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[Home](#) : [Economy & Public Policy](#) : [Finance](#) : 5 Keys to Growing Your Export Sales

5 Keys to Growing Your Export Sales

Expanding into international markets can seem daunting to small and midsize manufacturers. Here are five tips for reducing the risk and increasing the opportunities.

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By Jill Jusko Cleveland-based Rad-Con Inc. exports approximately 80% of the product it makes, with the remainder bound for domestic locations. Nine years ago, the story was quite the reverse for this maker of industrial furnaces, says Chris Messina, vice president of sales and projects. Then, 80% was domestic-bound and 20% found its way to customers outside of the United States.

Then came the recession, and with it the realization that staying in business meant growing business outside of the United States.

"We already had an international footprint," Messina says. "We needed to make it bigger."

For Clean Air America Inc., Sept. 11, 2001, was the defining moment. Business in the United States came to a standstill for this Rome, Ga.-based manufacturer of industrial air filtration systems. At that time the company, which employs fewer than 100 people, exported very little. Ten years later, exports comprise about one-quarter of Clean Air America's business, and the company plans a push into new territory next year.

"I would love exports to make up 50% of our business," says Vice President Antoinette Brahm. "We know that's not going to happen overnight."

Exports represent a huge potential market for the small to midsize manufacturer, as Fred P. Hochberg, president and chairman of the [Export-Import Bank of the United States](#), pointed out during a September visit to the Cleveland area. His backup data were persuasive: Only 5% of the world's population resides in the United States and two-thirds of the world's purchasing power is outside of the United States.

It's a potential that President Barack Obama is hoping to exploit with the [National Export Initiative](#), a

plan he announced in 2010 with the aim of doubling exports by the end of 2014.

Huge potential doesn't easily translate into increased export sales, however. Smaller firms have limited resources in manpower, time and finances to pursue those opportunities. Indeed, SASCO Chemical Group President Marc Skalla admits that his company had made its share of missteps before hitting on a formula that saw it grow its international business by 120% in the past year.

On the following pages **IndustryWeek** looks at five tips small to midsize manufacturers should explore to increase their export sales and gain their share of that international buying power. For some manufacturers, increasing export sales will mean entering the international arena for the first time. For those companies, Messina says, "Start small, but start."



"Exporting makes perfect sense," adds Brahm. "When the economy is bad in one part of the world, there are always countries that are doing better. You open up other markets."

1. Proactively Select the Markets You Pursue

In other words, don't be solely reactive to leads from your website. Neither should you try to embrace the entire world. Take an incremental approach that allows you to learn. Consider markets with which the United States has free-trade agreements, suggests Kathe Falls, director, international trade, for the Georgia Department of Economic Development. They may give you a better framework for tariffs and the handling of disputes.

Canada and Mexico, two countries that account for about one-third of all U.S. exports, may be reasonable starting points for manufacturers that have not exported before, suggests Frank Lavin, former U.S. undersecretary for international trade at the U.S. Department of Commerce and co-author of "Export Now: Five keys to entering new markets."

Why? Generally it is less risky to start exporting to markets closer to you physically or similar to you culturally and linguistically, Lavin says.

"It won't be a universal truth," he cautions.

Falls points to additional considerations in targeting new markets, which can be summed up in two words: market research. Examine countries' growth rates and internal market practices, she says, as well as pricing structures. Determine your competition and whether your product makes sense in the market under consideration.

"Not every product makes sense in every market," she advises.

And not every venture will pan out. As Lavin and Peter Cohan note in "Export Now," "The decision to go into new markets should be thought of not as one big, irreversible commitment but as a series of smaller

experiments from which you can learn."

2. Recognize that Different Markets Require Different Approaches

Some companies trying to enter foreign markets think they will be accepted just because they are American, suggests SASCO Chemical's Skalla. "It doesn't work that way," he says. His tip: Learn the culture of the market you want to enter; read everything you can.

Promoting international trade was a key component of Lavin's position in the [U.S. Department of Commerce](#). "The single most frequently encountered mistake that I would come across with companies that went into exporting was the mistake of nothing, meaning they did nothing different," he says. "Their assumption was, 'Look, I'm doing pretty well in my home market; how different can this new market be?'"

It's not a crazy assumption, he says, using the example of an electric toothbrush manufacturer. That manufacturer can likely safely assume the market he is entering includes people with teeth and that those teeth are pretty similar to teeth everywhere.

"But the real question is in what ways isn't [the market] similar," he notes.

Consumer-goods manufacturer Unilever, for example, recognized that people in some emerging markets did not have much discretionary income for items such as shampoo. In addition to entering such markets with larger sizes or more expensive options, the company introduced sachets, or single-use packages that could be purchased at very low cost.

