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Cover Story

Global gains: \$8.75 billion in exports from Louisville metro companies means double-digit percentage growth in just one year's time



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Zoeller Pump Co., a Louisville maker of sump pumps, has moved slowly and methodically to increase its exports, international marketing manager [Jason Nett](#) said.

"We're taking a step-by-step approach to growing internationally," he said. "We don't want to make a mistake."

Exports amount to less than 10 percent of the company's annual sales, international sales manager [Jason Meyer](#) said.

However, the company's volume of exports has increased in recent years, Meyer said. The percentage of export sales to total sales has not changed much because domestic sales also have increased.

Zoeller Pump now devotes much more of its resources to the export market.

As noted in an October 2009 Business First report on the company, Zoeller Pump had only two or three employees in its international department, Meyer said. Now it has 13 or 14, he said. The company now has sales offices in Canada and Mexico City and two sales representatives in its Taipei, Taiwan, office.

Zoeller is like many local businesses that, faced with static or declining demand in the United States, are finding that they are not too small to make money by exporting their products and services overseas.

In 2012, the Louisville metro area exported about 15 percent of the products and services it produced to other countries, according to a report released in October by the Washington, D.C.-based Brookings Institution. The total value of international exports from this area was \$8.75 billion, with about 19 percent of those being motor vehicles and another 10 percent being motor vehicle parts.

Exports of goods and services from the Louisville area has grown by an annualized rate of 12 percent from 2009 to 2012, making international sales a strong growth driver for local companies — both large and small.

The Louisville area's exports of goods alone increased by 14 percent from 2011 to 2012, to \$6.8 billion, according to the U.S. Department of Commerce's International Trade Administration. And exports of goods in 2011 were up 9.2 percent from 2010.

Louisville ranked 42nd out of 100 U.S. cities on the total value of its exports in 2012, and it ranked 21st in the "intensity" of its exports, which the Brookings Institution defined as the share of exports to total production.

Autos and appliances among the biggest exports

Much of the growth of exports in recent years has been fueled by the automotive industry, with vehicles exported from **Ford Motor Co.'s** Louisville Assembly Plant and Kentucky Truck Plant and the local firms that supply them with parts.

According to the Brookings Institution, exports of motor vehicles locally increased by nearly 36 percent from 2009 to 2012, and exports of motor vehicle parts by nearly 39 percent during the same period.

Also during the same period, exports of household appliances increased by about 8 percent, fueled by production at **General Electric Co.'s** GE Appliances division at Appliance Park in Louisville.

The increase in exports locally has come from a combination of smaller companies getting into exporting and larger companies taking advantage of free trade agreements, said [Brian Miller](#), a senior trade specialist with the U.S. Export Assistance Center in Louisville.

For example, Miller said, a free trade agreement with South Korea became effective in March 2012, prompting the export of Camrys to that country from the **Toyota Motor Corp.** plant in Georgetown, Ky.

Pact with EU expected to boost trade

International trade is likely to become an even bigger part of the local economy if a trade agreement between the United States and the European Union is concluded next year.

The first round of negotiating sessions for the Transatlantic Trade and Investment Partnership were held in July, and a second round scheduled for October was postponed because of the U.S. government shutdown.

A report released in October by the German think tank Bertelsmann Foundation showed that if the trade agreement were concluded, exports from Kentucky to the EU would have a net increase of \$3.1 billion, or about 61 percent of the \$5 billion in Kentucky goods exported to Europe in 2012.

The industry sectors in Kentucky most affected would be motor vehicles, which would add \$1.2 billion in exports, and chemicals, which would add \$1.1 billion in exports, according to the report. Most of the jobs created would come in business services (1,289), followed by non-electric machinery manufacturing (379), metals/metal product manufacturing (227) and financial services (166).

Internet inquiry often starts export sales

Overseas exports are likely to continue increasing for several other reasons, said [Peggy Pauley](#), director of the U.S. Export Assistance Center in Louisville.

The Internet has made it easier for companies to find each other, she said, and a local company might begin exporting simply because it gets an inquiry from overseas via its website.

“When smaller companies see those, they wonder if they can do it (export),” she said.

Even the very smallest companies can get into the export market by filling an online order from an overseas customer, Pauley said. That’s what she calls “reactive” exporting. But the federal government emphasizes “proactive” exporting, in which companies deliberately focus on specific foreign markets that make sense for them to enter, she said.

If a company isn’t at the right stage of its development, Pauley said, reactive exporting can be a distraction. “We don’t want to encourage companies to run off and get distracted from a really good domestic business, for example.”

Another reason exports have increased — and a reason that a company might want to start exporting — is that with weakness in the U.S. market, an overseas customer base can help a domestic company ride out the troughs in the domestic market, Pauley said.

“Look at all these emerging markets with huge populations,” she said. “They are modernizing their economies and opening up to free trade.”

Government encourages export growth

Exports also are likely to grow because the government is encouraging that growth, said [Michael Iacovazzi-Pau](#), manager of global engagement for **Greater Louisville Inc.**, the metro chamber of commerce.

For example, in his 2010 State of the Union address, President Obama announced the National Export Initiative, an effort to double U.S. exports in five years. In February, Louisville became the eighth U.S. city to join the Metropolitan Export Initiative, a Brookings Institution program intended to help communities create customized metropolitan export plans.

Federal, state and local governments have devoted resources to help make that increase happen, Iacovazzi-Pau said, including the State Trade and Export Promotion (STEP) grant program authorized by the federal Small Business Jobs Act of 2010.

