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Survey: Healthy Manufacturers Tend to Export

The majority of executives who reported that their companies have increased their exports said their businesses are thriving.

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By Josh Cable If your business isn't exporting, then why not?

That's one key takeaway from the most recent McGladrey Manufacturing and Distribution Monitor, a quarterly survey of executives to assess the state of industry.

In the latest McGladrey Monitor, 71% of executives surveyed said their firms are exporting to countries outside the United States, and those export sales comprise 16% of total company revenue.

The majority -- 52% -- of the survey's 511 respondents reported increases in exporting activities within the past year, with Canada and Mexico being the top destinations. Of those respondents whose companies increased their exporting, 60% said their businesses are thriving and growing, while 46% said their businesses are holding their own.

"The takeaway is if you're not exporting, you need to think about exporting," Karen Kurek, national manufacturing leader for RSM McGladrey, tells **IndustryWeek**. "And if you are exporting, you need to think about ways you can enhance that activity."

Among the industry sectors that export products, biotech/medical led the way, with 88% of executives in that sector reporting that they export. Other sectors reporting significant exporting activity included industrial machinery (84%), textiles and apparel (83%), automotive (82%) and chemicals, oil and plastics (79%).

"Sectors that tend to produce highly engineered products where they're more able to distinguish themselves in the foreign marketplace are the ones that tend to have more export activity," Kurek says.

Among other findings of the survey:

- The most common reason for exporting is customer and/or key client demand.
- There is a rising level of interest in exporting to various locations, notably Brazil, and Central and South America. Brazil, in particular, appears to be the country in which middle-market manufacturers see the greatest growth potential.
- A company's first foray into an offshore market tends to focus heavily on transactional issues, while subsequent moves into additional foreign markets focus more on strategic issues such as foreign competition and market acceptability.

In the wake of free-trade agreements signed with Colombia, Panama and South Korea in late October, "it will be worth watching to see if exporting plans for the industry are directed toward these countries moving forward, particularly for South Korea, where distance and the difficulty of penetrating the market appears to have kept plans for exporting low," Kurek says.

"Growth appears to be slowing for China, where the market is getting increasingly sophisticated and, as a result, harder to penetrate," she adds.

Strategic Exporting

Among the best practices for exporting, Kurek emphasizes that companies "need to think about exporting much more strategically."

"You need to ask, 'Is our product exportable?' Some products aren't," she explains. "And then, 'What are the demographics that made our product successful here in the United States, and what other countries have these same demographics?'"

Other factors to consider include:

- What is the competitive landscape of the target market?
- Do you have the right financial resources to expand into this market? "Are you talking with your local banks, or making sure that if you need letters of credit that you have those lined up?"
- Is your executive team committed to exporting? "Are they comfortable with traveling and working with people from different cultures, and is the company making a commitment to execute on this strategy?"
- What are the regulatory challenges and opportunities?

"And then you should take a look at what other incentives and government resources your business can leverage," Kurek adds.

She notes that the U.S. Department of Commerce has a number of resources to help companies began exporting or expand their export activity. Its website, export.gov, is a good place to start.

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