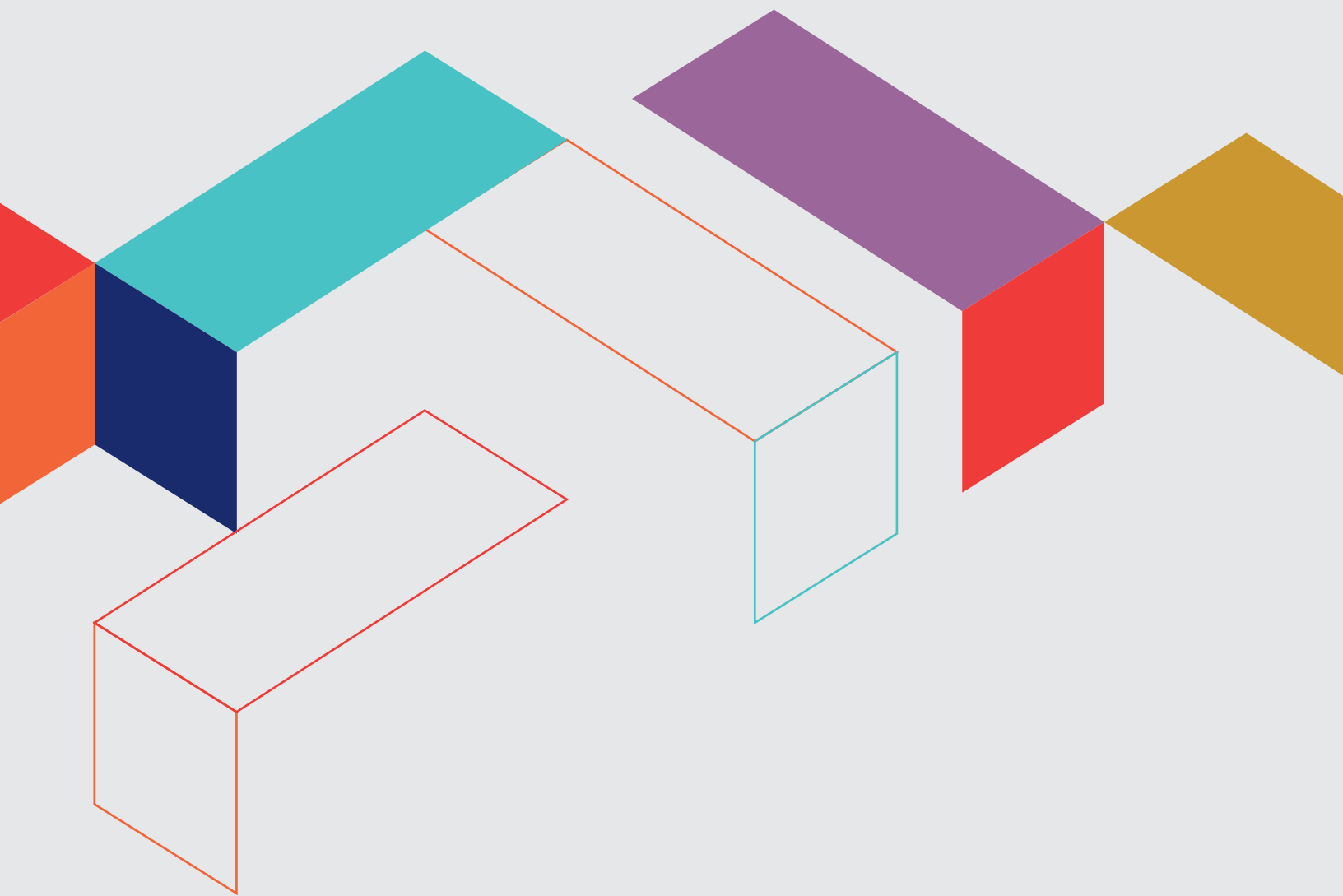


**NEW-TO-EXPORT 101** STRENGTHENING THE  
CAPACITY OF U.S. REGIONAL  
ECONOMIES TO  
EXPORT ABROAD



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# INTRODUCTION

In 2016, the Milken Institute launched New-to-Export 101 (NTE 101), a program to increase the number of local manufacturers exporting their products abroad by simplifying the export experience and improving the delivery of export-enabling services for new exporters. This program builds on the Institute's extensive work on expanding opportunities for small business growth (for example, by increasing access to capital through the Partnership for Lending in Underserved Markets) and tests some of the strategies called for in the 2012 report "Strategies for Expanding California's Exports," such as increasing coordination among export service providers.

We focus on new-to-export (NTE) firms because they represent untapped potential for expansion. U.S. firms do not export at the same rate as firms in many other countries, partly because support for new exporters is limited. However, strengthening the capacity of