In 2012, \$30 million worth of STEP grants were awarded nationwide, \$427,000 of which went to Kentucky. They are intended to help states help small businesses enter the international marketplace.

The grants are typically for only a few thousand dollars, Iacovazzi-Pau said, but that can mean a lot to a small business. For example, it could cover the cost of attending an international trade fair overseas, he said.

Companies that would like to begin exporting first should determine whether they have the capacity needed to boost production, Iacovazzi-Pau said. They also should not have significant cash-flow problems because it might take longer to get payment from an overseas customer than a domestic one.

Most important, they need a strong commitment from leadership, Iacovazzi-Pau said, because exporting is not easy and requires a long-term commitment.

“It always starts at the top.”

Priming the pump

In the last two years, Zoeller Pump Co. has worked to get sales tools in place to support more sales overseas, said international marketing manager [Jason Nett](#). The company has had its website translated into Spanish, French and simplified Mandarin, and it has tailored sales documents such as price lists and return/discount policies to markets in individual countries.

In most of the world, electricity is delivered to customers at a frequency of 50 hertz, said international sales manager [Jason Meyer](#), but in America it's 60 hertz. So the company recently put together a catalog of products that run on 50 hertz to support its exporting efforts, he said.

The company also has to ensure it sells pumps with the proper plug-in types in the right markets. There are 15 different wall socket plug-ins worldwide, Meyer said.

Even something as seemingly minor as the size of the paper that pump instructions are printed on is significant. In America, the company prints the instructions on 8-by-11-inch

paper, but many overseas customers prefer the A4 format, which is slightly narrower and longer.

In exporting, Nett said, "there is no substitute for trying to adapt the products and way of doing business to the cultural norm. ... Doing what seems to be very little things can go a long way to meet the needs and interests of the customer."

Succeeding in Europe

[Kimberly VanLandingham](#), president of European Market Link, an international business consulting firm, recently spoke about exporting to Europe at a breakfast forum in Louisville sponsored by the World Affairs Council of Kentucky/Southern Indiana Inc., the **World Trade Center Kentucky**, Greater Louisville Inc., the metro chamber of commerce and Bingham Greenebaum Doll LLP.

Here are eight takeaways from her presentation:

- Go after easier markets first, and don't try to go into a new market with a new product. Go into a new market with a proven product.
 - A lone salesperson will struggle, so team up salespeople in several adjoining countries to work together.
 - Think of European sales as a long-term commitment, a five-year strategy that might take time to bear fruit.
 - Understand that agreements with suppliers are different and often more binding than agreements with U.S. suppliers.
 - When making a sales pitch, use facts and data to sell the product or service, not slogans. Also, don't say the product or service will enable the customer to cut staff in half. Businesses in Europe are much more people-oriented than they are in the United States.
 - Business meetings are longer and more detailed than in the United States, so be sure to do your homework.
 - If you're on time for a business meeting in Germany, you're late. Germans expect you to show up 10 to 15 minutes early to socialize, which allows the meeting to begin on time.
 - Don't send one-line emails to potential business partners. Emails are expected to be more like formal letters, with formal greetings and good wishes.
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Kinetic goes global

Louisville-based Kinetic Corp. added 20 employees to its local staff in October, and most of that growth was a direct result of the company's success in exporting overseas, president and CEO [Ray Schuhmann](#) said.

He expects the company's exports to increase by about 40 percent this year after a 13 percent increase last year. Overseas exports clearly are the fastest-growing segment of his business, he said.

The company helps other companies manage their brands around the world, partly by optimizing the process of translating their materials into other languages.

Schuhmann estimated that the company has added 60 to 80 employees in the last two years because of its increasing export business. In all, it has about 95 employees.

Sales in the European market really took off after the company received a State Trade and Export Promotion (STEP) grant, which enabled it to attend an international trade show for technical communicators in Germany last year.

With help from a second, partial STEP grant, Schuhmann returned to the trade show earlier this month, and took the opportunity to meet with customers in France who he never had met before.

For the trade shows, company officials dress up as surgeons, and the theme of their display is "translation headaches cured," he said. This approach helps the company stand out among the other presenters, who typically dress in suits or shirts with a company logo on them.

"Most people say, 'Oh, it's the crazy Americans' — which is fine by us," Schuhmann said.

Going to an international trade show in another country shows potential customers or trade partners that your company is in the overseas market for the long haul, Schuhmann said.

"It shows you're committed, rather than just testing the waters."

Local presence essential

The key to Phoenix Process Equipment Co.'s exporting success has been to "treat the market like you live in it," president [Gary Drake](#) said.

The Louisville company makes industrial water and wastewater filtration systems, and about 40 percent of its annual sales are made in other countries, Drake said. Last year, the company had \$33.5 million in sales.

Phoenix Process Equipment's major export partners are in Australia, South Africa, India, Canada and Mexico, but it has exported just about everywhere in the world except the Middle East, Drake said. Wherever it exports, the company makes sure it has a local presence, with exclusive distributors and people who can provide service immediately.

If the company's equipment breaks on a job, he said, it can lead to costly shutdowns, Drake said. Customers "are not amenable to calling you in the U.S. when they have a problem, on your time and on your schedule," he said.

For businesses that export high-volume products that are easy to replace, he said, that might not be necessary.

"But in our business, where performance of our systems is critical, we have to function the way we function here," Drake said.

Kevin Eigelbach covers these beats: Financial services, residential real estate, property and casualty insurance, construction, unions, engineers, architects, agriculture, South End, Southwest County, Bullitt County.