



# Stay Competitive on the Global Stage

By Brett Gerrish • MMA

**S**mall manufacturers don't need to *think small*. In an era that is more global and interconnected than ever, manufacturers of every size can compete globally if they commit to an expansion strategy and utilize available resources.

"We have become a stronger company because we are competing in a bigger arena," says Patrick Curry, president of Saginaw-based Fullerton Tool Company. "More competitors force us to get stronger in all aspects of our business. It helps you to see what you are doing right and, more importantly, it shows you where you are lacking."

The story of Fullerton Tool's expansion is similar to the experiences of many manufacturers that are already active in Canada, Mexico, Europe, China, Japan and other regions around the world. The strategies, connections and lessons learned from their experience can help domestic manufacturers dip their toes into new markets and grow faster and farther than they thought possible.

"We make tough-to-manufacture tooling components and many of our customers were going global in their business model — that made us take a serious look at targeting certain markets, first with our nearest neighbors, Canada and Mexico, before expanding broadly to other locations over time."

Canada and Mexico represent a massive percentage of Michigan's global trade. In 2017, the two countries purchased more than \$34 billion in manufactured goods from Michigan — more than the rest of the world combined. With such opportunities to sell your products to neighboring nations, expanding into those markets can give you a leg up on the competition and set your brand up for long-term success.

## The Argument Against: The Time Isn't Right, There's a Downturn Coming

When times are tough, it's only natural for a business to think about halting expansion to focus on domestic sales. Many international business experts, however, suggest the opposite is not only important but necessary to combat a slowing economy.

"A downturn, or threat of one, is frequently just the push a management team needs in order to look globally," said Jade Sims, international trade specialist with the International Business Center at Michigan State University (MSU-IBC). "Diversification, in terms of products, industries and consumers is necessary in a constantly changing climate. And, let's face it, things are changing more quickly than ever."

When looking to grow during tight economic times — or capitalizing on a booming economy — taking advantage of some of your core competencies while diversifying risk can be a major asset.

## Where, Oh Where, Should My Business Go?

If you've never looked to expand beyond the U.S. borders, deciding on *where* to go can be a difficult first step. Choose wisely and your business could grow quickly. Choose wrong and the impact could slow future expansion and even impact your existing sales.

"NAFTA has facilitated trade with Canada and Mexico, creating a dynamic cross-border industry ecosystem — shipping to our neighbors generally tends to be comparatively easy and cheap, with a few exceptions," said Sims. "Michigan's other big partners — China, Germany, Japan, Brazil, South Korea — are good indicators of where to start. Look to the countries with existing free trade agreements. These create lower tariffs and make U.S. products more affordable to overseas clients."

Choosing the right countries to expand to can be very company-specific. The U.S. Census Bureau can tell you who is the largest international buyer of any particular product — critical information for any manufacturer but especially those that produce a diverse array of products.

## Locating Resources that Help

Luckily for manufacturers, there are plenty of valuable resources — locally, nationally and abroad — to help make their first foray overseas successful. Once you identify the opportunities you want to pursue, it's time to connect with the knowledge professionals.

"A great aspect of Michigan's export resources is that we all work closely together — so I don't think there's a wrong door," Simms stated. "The U.S. Commercial Service (the trade promotion arm of the U.S. Department of Commerce's International Trade Administration), Small Business Development Centers (SBDCs), The Center, Michigan Economic Development Corporation (MEDC) and their international trade programs, the Small Business Administration (SBA) and the MI-STEP grant program, and the International Business Center at MSU are some great places to get started."

When Patrick Curry and the Fullerton Tool team needed assistance, these and other organizations were critical in ensuring they weren't taken advantage of or pursued the wrong path.

"The U.S. Commerce Department was one of our biggest allies in expanding the right way," said Curry. "They will do the due diligence for you if you reach out. They've helped save me a ton of money and headaches by pointing us away from potential partners who aren't who you want to be working with. Remember, it's an investment. To expand properly you need to invest in time, market research, travel, follow up and support. Commerce has plenty of resources to help you invest wisely." 

## How to Write an Effective Export Plan

Export plans enhance communication, assign tasks, provide an accurate way to measure results and commit your company to a long-term export strategy. Here are questions to answer before doing international business:

### Product or Service

- What need does my product or service fill in the global marketplace?
- What modifications need to be made to adapt to an overseas market?
- Do I need a special license or certificate from exporter's/importer's government?
- Do I need to modify my packaging/labeling?
- How much will it cost to get the product to the market?
- What will be my pricing strategy?

### Promotional

- What modifications will be necessary to my website to ease the purchasing process?
- What (if anything) is necessary to protect my intellectual property?
- Why am I pursuing international customers?
- How can I use the lessons I've learned in my previous international sales experiences to make my new export plan stronger?