U.S. regional economies to export internationally is a proven regional economic development strategy that boosts small- and medium-sized business growth, creates jobs, and contributes to regional industry cluster competitiveness.



As part of the NTE 101 program, we consulted with many local export service providers to develop a framework to assist new exporters and then tested the framework with a pilot program for 21 new exporters in the Los Angeles area. In this report, we are pleased to share the framework and the outcome of the LA pilot in the hope that other regions may adopt and adapt the tools. Some of the main takeaways from the program include:

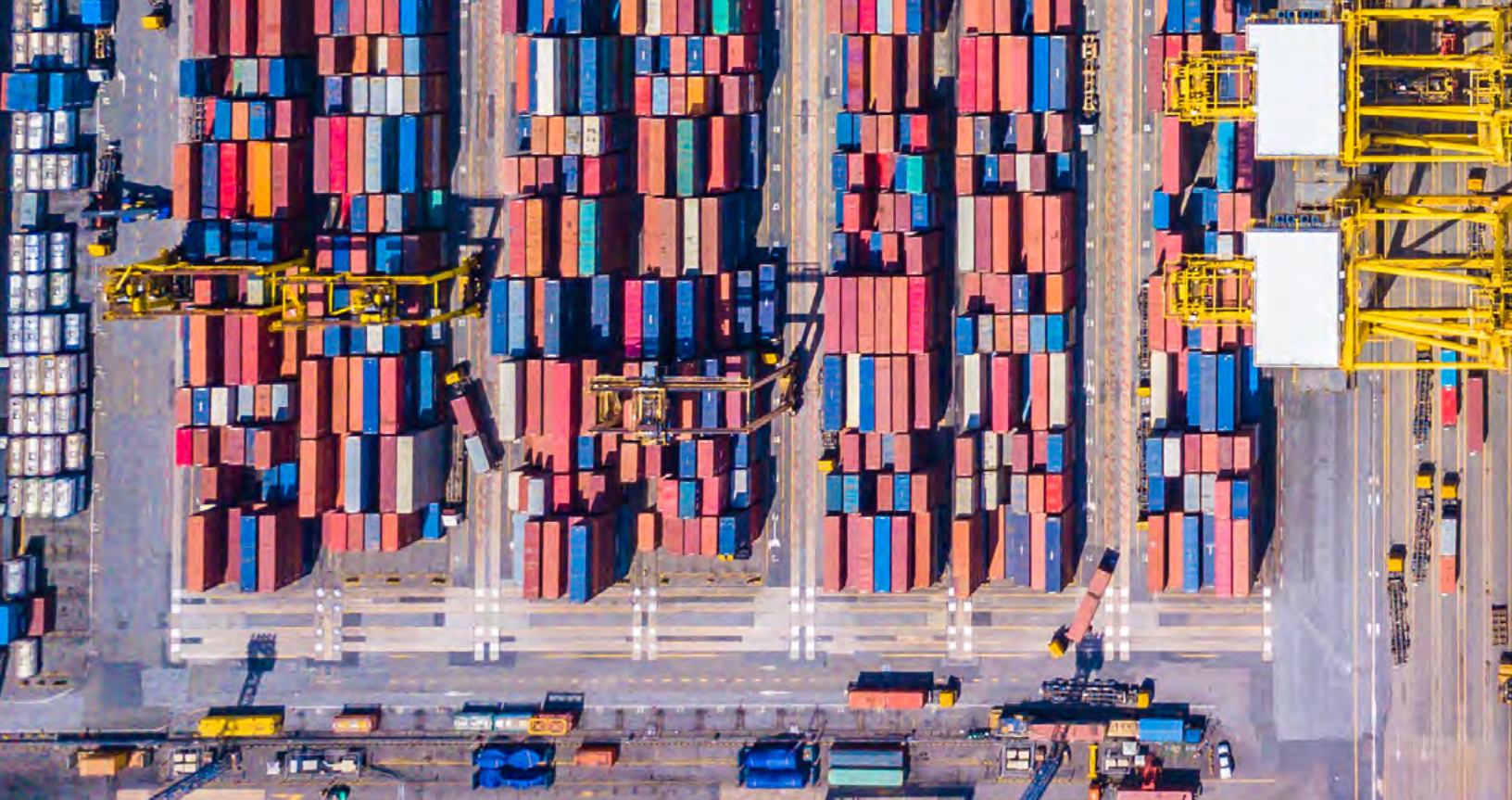
- NTE firms need more than a simple seminar or tutorial course; businesses' favorite part of the program was the one-on-one mentoring, which kept them motivated and helped address issues as they came up.
- NTE firms may lose interest in the difficult task of becoming an exporter due to a lack of hands-on resources tailored to their needs. Looking beyond a traditional "how to export" guide, it is important to tie how-to information to concrete steps that map to local export service providers.
- Every regional economy has a unique mix of stakeholders in the export world; trade associations, federal agencies, state and local governments, ports, trade consultants, community colleges, and more. Each has a role—coordinating these resources is key.
- Getting buy-in from existing export stakeholders requires that the program benefits them as well; this is accomplished by creating client referral opportunities, building larger audiences for their services, and providing improved communication and collaboration tools and networking opportunities.
- New exporters struggle to secure financing to expand their businesses—access to capital is an unsolved challenge despite the existence of federal export working capital and trade finance programs.





