

Small Business Takes to Export

by Karen E. Thuermer

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Now is the time for little guys to get in on the action.

With high fuel prices chipping away at profits, inflation rearing its ugly head and the banking crisis digging in deep, the prospects for business may appear bleak. But there's a bright spot. It's called exports.

And now is the moment for small business—the little guys who have typically shied away from export—to get into the action.

Exporting is critical to E.J. Ajax & Sons of Fridley, Minnesota. A third generation contract manufacturer of complex metal stampings for products from components for fire extinguishers to consumer appliances, this year 40 percent of its sales will be from foreign markets.

"Exporting has made all of the difference in the world for us," states Erick Ajax, vice president. "Much of our domestic business is slow and even declining. But we will have a strong year this year."

Among the countries to where the company exports are Canada, Mexico, Western Europe, South Korea, China, and Saudi Arabia.

"Western Europe is booming for us," Ajax reveals. "One of the reasons is because of the weak dollar, which gives us a 20 percent advantage."

E.J. Ajax has been exporting for nearly a decade. The company employs only 50 people. Ajax stresses that much of its business comes as a result of customers who have an international reach and are expanding their facilities.

"We do a lot of design and development work in the United States or in collaboration with one of their European, Canadian, Mexican or Asian counterparts," he says.

While Ajax's success is the result of relationships the company has built domestically, he encourages small businesses to check out the resources that are available to small and mid-size businesses to jump-start exporting.

Exports surge

"Export growth has been a shot in arm for U.S. manufacturers," exclaims John Engler, president and CEO of the National Association of Manufacturers (NAM). "While domestically-oriented manufacturing industries have been hurt by the housing-led domestic slowdown, export-intense manufacturing industries have seen production

surge 17 percent since the fourth quarter of 2005, and production employment grew by 119,000.”

In fact, in late August, the U.S. Commerce Department revised second-quarter growth in gross domestic product to 3.3 percent, up from the previous estimate of 1.9 percent – the fastest rate of increase in nearly a year. The reason: higher exports.

A NAM report released prior to Labor Day indicates that exports increased 11 percent since 2007 and have added more to GDP growth since 2005 than residential investment has taken away. In fact, U.S. exports of manufactured goods have accounted for nearly 61 percent of America’s economic growth over the past year when U.S. exports grew by more than \$270 billion for a grand total of \$982 billion. Most remarkable, 97 percent of U.S. companies that export are small and mid-sized companies (SMMs).

“If your company is not exporting, it needs to,” charges Dan Akman, NAM assistant vice president for Marketing & Business Development. “There’s never been a better time than now.”

As Ajax explained, the current weak U.S. dollar is making American products cheap abroad. Escalating shipping costs are chipping away of advantages of buying low-cost items from places like China. Plus, U.S. products are preferred because of their quality. America stands behind its goods.

Starter kits

So where to begin? Information on how to export abounds. In fact, there’s so much information available that Akman warns it’s easy to get overwhelmed. But groups like NAM, the U.S. Chamber of Commerce, and the Export-Import Bank (EXIM) offer services and programs that streamline and assist companies with the process.

NAM focuses on easy access to information and quality advice. Akman suggests stopping by NAM’s website (www.nam.org), and clicking on “Member Services” on the top bar, then “Help with Exporting.”

“Here you’ll be directed to a wide host of options, including NAM’s three programs: Get Fast Export Advice; Export Europe; and its Export Institute (EI),” Adman says.

Under “Get Fast Export Advice” companies find a wide range of information. Akman suggests clicking on www.nam.org/export and filling out an export assistance request form.

“Upon reviewing the form, NAM staff members will answer your questions or employ an expert who will,” Akman says. “We’ll answer questions internally or through the alliance we have with U.S. Commercial Services. Most importantly, we’ll stay with you until you get what you need.”

U.S. Commercial Services, the trade promotion arm of the U.S. Department of

Commerce's International Trade Administration, has an office at NAM. Its current liaison, Rebecca Balogh, works with NAM members, NAM's export website, and Webinars.

"These can be anything from Exporting 101 to company specific information such as meeting the buyers of Renault," Balogh states. By participating in this particular Webinar, for example, members can learn what the French car maker is seeking from suppliers for its new manufacturing plant in Tangiers. Some Webinars are free; others charge a small fee.