### Management Issues

- Am I fully committed to exporting?
- How much time will it take for implementation?
- Is my production and personnel capacity adequate enough to meet the new demand?
- Will I need additional financing?
- What are my first-year projected international sales?
- How will I ship the product and deal with returns or warranty issues?
- Will I attend any trade shows or join any trade missions?
- How will I make use of government export assistance programs?
- What documents will I need to become familiar with to export?

Connect with the MSU's International Business Center or other international trade assistance organizations for sample export plans



Source: MSU's International Business Center, adapted by Doug Barry, U.S. Department of Commerce

From market research and export counseling services to complaint filing, partner search capabilities and more, the Commerce Department should be a go-to source for all interested exporters in addition to local and regional resources.

"The Gold Key Service is a really great program that allows you to make better decisions by having the information at your fingertips," Curry continued, pointing to an essential tool within the Commerce Department that made the move to overseas markets much better.

The Gold Key Service offers U.S. companies matchmaking appointments with up to five interested partners in a foreign market. According to the Department website, "the full service includes identification and outreach to potential matching firms, sending client's information to identified matching firms, preparing a profile of interested firms, attending the appointments and providing a report with the profile and contact information for interested firms."

### PRO Tip

See [www.ExportMI.org](http://www.ExportMI.org) for trade services, research guides and upcoming trainings.

"It's all about relationships and when you're new to a whole region of markets, having someone on hand who is familiar with the players, has the right reputation and has your best interests at heart can make all the difference," Curry explained.

## Barriers to Your Global Success

No expansion comes without risk and there are plenty of reasons to tread lightly. But coming prepared to face those challenges can lead to even greater success.

"Overall, the biggest challenge is knowing where to start, identifying the risks and then addressing them," Sims offered. "If a company has a highly regulated product (think electronics or processed food), a company might need local approvals and certifications before putting product on shelves. The MSU-IBC and other resources can help identify those through market research."

Additionally, some companies can worry about the logistical details of moving things around the globe. Sims and the MSU-IBC suggest speaking with a few different freight forwarders to identify the best and most affordable options. The U.S. Commercial Service also offers tools for employers worried about not getting paid or facing intellectual property issues overseas.

"Some of our biggest challenges have come from things you wouldn't think about if you've always done business domestically," said Curry. "There are unique cultural differences to consider. Time is a big adjustment as you can go from a nine-to-five business to 24-hours depending on where you are doing business. Documentation can create real headaches if you aren't prepared; plus the

language barriers can slow things down or result in misunderstandings along the way.”

### PRO Tip

If you can overcome the challenges, the benefits to global expansion can be significant. See sidebar for examples.

Finally, one of the worst things a growing business can do is go too far too fast.

“Changing regulations and international trade issues can have a big impact to your success — if China has become your largest client country in recent years, then the tariff situation has likely put you in a precarious situation,” Sims said. “Capacity is something else that everyone must keep an eye on. If you’re not able to keep up with your newly created demand for a product, this can create bad blood; this is especially true for international clients that tend toward putting a lot of stock in relationships and trust.”

In the end, Michigan’s many small and mid-sized manufacturers would do well to explore international expansion. Whether you do it or not, and to what extent, is up to you but, with billions of people living outside the U.S., simply ignoring those markets can be a bad idea — especially if your competition *is* doing their research.

“I think expansion is important – it’s made us a stronger company,” said Curry. “If you take that leap of faith and jump into it with the right resources it’s only going to benefit you. I’ve enjoyed the travel and seeing how other manufacturers do things, what their processes are, how they handle different situations — it can open your eyes and you can bring those new ideas back home.” ⚙️



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## Understanding the Benefits to Business Expansion

- 1. Economies of scale!** As you make more efficient use of your current resources of personnel and equipment and buying power, your per-unit cost will decrease, increasing your margin.
- 2. Faster growth.** Although the U.S. economy performed fairly well in 2018 at just under 3% growth, there are over 100 countries around the world with economies that grew faster.
- 3. Diversification of customer base.** Diversifying your customer base can also make your company more resilient against economic cycles. We've spoken with more than a few companies that told us they would have closed their doors during the great recession 10 years ago if it weren't for their foreign customers.
- 4. First-mover advantage.** Even with the dizzying pace of globalization, it's still possible to be the first-to-market in some places, setting the tone, price point and capturing a growing market share.
- 5. Better wages.** A U.S. Chamber study found that companies that exported paid approximately 19% higher salaries to their employees.
- 6. New insight into existing products.** Unbelievable as it seems, overseas customers frequently use products a bit differently; these differences provide insight to help companies innovate to create better offerings down the road.

Source: Michigan State University's International Business Center.