# BACKGROUND

For many years, U.S. export assistance organizations have focused on helping existing exporters to the general exclusion of NTE businesses. For example, on the website of any local U.S. Export Assistance Center, there is a link for those who are new to exporting that connects the user to an online resource directory and one for experienced exporters that connects the user directly to local staff. NTE firms are no less likely—and may be more likely—to benefit from person-to-person interaction than experienced exporters.

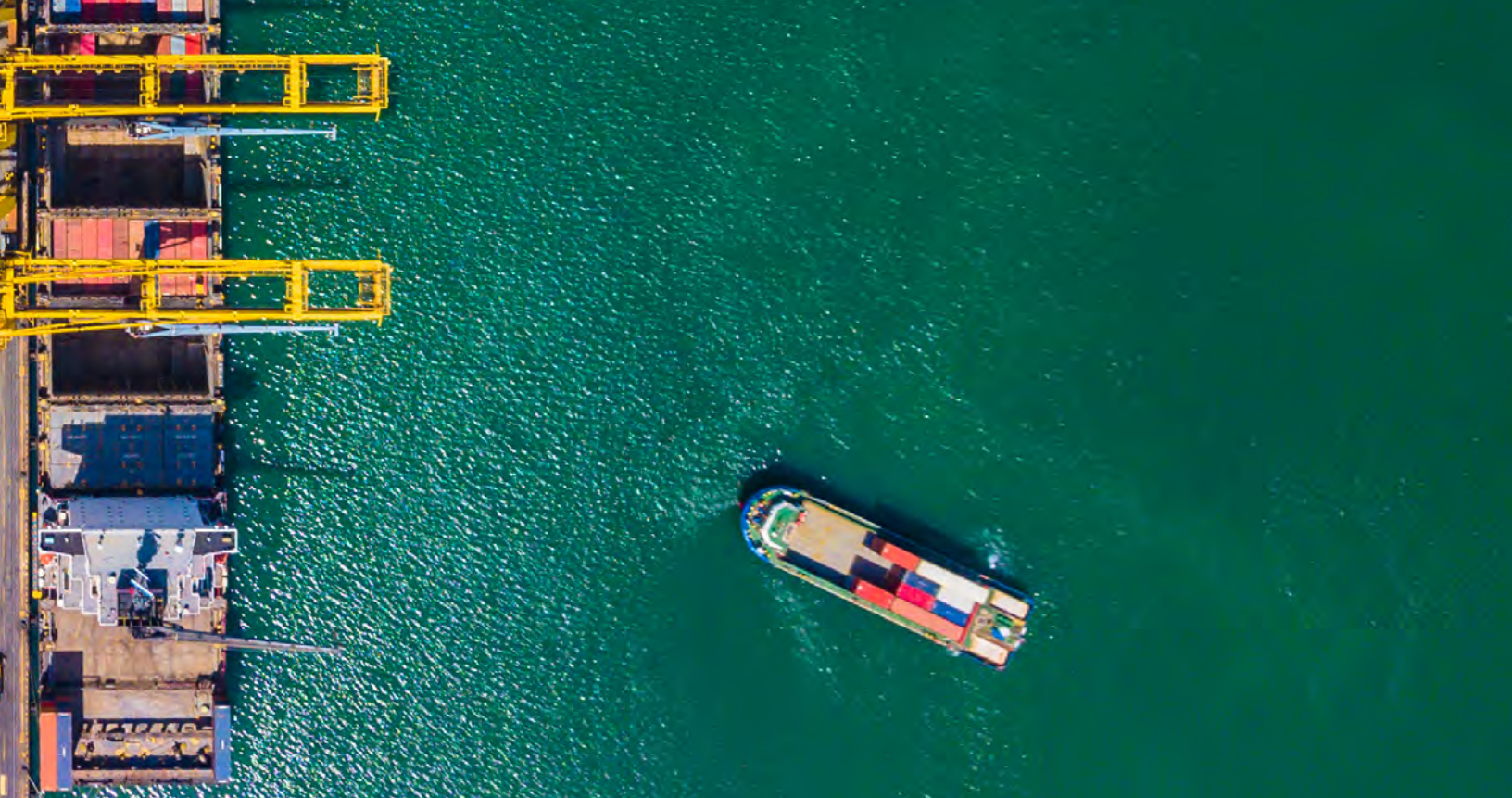


Another example is the National Export Initiative (NEI), a federal program that ran from 2010 to 2014 and aimed to double U.S. exports to spur job creation following the global financial crisis. The NEI recognized that U.S. export growth had lagged and could be a tool for reinvigorating the economy if increased. The initiative fell short of its stated goal; from 2009 to 2014, exports increased by 34 percent<sup>1</sup>, while the number of exporting companies only increased by 10 percent.<sup>2</sup> While the NEI adopted multiple strategies to increase exports, specifically targeting high-potential NTE firms was not one of them. Historically, a relatively small group of exporting firms has dominated U.S. exports, and NEI did little to change that.

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- 1 Using 2009, the recession's deepest point, to 2014, real (inflation adjusted) exports of goods and services. Data source: U.S. Bureau of Economic Analysis, Real exports of goods and services (EXPGSCA), retrieved from FRED, Federal Reserve Bank of St. Louis.
  - 2 Based on Census data, identified U.S. exporting companies in 2009 vs 2014 from "A Profile of U.S. Importing and Exporting Companies" series.