Overall, Balogh finds exporting to be difficult for many companies because most have small staffs. "We deal with companies that do not have deep resources," she says.

Export Europe

NAM particularly encourages SMMs to consider exporting to Europe. That's because Europe is especially hot right now for U.S. exports. Statistics indicate that from 2005 to 2008, Europe accounted for 29 percent of U.S. export growth—more than anywhere else. In 2007, exports from the United States to the European Union (EU) exceeded those to China by six times.

"SMMs that export to Europe find that not only do they benefit from favorable exchange rates, but also Europe's cultural and business customs, and the fact most European executives speak English," Akman says. Plus, European contract laws are similar to those in the United States.

To simplify the process is NAM's "Export Europe" program. Here, through Quicktake, would-be exporters can speak directly to NAM staff or the U.S. Commercial Services liaison to get a quick idea of the best country for your product and gauge its potential interest.

Those companies needing to find suitable strategic partners can also take advantage of the program's International Partner Search service that utilizes U.S. Commercial Services' on-the-ground experts. For a modest fee, they will provide up to five pre-qualified partners.

For a little more money, one-on-one meetings with pre-screened representatives such as distributors, agents, and government officials, can be arranged through its Gold Key Services program. "We do the research and arrange appointments in advance," Balogh says. A driver and translator can even be provided.

Export Institute

Another valuable program available through NAM is its Export Institute (EI). EI provides

training through six extensive online modules that can be purchased either a la carte or as a package. These detailed packages give SMMs a complete, step-by-step insight about the total export process, including learning how to price competitively for export, negotiate and write export contracts, secure export licenses, ship overseas, sell in foreign currencies, and guarantee payment.

Also available in hard copy and CD is the "Export Sales and Marketing Manual"—considered the Bible for exporting.

"We also have CDs containing listings of 150,000 agents with buyers in 175 countries," Akman adds. "SMMs can buy the whole thing, or buy a segment on a specific country or countries, purchase by industry sector."

Chamber support

The U.S. Chamber of Commerce, the largest business network in the world, offers Trade Routes (www.traderoots.org), an aggressive outreach program to promote U.S. exports.

"We offer education programs throughout the country on general trade issues, specially free trade agreements, to help companies understand their benefits, why markets are open, how these agreements take duties down to zero, well as transportation issues," states Leslie Schweitzer, Chamber senior trade advisor.

Currently, the Chamber is addressing potential trade agreements with Colombia, Panama and Korea.

Another current series is how to do business in China and India, again offered in local communities.

"We want companies to understand what local, state, and federal resources are available," she says. "We are also talking a great deal with successful companies in those communities so that they can mentor others. The program is very hands-on."

The goal is to help local chambers of commerce become resources for SMMs.

Schweitzer adds that companies should also interact with local and state economic development agencies and World Trade Centers, which are in constant contact with businesses that are expanding and looking for opportunities in both import and export.

"We encourage our chamber network to compliment their resources with those that already exist," she says. "The governor of Alabama's office is a good example. It offers one of the most active export programs, and also a successful foreign direct investment program."

The Chamber also offers books on each trade agreement the U.S. government has signed with other countries.

Ex-Im Bank

SMMs considering exporting to emerging markets can engage the help of the U.S. Export-Import Bank (Ex-Im). While Ex-Im is associated with assisting with the finance of large projects, 80 percent of its transactions involve SMMs.

“We characterize ourselves as the bank of last resort,” says Diane Farrell, member, Ex-Im Board of Directors. “That’s because we can take a risk in emerging markets such as Vietnam, India and those in Central and South America that are attracting a lot of business.”

Weldy-Lamont Associates, Inc., a 13-employee engineering firm in Mount Prospect, Illinois, engaged Ex-Im when it decided to bid for a \$350 million rural electrification turnkey contract from the government of Ghana. The contract involved procuring equipment and services from U.S. suppliers.

Thanks to Ex-Im’s backing of a \$344 million loan, Weldy-Lamont Associates was able to overcome foreign competition and win the contract.

