”⁶² But most trade counselors do not have this type of experience or expertise, and are unable to provide this kind of assistance.⁶³

What We Need To Do Differently Customers are asking for more industry knowledge. The previously cited internal export assistance organization report indicated that clients “expressed a preference for trade counselors with industry knowledge...” and reported that the organization would be “more critical to their business development efforts if staff had stronger industry expertise.”⁶⁴ Export assistance providers need to hire more counselors with industry experience in international trade and specific sectors. Hiring people with these skill sets is feasible, as demonstrated by the fact that people with this level of expertise exist in the export assistance world today.^v

In addition, the export assistance world should deepen partnerships with industry associations that can contribute in-depth market intelligence and industry knowledge. Some industry associations are primarily lobbying organizations, but others provide significant value added services to members related to international business development and market intelligence. (See Chart 14)

An association with global market intelligence and staff experience in the industry can go deeper in assisting an export client. Federal export assistance should be able to develop partnerships with these associations to gain access to their expertise and market intelligence for clients. In some cases it will be best to refer clients to these associations for export assistance, allowing government/ non-profit to focus on the many un-served companies in sectors that do not have associations that can support global business growth.

^v Encouraging trade counselors to achieve the NASBITE Certified Global Business Professional designation is also a valuable approach to deepening their skills sets. However, it is not a complete substitute for industry experience.

AMT PROVIDES ROBUST EXPORT ASSISTANCE TO MEMBERS

The Association for Manufacturing Technology (AMT), a group primarily comprised of machine tool builders, proactively monitors and provides global market intelligence on a series of products/ technologies as well as end use sectors and countries that purchase machine tools. This research is free to members and annual dues are modest. Many of its staff have significant global industry experience, and they leverage this expertise to provide guidance to companies. For example, they offer "Business Development Day" to individual companies, which involves multiple staff providing input and guidance on international business development activities, including market entry strategy and managing sales and distribution channels. This service is also covered by member dues.

Source: Interview with Mario Winterstein, Business Development Director, AMT, 9-6-12

CHART 14

⁵⁹ USCS and NIST MEP, Market Segmentation (internal) Research Initiative, December 2009, Prepared by the Pacific Consulting Group (Stone & Associates was project advisor)

⁶⁰ Internal client feedback report, export assistance organization, June 2012

⁶¹ Communication with U.S. Commercial Service, 3-12-13

⁶² Interview, 7-18-12

⁶³ Experience with federal and state trade specialists and counselors through ExporTech

⁶⁴ Internal client feedback report, export assistance organization, June 2012