Currently, the top 1 percent of manufacturers—fewer than 3,000 firms—account for 80 percent of manufacturing exports.<sup>3</sup> There are another 180,000 manufacturing companies in the U.S. that do not export at all.<sup>4</sup> Among their ranks may be the next major success stories for U.S. exports. The U.S. can achieve much greater export and job expansion by helping more of these NTE firms reach the 95 percent of the world's potential consumers and 75 percent of global spending outside the U.S.<sup>5</sup> For companies, this is also good business; exporters on average pay better wages, grow faster than their peers, and are more likely to stay in business.<sup>6</sup>

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- 3 U.S. Census Bureau, 2016 Exports by Company Type and Employment Size.
  - 4 In 2015, there were 251,774 manufacturing companies in the U.S. ("2015 SUSB Annual Data Tables by Establishment Industry," U.S., 6-digit NAICS). In 2016, there were 71,290 exporting manufacturing companies in the U.S. ("A Profile of U.S. Importing and Exporting Companies, 2016" U.S. Census Bureau, April 5, 2018).
  - 5 Population: United Nations, Population Division, World Population Prospects 2017. Global GDP: World Bank national accounts data, 2017 GDP (current US\$).
  - 6 U.S. Commercial Service "[Why Export?](#)", last updated 3/12/2018.



Despite the prioritization of existing exporters over NTE firms, there is a network of government agencies and nonprofits working to support potential exporters by providing trainings, services, and resources. However, for prospective NTE firms, navigating the options can be daunting and confusing—if companies even know what to look for in the first place. Studies have found non-exporters lack motivation, interest, and confidence stemming from misconceptions (“I’m too small, can’t afford it, can’t compete, it’s too complicated, too risky”), fear (of the unknown, of regulations, of not getting paid, of intellectual property risks, of legal liability), and lack of knowledge (of export potential, of the benefits, of the steps and procedures).<sup>7</sup>

While large firms can hire experienced export sales staff and consultants to manage their export operations, new exporters have fewer resources to invest for these purposes. Government programs fill some of this void, but funding for exporting programs

ebbs and flows and varies from region to region, leaving local governments, nonprofits, and the private sector to step in where they can. Paradoxically, the very existence of so many different sources of export help is itself a challenge. No singular organization is mandated or equipped to help with every export need—particularly NTE needs—and these organizations have not collaborated or coordinated their activities toward a common goal or target audience. That lack of coordination has led to a confusing maze of competing services for companies struggling with no sense of where to start, gaps in needed services that can only be filled by multiple sources, and conflicting training and trade assistance and event activities.

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<sup>7</sup> National Small Business Association, Small Business Exporting Survey, 2016. <https://www.nsba.biz/wp-content/uploads/2016/04/Export-Survey-2016-Final.pdf>.



# NEW-TO-EXPORT 101

Strengthening the capacity of U.S. regional economies to export internationally is a proven regional economic development strategy that boosts small- and medium-sized business growth and creates jobs. In addition to informing trade policy, the Milken Institute works with regions to strengthen their organizational capacity to promote exporting. To that end, in 2016 the Milken Institute launched New-to-Export 101, a framework with supplementary programs to increase the number of local manufacturers exporting their products abroad by simplifying the exporting experience for NTE firms and service providers.

Maurice Kogon is the original architect of the NTE 101 framework. Founder and president of Kogon Trade Consulting, Kogon has over five decades of experience in the international business field as a U.S. government official, business executive, educator, and consultant. He has written, lectured, and trained extensively on international trade, including teaching international business courses at Cal State University Northridge, George Washington University, and Virginia Tech. Kogon consulted for U.S. and international clients, including the Egyptian government and the United Nation's International Trade Centre in Geneva. The International Trade Compliance Institute (ITCI) was established in 2008 by the El Camino College Center for International Trade Development (CITD) in Torrance, Calif., and Kogon co-developed the extensive ITCI website. Also, he has developed numerous online export tools now used throughout the world, including the Trade Information Database and the Exporting Basics guide, Export Readiness Assessment diagnostic, Export FAQs, and Export Internet Search Wizard.<sup>8</sup>

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<sup>8</sup> Please visit the following links to learn more about Kogon (<https://www.linkedin.com/in/maurice-kogon-bab37612/>), Kogon Trade Consulting, and the International Trade Compliance Institute ([http://www.tradecomplianceinstitute.org/p\\_about.php](http://www.tradecomplianceinstitute.org/p_about.php)).