“We’ll be contracting with U.S. suppliers from the Midwest to California, Florida, and Georgia,” says the company’s president, Patrick J. Hennelly. “This five-year project is going to help them immensely because normally they are suppliers to the housing industry, which is in a slump. This will help manufacturers avoid layoffs.”

Ex-Im also assists SMMs with European transactions.

“The goal is to provide the support necessary to give SMMs and banks a sense of confidence,” Farrell says.

Among one of Ex-Im’s popular services is its Letter of Interest (LI), a pre-export tool that helps companies obtain loans that facilitate the export of goods or services. These loans, made by commercial lenders and backed by Ex-Im’s guarantee, provide SMMs with the liquidity to accept new business, grow their international sales and compete more effectively internationally.

“This is especially helpful if a company has never exported and/or wants to expand their business,” Farrell. “When the SMM is eager to expand and go into a foreign market, they can present their bank an Ex-Im guarantee so that banks feel they are taking less risk. In this tight credit market, this may make a big difference.”

Ex-Im also offers Credit Insurance, a special product for small, financially viable businesses that are new to exporting or have only occasionally exported. It can help increase an exporter’s international sales by extending competitive credit terms while minimizing risk. The insurance is particularly valuable as a risk mitigation tool to insure receivables against nonpayment; a marketing tool for extending competitive credit terms; and a financial tool to arrange attractive financing with the exporter’s lender by

using insured foreign receivables as additional collateral.

In addition, for the first time Ex-Im provides Medium Term Export Credit Insurance, which delegates authority to certain lenders to perform special expedited procedures. This way financial institutions can support the sale of U.S. capital equipment, its installation and a complement of spare parts (if necessary) by insuring a company's foreign receivables against losses. This protects U.S. sales to a single foreign buyer against the buyer's failure to pay an obligation due to unforeseen commercial or political reasons.

"It offers a longer tender for loan guarantees—generally up to five years after the goods arrive at the port of importation," Farrell says.

Policies are also available to accommodate both single and repetitive sales for more sophisticated and bigger project up to \$10 million.

"We want to give business the kind of support that gives them a sense of confidence when they visit lenders," Farrell says. "After all, in the end, it's about retaining and growing jobs in the United States. That's our primary mission." wt

Karen Thuermer regularly writes about trade and transportation from her base in Washington, D.C.

Sidebar: Just Do It!

Here's Power Curbers, Inc. advice to exporters: "Just do it!"

With 40+ years of exporting under its belt, this Salisbury, North Carolina manufacturer of construction machinery has been exporting since the 1960s. Unlike companies today, the small business had to forge its own path.

"Today it's easy with the Internet," says Dyke Messinger, company president. "Companies can gather so much information that for us 40 years ago was difficult to locate. In the 1970s and even 1980s you still had to get on a plane to start asking questions. Today you can save yourself a trip—and even make a visit very profitable—just by doing the work on the Internet."

Today, this small company, with less than \$50 million in annual sales, exports worldwide. Nearly 40 percent of its business comes from overseas markets.

"The biggest change we see is we are exporting to more developing countries," Messinger says.

Sidebar: Exporting Tips from the U.S. Commercial Service

- Dedicate top-level management and develop a clear export strategy.
- Identify your market(s)—conduct research and a risk/reward assessment.
- Be patient and realistic when going international. Take a long-term approach and allow sufficient time for due diligence.
- Seek professional help from the U.S. Commercial Service, District Export Council, bankers, international legal firms, or freight forwarders.
- Make sure your product is export ready (standards compliance, regulations, labeling, licensing, etc.).
- Understand and select the best distribution channel for each country (do research on all potential distribution partners).
- Create payment terms and conditions that meet the market's needs/standards. You can offer terms to your foreign buyers. Meet your competitors head-on by using the EXIM Bank and SBA Export Programs.
- Design your Website to be attractive and responsive to foreign buyers. Visit <http://www.export.gov/sellingonline>.
- Take advantage of U.S. government export promotion services. Everything from export financing, to market research to advocating for your products in overseas markets. These services are affordable and effective, regardless of the size of your company.

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service utilizes its global presences and international marketing expertise to help U.S. companies sell their products and services worldwide. For the nearest U.S. Export Assistance Center, visit www.export.gov

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