

Euler Hermes Survey: Exports Critical to U.S. Small-Medium (SME) Business Growth

Exporting SMEs expect 9 percent annual revenue growth

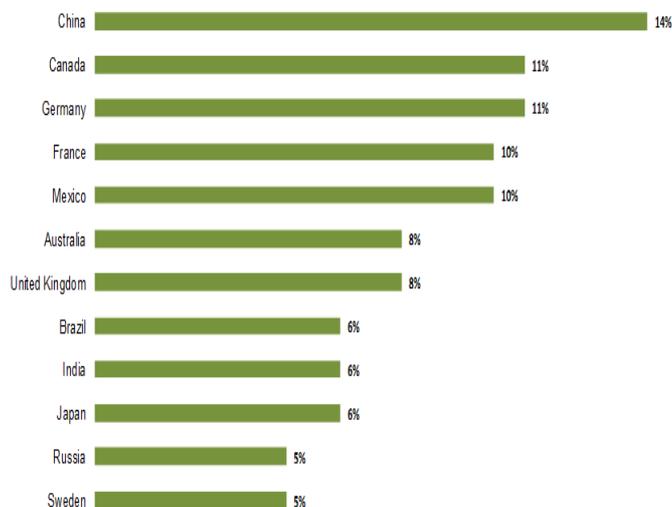
BALTIMORE, Md. – 12 OCTOBER 2015 – Two-thirds of U.S. small- and medium-sized enterprises (SMEs) feel that exporting has contributed to their business growth, according to a national survey released today by [Euler Hermes](#), the world’s leading provider of trade credit insurance. Exporting SMEs also estimate they could increase revenues by 26.3% in three years and 42.4% in five years if armed with the right risk management tools. At the same time, there still are risks: The Euler Hermes’ [2015 U.S. Export Survey](#) found that non-payment issues and uncertainty about international customers are companies’ biggest concerns.

A view of the landscape

According to Euler Hermes, 62% of U.S. SME exporters have increased exporting activity over the last five years. Surveyed companies believe exporting is most beneficial, equally, for increasing sales and profits (77%) and in providing a competitive advantage (77 %).

The majority of U.S. businesses export to fewer than four markets (56%), with Canada and the United Kingdom being the most common destinations. When asked which countries these companies would like to begin exporting to, China (14%), Canada (11%) and Germany (11%) top the list.

Q: To which countries would you like to begin exporting in the coming year?



Source: Euler Hermes U.S. Export Survey

“In today’s global marketplace, it has become increasingly important for U.S. exporters to expand their foreign market sales to remain competitive,” said James Daly, president and CEO of Euler Hermes Americas. “Understanding different markets, especially China, can be challenging. But many companies have already experienced real growth exploring new markets, and as long as they have the right risk management tools in place and access to solid information about local trade practices, they can export and expand safely.”

Outside influences

On a global level, U.S. exports fell 3% in the first half of 2015 due to a stronger dollar and a slowdown in global demand. These factors, coupled with ongoing volatility in China, Russia and Latin America, as well as a flat recovery in Europe, did not create strong incentives for U.S. companies to expand to

new markets. However, Euler Hermes estimates that there is still an additional \$58 billion possible in U.S. goods exports in 2016.

Despite U.S. government efforts to stimulate exports, global economic volatility has caused U.S. businesses to be wary of international markets and focus instead on domestic opportunities. Long-term consequences to domestic-only consumption include limited innovation, reduced risk diversification and a potential market share loss to competitors.

Navigating international markets

One of the main barriers to export entry for SMEs is non-payment. According to Euler Hermes' U.S. Export Survey, one-third of surveyed SME exporters said they've experienced the non-payment of an export shipment in the past year, with an average of four non-payment issues per year. Two in five SME exporters (39%) believe their international customers are more risky, and 37% indicate their domestic and international customers are altogether different.

"While exporting to new markets can help drive innovation and increase profitability for U.S. businesses, it is vital companies develop a sound risk management strategy, which includes understanding each country's payment culture and collections practices," said Daly. "Despite non-payment risks, we have found exporting companies are most likely to view exports as a means of increasing revenues with little incremental cost, making operations more efficient."

Mitigating risks requires the right toolkit

Access to information remains the most important tool for exporters. Euler Hermes recommends three actions for companies that want to begin exporting or expand into new markets:

- Seek help obtaining individual potential customer information: Balance sheet strength and customer credit terms depend on individual company, country and industry drivers
- Consider company-specific preferences for selling abroad: Evaluate different operating models, including distributors, sales agents, joint ventures or a regional branch
- Revise terms and conditions: Supplier protection, local payment cultures and collection practices vary dramatically across countries.

Methodology

The Euler Hermes 2015 U.S. Export Survey analyzed the opinions and sentiment of 250 small- and medium-sized businesses with annual revenues between \$1 million and \$50 million. All had B2B revenues accounting for at least 50 percent of total revenues; half exported goods or services.

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Euler Hermes North America Insurance Company

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