NTE 101 brings together key regional stakeholders and organizations from across the public and private sectors, including federal, state, and local government agencies, banks and export finance companies, trade consultants, and private business associations. Some of these organizations have their own export assistance programs and resources, but they often tout their own programs and do not provide a holistic view for the NTE firm. For example, Export.gov has a wealth of information about programs offered by the Department of Commerce but does not mention local and regional resources outside of the commerce umbrella, including ones that might offer complementary services. The NTE 101 framework and programs are unique because they target new-to-export manufacturers specifically and take a holistic view of the export journey from the perspective of a NTE firm.

## NTE 101 Framework

The NTE 101 framework presents an NTE firm's journey as a series of export-enabling steps with associated support services (see Table 1). From there, any region can map local, state, and national providers to the services, as we've done for Los Angeles in the appendix.

We designed NTE 101 to address the needs of existing manufacturers and bring together various

export guides in an easy-to-follow manner. The framework is not exhaustive, but it represents the main steps a business should take to become export-ready and begin exporting—matched to the resources and local service providers that can assist in those steps.<sup>9</sup> We designed this framework with input from Maurice Kogon and resources provided by his valuable International Trade Compliance Institute, as well as the Export Enabling Service Working Group, while also integrating (and referencing) existing material, such as the U.S. Commercial Service's "A Basic Guide to Exporting" and Small Business Administration's "Export Business Planner." The framework is meant to go beyond these guides by including the guiding hand of a mentor and including local resources. The local framework should be expanded and adapted depending on the region's trade ecosystem, though the steps will remain the same. The intent is to extend beyond from a theoretical perspective and attach each step to local programs and subject matter mentors who can help with practical implementation.

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<sup>9</sup> The framework does not include non-export-specific services that also may be of value to an NTE firm. For example, we do not include steps and services about general business management (e.g., accounting practices or managing a growing workforce). Some providers, such as the U.S. Small Business Administration, offer both export and non-export services.

Table 1: **NTE 101 Framework**

STEP 1	BUILD EXPORT CAPACITY	AVAILABLE SERVICES
	<p><b>ASSESS YOUR COMPANY'S EXPORT-READINESS</b> You need to have your business fundamentals in order to succeed in increasingly competitive global markets. These services will help you assess your business' export-readiness and provide guidance to build your export capacity.</p>	<ul style="list-style-type: none"> <li>■ Self-guided assessment</li> <li>■ Export counseling</li> <li>■ Manufacturing technical assistance</li> </ul>
	<p><b>BECOME KNOWLEDGEABLE ABOUT EXPORTING</b> Learning how your company can benefit from exporting and the export-enabling steps before you undertake them will support your understanding of the “big picture” of exporting and provide you an opportunity to start building your export network.</p>	<ul style="list-style-type: none"> <li>■ Comprehensive online exporting guides and FAQs</li> <li>■ In-person training events, seminars, and workshops</li> </ul>
	<p><b>CREATE AN EXPORT PLAN</b> Create an export plan to clarify your goals, objectives, and expectations. Include the steps you will take, available resources (money, time, staff), and a general timeline to guide your efforts.</p>	<ul style="list-style-type: none"> <li>■ Sample export plans and templates</li> </ul>

