

**Research and Strategy Briefing Papers on
Developing Global Niche Markets for SMEs in
East Michigan and the Eastern Upper Peninsula**

Research Briefing Paper #1

**East Michigan and Eastern Upper Peninsula
SME Exporting Survey Analysis and
Annotated U.S. Export Assistance Directory**



**Michigan State University
Center for Community and Economic Development**

in cooperation with the

East Michigan Council of Governments
Arenac, Bay, Clare, Gladwin, Gratiot, Huron, Iosco, Isabella, Midland, Ogemaw,
Roscommon, Saginaw, Sanilac, Tuscola Counties
and the
Eastern Upper Peninsula Regional Planning and Development Commission
Chippewa, Luce, Mackinac Counties

February 22, 2012

Supported, in part, with a grant from the U.S. Economic Development Administration.

Executive Summary

In collaboration with the East Michigan Council of Governments (EMCOG) and the Eastern Upper Peninsula Regional Planning and Development Commission (EUPRPDC), the MSU Regional Export Strategies Project team distributed an online survey to evaluate exporting by small and medium-sized enterprises (SMEs) and related needs and issues in the two regions. Based on the survey results, 44% of the companies that chose to participate in the survey are currently exporting. This is a much higher SME export participation rate than would be expected across the entire region and state which is probably closer to 1-3%. Most importantly, however, is that 90% of the companies already exporting want to expand their export markets. Although exporting may currently represent a relatively small fraction of revenue for exporting businesses, export market expansion would increase company revenues and could create new jobs.

While the annual revenues of survey respondents covered a broad range, the company sizes and ages of these companies were more uniform. The majority of the respondents were small (less than 50 full-time employees) and have been in operation for more than ten years. Of companies currently exporting, a majority take advantage of their geographic proximity to Canada by exporting to customers there. Survey results indicated that the primary objectives for entering into foreign trade were to initiate trade in emerging or established markets and to maintain sales to customers that had moved their operations abroad.

It was found that lack of knowledge and financial barriers impede SMEs' development of foreign markets:

- 78% of the companies that are considering export market entry/expansion identified at least one knowledge barrier including lack of knowledge about export regulations, foreign markets, and logistics/transportation.
- 74% cited at least one financial barrier, including insufficient working capital and labor resources, prohibitive administration costs, and excessive financial risk and cost to compete.

Secondary barriers included regulatory and infrastructure barriers related to exporting. A broad spectrum of federal, state, and university export assistance providers have substantial capacity in providing valuable resources to companies wanting to enter or expand export markets.

But companies remain overwhelmingly unaware of these resources; over 73% of respondents were completely unaware of federal export assistance providers and resources. More strategic and targeted deployment of export resources would enhance the effective use of these resources by companies in meeting their specific exporting assistance needs. Appendix 4 provides an annotated directory of U.S. export assistance agencies and resources.

Manufacturers made up the greatest segment of survey respondents (42%). As a result, the project team concludes that the development of regional exporting strategies and educational materials and resources should focus primarily on the manufacturing sector—but not to the exclusion of other economic sectors.

The survey data presented in this report represents aggregated data for companies in both the East Michigan and Eastern Upper Peninsula regions. This data was also broken out for each region and presented at meetings with the EUPRPDC and its local EDCs December 14 and with EMCOG and its local EDCs December 15, 2011 (see Appendices 7 and 8 for the respective regional survey data presentations). In order to encourage and support SME exporting in key global niche markets, it is expected that the two regional planning agencies will use their respective sets of regional exporting data in preparing their next respective comprehensive economic development strategies (CEDs).

Finally, our survey focused on evaluating SMEs' use of U.S. export assistance resources. However, it is important to note that two state agencies—the Michigan Department of Agriculture & Rural Development (MDARD) and the Michigan Economic Development Corporation (MEDC)—provide important export assistance. MDARD provides valuable support to agricultural producers and food processors through its International Market Development Program office (see http://www.michigan.gov/mdard/0,4610,7-125-1568_2387_3784---,00.html). MEDC launched its State Trade Export Promotion (STEP) program in November, 2011 to assist SMEs in all economic sectors (see <http://www.michiganadvantage.org/STEP/>). The project team did not, however, assess these programs.