First Quarter Meeting

Ball State Business Roundtable

February 12, 2014
U.S. Economic Outlook

Michael Hicks, PhD
Director, Center for Business and Economic Research
Ball State University
## 2013 Golden Dart Award

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Keynote Speaker

Mark Cooper
Director, Indiana Office
U.S. Department of Commerce
The 7 Deadly Sins... of Exporting!
## Global Changes

<table>
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<tr>
<th>Category</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Blogs</strong></td>
<td>12,000</td>
<td>141,000,000</td>
</tr>
<tr>
<td><strong>Daily Google Searches</strong></td>
<td>100,000,000</td>
<td>2,000,000,000</td>
</tr>
<tr>
<td><strong>Reality-TV Shows</strong></td>
<td>4</td>
<td>320</td>
</tr>
<tr>
<td><strong>Video Game Revenue</strong></td>
<td>$7.98 Billion</td>
<td>$19.66 Billion</td>
</tr>
<tr>
<td><strong>CD Sales Revenue</strong></td>
<td>$943 Million</td>
<td>$427.9 Million</td>
</tr>
<tr>
<td><strong>Books Published</strong></td>
<td>282,242</td>
<td>1,052,803</td>
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<tr>
<td><strong>Daily Letters Mailed</strong></td>
<td>207.88 Billion</td>
<td>175.67 Billion</td>
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<tr>
<td><strong>Daily E-mails</strong></td>
<td>12 Billion</td>
<td>247 Billion</td>
</tr>
<tr>
<td><strong>Text Messages</strong></td>
<td>400,000</td>
<td>4.5 Billion</td>
</tr>
<tr>
<td><strong>Hard-Drive Storage</strong></td>
<td>$10/Gigabyte</td>
<td>6c/Gigabyte</td>
</tr>
<tr>
<td><strong>iTunes Downloads</strong></td>
<td>0</td>
<td>10 Billion</td>
</tr>
<tr>
<td><strong>Time Spent Online</strong></td>
<td>2.7 Hrs./Wk.</td>
<td>18 Hrs./Wk.</td>
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The U.S. Commercial Service is a program of the U.S. Department of Commerce’s International Trade Administration.

Our mission:

- To promote the export of goods & services from the United States, particularly by small- and medium-sized businesses
- To represent U.S. business interests internationally
- To help U.S. businesses find qualified international partners
Indiana vs. the Midwest

Figure 1: Annual Increase in Exports for Indiana, the Midwest and the United States, 2010 to 2012

Change from Previous Year

Indiana Midwest U.S.

2010: 25.6% 23.9% 21.1%
2011: 12.3% 15.3% 15.8%
2012: 6.6% 6.1% 4.4%

Source: WISER Trade
Indiana Global Overview

• Ranked 13th in the nation in exports

• Indiana Exports totaled appx $34.4 billion in 2012

• 7% increase from 2011
Indiana’s Top 10 Export Markets 2012

1. Canada 46%
2. Mexico
3. Germany
4. France
5. Japan
6. China
7. UK
8. Spain
9. Brazil
10. Netherlands
2012 Top 10 Indiana Export Commodities, by % Share of Total

- Compression-Ignition Int Combustion Piston Engine: 1.7%
- Passenger Motor Vehicles: 2.3%
- Human Blood & Blood Fractions: 2.6%
- Artificial Joints + Parts and Accessories: 2.7%
- Motor Vehicles for the Transport of Goods: 2.8%
- Trailers and Semi-trailers (Housing/Camping): 3%
- Compression-Ignition Int Combustion Piston Engine: 3%
- Civilian Aircraft, Engines, and Parts: 3.7%
- Gear Boxes for Motor Vehicles: 4.5%
- Medicaments Measured Doses, Retail PK: 13.3%

U.S. Department of Commerce
Orthopedics Hub….