STEP 2	IDENTIFY TARGET MARKETS	AVAILABLE SERVICES
	<p><b>IDENTIFY MARKETS TO PURSUE</b> You are ready to activate your export plan. There is no one-size-fits-all approach to identifying target markets, though you will want to research and identify markets that will be receptive to your product and industry. Also, keep in mind macro issues such as tariffs and international relations.</p>	<ul style="list-style-type: none"> <li>■ Market and industry-specific research</li> <li>■ Market and industry-specific webinars and events</li> <li>■ U.S. export data (to see top destinations for your product)</li> </ul>
	<p><b>DEVELOP AN ENTRY STRATEGY</b> Once you identify suitable markets, you will determine how best to sell your product in those markets. Take into account pricing, localization, and marketing, and consider if e-commerce is right for you. Finding a local distributor can simplify these steps for first-time exporters.</p>	<ul style="list-style-type: none"> <li>■ Guides for doing business in that market</li> <li>■ Help choosing a sales model</li> <li>■ Localization, pricing, and marketing assistance</li> <li>■ E-commerce platform resources</li> </ul>

STEPS 3-5 >>>

Table 1: **NTE 101 Framework** (continued)

STEP 3	FIND BUYERS AND MAKE SALES	AVAILABLE SERVICES
	<p><b>FIND BUYERS</b> Making your first international sale can be difficult, but numerous services can help connect you to customers or distributors abroad. You can make passive sales through e-commerce, but at other times it will be necessary to travel and meet with buyers in person.</p>	<ul style="list-style-type: none"> <li>■ STEP Grant (if eligible)</li> <li>■ Business matchmaking</li> <li>■ Foreign trade shows and trade missions</li> </ul>
	<p><b>RESPOND TO INQUIRIES</b> Once you have marketed your product and found reputable buyers, you will need to negotiate terms and close the deal. Don't forget to factor in customs/duties and shipping into your pricing model.</p>	<ul style="list-style-type: none"> <li>■ Help vetting potential customers</li> <li>■ International commercial terms (Incoterms)*</li> <li>■ Pricing resources</li> </ul>
STEP 4	ACCESS FINANCIAL RESOURCES	AVAILABLE SERVICES
	<p><b>ASSESS FINANCIAL NEEDS</b> Access to capital and insurance may be the most challenging step for NTE firms. A thoughtful business plan and even potential buyers do not guarantee that you will be approved for a loan or secure capital. To maximize your chances, know the full range of products available and their eligibility requirements. Also consider smaller dollar options, such as grants, to get you started.</p>	<ul style="list-style-type: none"> <li>■ National trade finance and export loan programs</li> <li>■ Local trade finance expert consultations</li> </ul>
	<p><b>SECURE EXPORT WORKING CAPITAL AND/OR INSURANCE</b> You may need additional working capital to fulfill a large export order or a letter of credit to ensure payment from a new customer. Financial tools such as these can help you scale up production and protect your business from payment and delivery risks.</p>	<ul style="list-style-type: none"> <li>■ Export and working capital loans</li> <li>■ Export credit insurance, bank letters of credit</li> </ul>
STEP 5	FULFILL THE ORDER	AVAILABLE SERVICES
	<p><b>PREPARE FOR SHIPPING</b> Delivering your goods might be as simple as mailing a package from the post office or as complicated as sending containers of product across the ocean. Service providers, such as freight forwarders, can assist in determining the best way to deliver your product.</p>	<ul style="list-style-type: none"> <li>■ Documentation, labeling, and customs assistance</li> <li>■ Freight forwarding services</li> </ul>
	<p><b>COMPLY WITH U.S. AND FOREIGN REGULATIONS</b> Properly label your product, file regulatory paperwork, and pay your customs duties to avoid delays. As required for products (such as technology, medicine, products with military licenses, etc.), also make sure that you have secured an export license.</p>	<ul style="list-style-type: none"> <li>■ Regulatory compliance assistance</li> </ul>

\* Incoterms, short for international commercial terms, are an internationally recognized standard created by the International Chamber of Commerce and are used worldwide in international and domestic contracts.



