

International Markets Growing Source of Revenue for Small and Medium-Sized Businesses

written by Lauri Moon | December 7, 2016

Over the next five years, more than three-quarters of companies surveyed anticipate their revenue from global sales to increase by about 30% on average.

(MH&L - Staff: 11-8-16) A recent survey of companies selling outside the U.S. found that 80% say revenues are greater compared to one year ago, and on average one quarter (26%) of their revenue growth can be linked to international sales alone.

The 2016 American Express Grow Global Survey also found that as companies forecast future revenues, they are optimistic about exporting. Over the next five years, more than three-quarters (76%) anticipate their revenue from global sales to increase by about 30% on average.

While an overwhelming majority of surveyed companies (90%) agree that international markets offer significant growth opportunities, growth does not come without challenges. The most significant concerns for those selling outside the U.S. include the ability to build relationships with foreign partners (75%) followed closely by the ability to comply with local and international law, trade regulations, and transportation and shipping costs (each, 73%).

Businesses recognize they need help navigating challenges that arise when doing international business, some of which include cultural differences/different business practices (65%), political instability (64%), language barriers (59%) and a general lack of knowledge about the markets in which they operate (57%).

American Express created the Grow Global program in 2015 to help ease business owners' concerns, and provide valuable resources and networking opportunities for U.S. *small and medium-sized businesses* that currently export as well as those who are considering exporting.

Survey findings include:

The Path to International Sales: Intentional vs. Accidental Exporters

According to the survey, most small and mid-size businesses entered foreign markets intentionally as part of a strategic business decision (78%), and many of them (63%) feel informed about how to conduct international business. However, while most intentional exporters feel informed about conducting business globally, almost four in ten (37%) indicated they have insufficient market knowledge on exporting, meaning they could benefit from the ability to tap into knowledgeable resources.

In contrast, as many as one in five small and mid-sized businesses (21%) began exporting accidentally when an opportunity fell into their lap. Comparing these accidental exporters to their more intentional counterparts:

- 44% say they are very informed about how to conduct international business (vs. 69% in the intentional exporters group)
- 44% say they are familiar with the markets where they sell (vs. 51% who export intentionally)
- 29% say they are familiar with the culture where they do business (vs. 44% in the intentional exporters group)

To obtain knowledge about the international markets where they do business, companies overall are most likely to rely on their network (71%) or the websites and marketing material of potential trade partners and customers (64%). Significantly fewer rely on data from market research reports (54%), news publications (47%), advisory firms (40%) or government programs (33%).

North America is the Focus of Future Investment Of small and mid-sized U.S. companies that currently sell internationally, sales efforts are mostly concentrated in Mexico or Canada (43%) and Europe (29%), with much fewer selling in Asia (17%). Mexico and Canada are the first choices (34%) as regions with the most potential for exporting sales over the next five years, followed by Asia (24%) – particularly China, Japan and Korea. This suggests that while exporters are more likely to see the regions where they are already exporting and regions nearest to home as possessing the greatest growth potential, Asia may experience increased sales efforts in the

next five years.

Nearly two-thirds of surveyed businesses (63%) have sought financing in order to invest in entering and growing business in these regions. Eight in ten (82%) say they have used a variety of working capital and receivables financing tools to supplement commercial finance products for growth in these markets.

The Impact of Global Economic and Political Environment on Plans for Trade Despite the changing global economic and political environment over the last six months, few companies say they are being cautious about their future plans for international trade (30%). In fact, nearly four in ten (39%) plan to increase their efforts to pursue sales internationally in the next six months, and roughly one-third (31%) say changing global economics have had little impact on their future plans.

However, the recent U.S. presidential election is one factor that may have more of an impact on plans for international trade. Seven-in-ten (70%) say the impact of the election will be at least 'somewhat significant.'