33% of the global orthopedics industry is based in Warsaw, Indiana.
Indiana the Top Pharma Exporting State

Figure 29: Leading States in the Export of Pharmaceuticals, 2002 to 2012

- Exports (left axis)
- Growth Rate (right axis)

2012 Value of Exports (Billions of Current Dollars)

Indiana, California, Pennsylvania, North Carolina, New York, Massachusetts, Delaware, New Jersey, Kentucky, Ohio

Average Annual Growth Rate, 2002-2012

Source: WISER Trade

U.S. Department of Commerce
Indiana Exports to Canada by Industry

Figure 21: Indiana Exports to Canada by Industry, 2002 to 2012

Note: Nesoi stands for “not elsewhere specified or indicated.”
Source: WISER Trade

Source: WISER Trade  U.S. Department of Commerce
Indiana Exports to Mexico by Industry

Figure 22: Indiana Exports to Mexico by Industry, 2002 to 2012

Source: WISER Trade

U.S. Department of Commerce
Indiana Exports to Germany by Industry

Figure 23: Indiana Exports to Germany by Industry, 2002 to 2012

- Base Metals, Cements and Articles Thereof Nesoi
- Glass and Glassware
- Albuminoidal Substances, Modified Starch, Glue and Enzymes
- Vehicles and Parts (Excluding Railway)
- Aircraft, Spacecraft and Related Parts
- Electric Machinery
- Industrial Machinery (Including Computers)
- Miscellaneous Chemical Products
- Optical and Medical Instruments
- Pharmaceutical Products

Note: Nesoi stands for “not elsewhere specified or indicated.”
Source: WISER Trade

Source: WISER Trade  U.S. Department of Commerce
Small Business Impact

- 6,279 companies exported from Indiana in 2009. 5,400 (86 percent) were SME’s with fewer than 500 employees.

- Dynamic growth in exports = firms with fewer than 20 employees

- Exports support 12 million U.S. Jobs, pay up to 18% more national average.

- 7.4% of Indiana’s private sector employment

- 1 in 5 Indiana manufacturing jobs supported by exports
Sin #1...Don’t Like Homework

• Know if your product will sell overseas
  – careful about *me too*’ products
  – What makes it special, unique, different?
  – Just because it sells in U.S. doesn’t mean it will sell over ‘there’
  – Determine ‘key market indicators’ for your product
    • ex: paper, pens, and lawnmowers in EU
Sin #2... Management Doesn’t ‘Get It’

- Doesn’t see international as ‘real business’- takes away from domestic
- Won’t hire an international sales person
- Doesn’t want to spend the money to research or allow travel to markets
- Has unrealistic goals or time horizons for success- International business takes longer
  - Ex: ‘who is in charge of exporting’?
  - NO FOLLOW UP.....
Sin #3...Using a Shotgun, not a Rifle

• Not Every Market is a good one
• There are over 180 countries in the world—don’t overdo it
• Focus on markets with greatest ‘bang for the buck’ potential
• Homework + 1 or 2 markets
• Consider Canada or Mexico
  – Ex: I think China is sexy
Sin #4… Champagne Taste-Beer Checkbook

- ‘I will send a fax’
- ‘give me an unqualified list’
- ‘I can’t afford to travel’
- ‘translate it-can’t those foreigners read english’-
  - TIP: at least translate intro letter
  - ‘I don’t have a website’
Sin #5... If It’s Good Enough for Americans....

- Unwilling to adapt product to the market
- Unwilling to change production runs - smaller runs
- Unwilling to change size or dimensions
- Unwilling to use metric system
  - Ex: furniture company - their low end was Brazilian middle to high end
6. I Can Sell Anything…!

- Signing exclusive distributor agreements
- Not doing background check on potential distributor
- Have distributor place initial order
  - (ex 20% of first year expected sales)
- Not treating foreign distributor like domestic- no training, no visit
7. In God We Trust…but All Others Use an LC

- Getting paid is top priority
- Be sure to consider shipping costs- know your incoterms-
- Know payment options such as cash in advance, LC’s (types), EXIM
So....WHAT CAN WE DO FOR YOU?

- Assist in developing an effective export strategy
- Help locate the best markets for your products
- Identify the most qualified buyers and partners
- Recommend financing options
- Payment issues and customs clearance, export licensing
- Regulatory and market entry hurdles
Core Market Services

**Business Facilitation**
- International Company Profile
- Gold Key Matching Service
- Single Company Promotion

**Trade Promotion Events**
- International Buyer Programs
- Trade Shows & US Pavilions
- Trade Missions

**Customized Programs**
- Platinum Key Service
- Advocacy & Trade Disputes
- Market Research

**Market Research**
- Market Research Library
- Country Commercial Guide (CCG)
- Due Diligence

U.S. Department of Commerce
Our U.S. Embassy network includes 160 international offices in 82 countries, putting our commercial officers in 96% of world export markets--from Argentina to Zimbabwe
We have trade specialists in 105 export assistance centers across the U.S.
How To Contact Us:

• By phone: 317-582-2300

• Or email mark.cooper@trade.gov

• See our website www.export.gov/indiana
Thank you