

**U.S. Small Business Administration
Ron Johnson Interview with Paula Murphy**

Ron Johnson: U.S. small businesses looking to export will need to develop an export strategy. In Part II of our series, "Where Will Your Next Customers Come From?" you'll need an exporting plan if you want to succeed in international markets.

Hello, this is Ron Johnson with the U.S. Small Business Administration, *Your Small Business Resource*. And with me today is Paula Murphy, Director of the Massachusetts Export Center, part of the Massachusetts Small Business Development Center Network. The export center is the state's leading provider of export development services and is widely recognized by the local international business community as an important resource for Massachusetts businesses. Small Business Development Centers partner with SBA to provide counseling and training to entrepreneurs.

Paula, it's good to have you here today.

Paula Murphy: Thanks Ron.

Ron Johnson: What are some of the factors that could help a company to determine whether it is ready to export?

Paula Murphy: Well, there are a lot of factors that can help a company to determine whether they are ready to export. I think one of the most important factors is the commitment of the company's top management. Exporting really needs to be a

priority focus for the firm and the top management of the firm need to take a long-term view toward development of export markets and it needs to be -- the top management needs to make exporting a permanent part of the company's overall business strategy. And they need to devote the financial resources, staffing and time that are going to be necessary to develop and maintain their export operations.

Ron Johnson: As a business develops its export strategy, what are some of the key objectives it might want to consider?

Paula Murphy: Well, there are many reasons a firm may want to begin exporting but, you know, I certainly believe there are right reasons and wrong reasons and the right reasons for exporting tend to be focused on long-term growth and the overall health of the firm. Certainly, growth and revenue, profits and market share are what many firms can expect if they can develop a successful export operation.

Firms can also expect to see an improved level of competitiveness. This is not just a matter keeping up with their competitors, although this is certainly important but exporting firms become adept at responding to new and different customer needs and this helps to contribute towards their competitive capability even in the domestic market.

Another very important objective is the diversification of risks, this is especially true in the current economy.

Unfortunately, we work with many firms and our phone tends to be the busiest when the U.S economy is not doing well because companies are looking to increase their overseas sales as a way to offset the slump in the domestic economy. But those companies that are exporting will find that they automatically have the diversified sales base if they are exporting to even five countries, so I think diversification of risk is a very important factor.

It's also important for firms to be specific and realistic with their objectives as they are developing their export strategy, again, keeping in mind that export development is a long term process.

Ron Johnson: Wow, that's a big world out there. So, how does a business assess whether it should begin or which countries it should target?

Paula Murphy: Well, it is a big world out there and, especially for a small business, it can be very overwhelming to know where to begin. Small businesses, they need to keep in mind that they don't need to go global overnight. Sometimes we may be working with a business and they want to be selling in Europe, Latin America, Asia, everywhere within the next year and that might not be feasible and, in fact, a slow, methodical and targeted approach is usually best, especially for a small business. And a company with limited resources is going to want

to focus their export strategy to find balance on what is manageable for them so they may end up just picking and choosing a couple of top priority export markets, at least in the beginning.

Many firms already have some idea which countries represent strong export markets for them. For example, they may have some large U.S. customers that are moving manufacturing overseas and they want the exporter, all of a sudden, to start supplying the overseas operation. Or they may receive direct inquiries from overseas customers or overseas distributors through their website, over the phone; they may have interest expressed at domestic U.S. trade shows by overseas buyers, and certainly they probably know where their competitors are selling overseas, if they are. So, there are a lot of factors that may already give a company an indication of where there is a market for them. So, aside from these reactive factors, there is also a lot of market research available so companies can proactively assess which markets hold the greatest potential for their products overseas.

Ron Johnson: What methods can a business use to enter target export markets?

Paula Murphy: There are a lot of different ways that an exporter can access an export market. There two basic forms of market entry. Direct market entry, where they're selling

directly to a party in the export market and indirect market entry, where the exporter might be selling to a party in the U.S. who then turns around and sells it to the export market.

There is a time and a place where each of these methods -- very small businesses with very limited resources may want to consider indirect market entry where they will be dealing with, for example, an export management company here in the U.S. that would be managing that whole export process for them. But if a company is really serious about exporting, in the long term, they want to make it a permanent part of their business strategy, most businesses, even small businesses are going to be best off going directly.

But even with a direct market entry method, they're going to be working with some sort of a partner in the export market. And there are a number of reasons for that. If you're a small business and you want to reach several customers in an overseas market, if you have a local partner in that country, you're going to be able to reach many more customers in that market than you would if you were trying to export directly yourself. You may also want some sort of a local presence for your company in the market. So if you have a website and you want overseas customers to find you, they'll have a local person that they can call to purchase your product.

Ron Johnson: Paula, once a company has conducted market research, what are some key action items the firm might want to consider as part of its market entry strategy?

Paula Murphy: I think one of the first things an exporter should do is develop a profile of the type of partner they are looking to find in the export market. They want to look and see who are the customers of that partner? Are they already selling to the types of customers that that exporter wants to reach? What types of products are in their product line? Is it a good fit for the exporter's product? Is it complimentary? What geographic coverage does that partner have? Where are their sales channels? What's their sales volume, market share? What types of marketing activities do they engage in? And what's the structure of the organization?

And many times, for a small business exporter, it's usually a good fit for them to find a smaller distributor that can represent them in that overseas market. They don't necessarily want to go with the largest distributor for their industry, they may have better results with a smaller distributor.

Ron Johnson: I'd like to thank Paula Murphy, Director of the Massachusetts Export Center, for the Massachusetts Small Business Development Center Network, for sharing her expertise with us today. Paula will be joining us for the third segment in our series, "Preparing for Global Markets."

For more information on exporting, you can go to www.sba.gov/international or www.export.gov. So, until next time, this is Ron Johnson, with the U.S. Small Business Administration, Your Small Business Resource.

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