The case for embracing different approaches in different markets extends further. Falls points out that in some markets trade shows are critical to establishing credibility. In other markets it is all about who you know and who knows you.

3. Establish and Nurture International Relationships

Developing a new market takes time, as does relationship-building. Make the effort to develop such relationships and continue to nurse them. Failure to do just that is among the failings Falls sees most often.

"You develop a market in a particular country -- and it takes a while to develop the market. Then, just as the market is getting interested and things are looking good, the U.S. economy picks up," she says. As a result, the U.S. manufacturer drops all the relationship-building efforts to focus on the U.S. market. Six months later, the firm tries to pick up those cast-aside relationships.

"I see it time and time again, and it doesn't really work," Falls says.

She acknowledges that technology has greatly enhanced companies' ability to connect with others, but stresses the importance of meeting key



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4. Develop Partnerships

Exporting is an involved process. As Lavin says, "Anybody can do it, but if you are thoughtful about it, you plan the right way and you approach it methodically, you are going to do it without losing a lot of money and without a lot of heartburn."

Partnerships, both in the United States and in your target markets, can ease the work.

"Depending on the nature of a company's product, it's always a good idea to work with some type of in-country partner in the early stages of an export program," says Daniel L. Gardner, CEO of Ocean World Lines. "Whether it's a selling agent, distributor or wholesaler, it's always a good idea to have local expertise involved when trying to penetrate new overseas markets."

The same holds true on the U.S. side of the equation. Falls says to consider bringing in service providers, such as banks, freight forwarders and lawyers, in advance, and embrace them as partners. They often have good ideas, she says.

For example, a manufacturer could elect to shop around for a freight forwarder on price alone, resulting in working with one freight forwarder for a certain product, another for a different product and even a third. No real relationship is established. On the other hand, taking the time to develop a relationship with a freight forwarder that learns the breadth of the product line may lead to ideas about how to save money across the board.

5. Don't Overlook the Many Government Resources

Why go it alone when both the state and federal governments offer resources to make your efforts more successful? Rad-Con, for example, needed to increase its working capital after landing a multimillion-dollar international project. It utilized the [Small Business Administration's](#) Export Working Capital Program.

It is also a lesson learned by SASCO Chemical Group, based in Albany, Ga. The family-owned maker of specialty chemicals grew its exports to Mexico by 2,800% from September 2010 to September 2011. That growth didn't happen without some missteps along the way, however, and then a fortuitous meeting with the [Georgia Department of Economic Development](#).

SASCO Chemical isn't new to exporting. The 60-person company has been in overseas markets since the 1980s, but in a small way. About 10 years ago, SASCO began efforts to take its products for the rubber industry -- which represents its biggest market -- abroad in what Skalla calls a shotgun approach. Skalla, who was in sales at the time, said the efforts consisted primarily of word-of-mouth, talking to people in the industry to find distributors in Asia and Mexico. The company found distributors but their quality was less than desired. Skalla says SASCO "wasted" six or seven years with that effort.

What turned things around for SASCO Chemical was its introduction to the Georgia Department of



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Economic Development. Interestingly, the company met initially with the economic development arm to talk about relocation within Georgia, not exports. Nevertheless, Skalla said the company began to learn what the economic development agency could do for it on the trade front. "I truly had no idea," Skalla says.

It began with an invitation from the state department to sit in its booth at a show in Mexico. The agency also did some advance work for SASCO in qualifying potential representatives.

"They did all the homework on the ground," Skalla says. With the economic development agency's assistance, SASCO found a representative in Mexico. That representative has since been a catalyst for SASCO to gain footholds in South America and beyond, with aid from the Georgia Department of Economic Development and agencies such as the [U.S. Commercial Service](#), the trade promotion arm of the U.S. Department of Commerce's [International Trade Administration](#). Skalla specifically calls out the U.S. Commercial Service's Gold Key Matching Service, which helps companies find overseas agents and other business partners via pre-screened appointments, market research and more.

"That's been our success [in exports] for the last two years. To say I'm shocked wouldn't begin to describe it," Skalla says.

The SASCO president says Georgia's economic development department continues to invite his company to sit on every educational forum and get in front of any ambassador who comes to Georgia if SASCO wants to.

"It just makes sure we're right there and have an opportunity. Being a small company, that's a hard thing to get," Skalla says. "We don't enter a market without them working with us."

See Also:

- [Government Assistance for U.S. Exporters](#)
- [Don't Let Fear or Financing Stop You From Exporting](#)
- [Financing for the Small Manufacturer](#)
- [Export Control Landmines -- Is Your Company Watching Its Step?](#)

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