Why Don't More Small Midsize Manufacturers Export?

By MICHAEL COLLINS, President, MPC Management

A Commerce Department report says that the primary reasons more firms don’t export are:

- We have better market prospects here in the U.S. (36 percent)
- Exporting would not be profitable for us (21 percent)
- We are just too small for exporting — it is for large firms (15 percent)
- We don’t have enough information about foreign markets (8 percent)
- Exporting is too risky for small firms like ours (6 percent)
- We cannot finance export sales (4 percent)
- Other reasons (10 percent)

Because America needs to export more goods in the future to solve the trade deficit problem, the Commerce Department has made increasing exports a top priority. The report adds that “the most useful services provided by government continue to be in the area of providing essential market information to companies.”

One tool they offer is the International Marketing Plan Workbook. This is a step by step approach that asks all of the important questions to develop an international marketing plan. All you have to do is write in the answers and complete the forms. It asks questions such as:

1. Where are the best countries to market your product?
2. How competitive is your industry in global markets?
3. Who are the customers within your chosen markets?
4. What is the best method to export?

5. How do you build a distributor or agent relationship?

The U.S. Commercial Services offices are particularly well-suited to generating basic information on country markets, broad based market surveys, information on local service providers or buyers, market research, due diligence reports on foreign companies, a trade lead database, and webinars on export topics, counseling and even strategic planning.

These offices are an excellent source for manufacturers who want to do the required market research and develop a written international marketing plan. But does the average small or midsize American manufacturer (SMMs) do marketing that way?

Specifically, do they:

1. Gather all of this information before ever approaching the market?
2. Analyze competitor’s products before building a new product or entering a new market?
3. Can they profile the best customers to sell to?
4. Do they use this market information to write up comprehensive marketing plans?

I think the answer to most of these questions is generally “no,” with a few exceptions. If they do not do industrial marketing in America, why would they do it for export?

In 1996, I did a survey of more than 100 manufacturers who had filled out a complex marketing audit form. One of the questions was, “When was the last time you conducted formal market research or market analysis?” Ninety percent of the manufacturers in the survey sample answered “never.” There was also a question about business plans. They were asked if there was a written plan that defines their company’s marketing strategies. Again, 90 percent of the manufacturers in the survey sample answered “no.”

This survey (using a 20-page audit form) also showed that most manufacturers did not use traditional industrial marketing strategies. They were more focused on finding ways to get orders.

The authors of the Commerce Department report give the department a lot of credit for export success. The report says “although the impact of such services is inherently more difficult to measure than the impact of services closer to the export transaction, information remains the government’s clearest competitive advantage.” This comment begs several questions. If the impact of government services is hard to measure then how do they know that providing information and services is working? Also, how do they know whether providing this information is a competitive advantage?

Although the government offices offer tremendous information for international

market research and international marketing plans, my experience is that most SMMs don’t do very much formal research or use written plans.

Over the years I have come to believe that trying to get SMMs to do market research and marketing plans is like trying to make a pig dance. They are not built to dance and when you try to make them dance, they just get upset.

In the Commerce Department report, when manufacturers were asked who gets credit for their success in exporting, 71 percent replied the company itself, another 22 percent said non-government sources, and only 7 percent replied government assistance. More importantly, if 71 percent of the manufacturers give themselves credit for their success, doesn’t it imply that the manufacturers have found some other methods of exporting other then government information?

In my experience, I have found that most SMMs use unconventional methods for selling their products. Most are order-driven, not market-driven, and they prefer action to analysis. I think this assumption also applies to their successful exports efforts.

A good example is the PowerHammer Company of Tigard, Oregon. Hal Hickman, President and owner, started the company in 2001. He designed five different size power hammers that are used in foundries to knock risers and gates off of large steel castings like engines. But at the time he started PowerHammer Co., the foundry industry was moving overseas and he was going to have to sell to international markets to survive. So what strategies did he use to do it?

PowerHammer had the advantage of being in a vertical industry—Hickman began by selling some of his power hammers to local foundries in the Northwest. For marketing, he developed a brochure, a video, and a website. Hickman’s marketing program was never in the form of a written plan—it was based on finding ways to generate leads from buyers in the global foundry markets.

Generating leads in vertical trade journals—He ran small ads in some of the foundry trade journals to generate leads, but this only worked within the limits of a very small ad budget. One ad resulted in an order in Brazil. Another ad placed in an Australian magazine led to orders in Indonesia and Malaysia.

Attending foreign tradeshows—Perhaps his most successful strategy for selling his products was to attend foreign tradeshows and exhibit his machines. He attended a worldwide foundry equipment show in Germany and smaller shows in Turkey, Brazil, China, and India.

The shows gave him a chance to meet buyers in the country, distributors, and agents and find out about the number of foundries, if they were growing, and if they had future projects. This was informal “eye to eye” market research and the trip was always eventually justified by orders from the country.

Selling to U.S. foundries with foreign subsidiaries—A very large foundry in Portland that purchased Hickman’s first power hammers also had licensees and subsidiaries

in other countries. During their annual meeting when all of these managers came to Portland, he was able to meet many of them and they saw his power hammer in operation. This resulted in orders from Chile and Australia. Some of his other U.S. customers also bought machines for their South Africa and India plants.

I asked Hal Hickman why he didn’t do market research before going to a country. He said it takes too long and it is too expensive. In answer to the question of the government’s role in helping SMMs export, Hickman said the best thing the government could do to help more SMMs would be to provide low cost loans for tradeshow expenses, and lead generation.

Is Hal Hickman and PowerHammer a unique story on international marketing or are they typical? From my experience working with and for SMMs, I think PowerHammer’s approach is the norm. I could write about a dozen other manufacturers who used unconventional methods in selling to foreign markets.

I think the government should do a little research on the 71 percent of manufacturers who don’t use Commerce Department services, and find out what these SMMs need other than information. Perhaps a better approach to increasing exports from SMMs might be to support these unconventional approaches to foreign sales and provide low cost loans.

Michael P. Collins is president of MPC Management, a manufacturing consulting company, and the author of the book, “Saving American Manufacturing.” To find a list of U.S. Commercial Services offices, visit http://www.export.gov [1]

Source URL (retrieved on *12/21/2013 - 6:54am*):
http://www.chem.info/blogs/2010/04/why-dont-more-small-midsize-manufacturers-export

Links:
[1] http://www.export.gov/