## Service Provider Program

The NTE 101 service provider program coordinates export assistance resources and services by:

- Increasing networking opportunities among service providers
- Improving communication among providers
- Facilitating collaboration across providers

To support the client program, service providers can augment the export-enabling steps template with any market-specific topics or services and match providers to all services.

## Client Program

The NTE 101 client program is a hands-on, grassroots effort to provide direct support to NTE firms (“clients”). Mentors are at the core of the program. They have prior exporting experience and sufficient connections to guide clients through the export-enabling steps. Mentors provide clients with knowledge and support to help them network and forge relationships with exporting organizations and, potentially, new markets.

In addition to mentors, the client program makes use of an “Experts Network”—subject matter experts able to provide in-depth guidance on specific topics (e.g., e-commerce, the beauty industry, selling in the Middle East) beyond what a mentor can provide on his or her own.

To participate in the program, NTE firms should meet the following qualifications:

- A company must be an established area manufacturer that has shown reasonable success in the U.S. market.

- The person representing the company must either be the top manager expected to oversee export operations or an export intermediary authorized to handle its new export operations.

In addition to these guidelines, any region could choose to tailor program qualifications by criteria such as industry, business size, or geography.

## Local Area Implementation

Any region or organization can reference the NTE 101 framework on its own or implement a service provider or client program independently. Optimally, a comprehensive regional approach includes all three, and below we describe what local area implementation looks like when integrating all of these elements.

The first step is identifying an established and credible organization (e.g., a government agency or trade organization) to lead local implementation. The organization then appoints an NTE 101 program director who knows the market landscape and has an extensive network of leading federal, state, and local agencies and organizations that provide assessments, counseling, and training.

The program director identifies and assembles export assistance providers for the Service Provider program. First, providers inventory market-specific topics and services, tailor the export-enabling steps template, and fill in the service providers to align with the services. Then they move on to coordination and alignment activities.

To launch the client program, the program director needs tailored export-enabling steps and to line up mentors and subject matter experts (many of whom will likely come from the service provider program). With these elements in place, the director can initiate outreach and recruit clients.



# NTE 101—LOS ANGELES

Los Angeles was the ideal location to pilot NTE 101. The region is not only the manufacturing hub of the United States, with the most manufacturing jobs (more than 500,000) of any metro area,<sup>10</sup> but international trade is its largest industry by employment. The movement of goods in and out of the Los Angeles/Long Beach Port, the largest port complex in the United States,<sup>11</sup> directly sustains nearly 200,000 jobs. Similarly, the Los Angeles International Airport is the world's sixth busiest airport. As a result, the LA customs district is the largest in the nation by total cargo value—handling approximately

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<sup>10</sup> MAKE IT IN LA Study, 2015, <https://makeitinla.org/study/>.

<sup>11</sup> Port of Los Angeles, Facts and Figures, 2017 <https://www.portoflosangeles.org/business/statistics/facts-and-figures>

\$430 billion in goods in 2017.<sup>12</sup> Moreover, there are many local, state, and federal agencies and organizations already promoting and supporting trade, so strong institutional infrastructure is in place.

Los Angeles is also home to Maurice Kogon, the original NTE 101 architect. Kogon served as the program manager for NTE 101-LA. With the Milken Institute, he identified export assistance providers for the Service Provider program and through his network of providers recruited and managed the first class of clients.



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12 U.S. Census Bureau, Economic Indicators Division, Exports and Imports by Customs District, 2017.

## Service Provider Program

With Kogon's support, the Milken Institute convened export service providers and others in the export space from local, state, and federal agencies and organizations.

### Service Provider Working Group Participants

22 Capital Group  
BEAM e-Commerce Program  
Brett Tarnet Insurance Services  
Cal Traders  
California Manufacturing Technology Consulting  
California State University Dominguez Hills  
Capital Link, Inc.  
Centers for International Trade Development  
District Export Council of Southern California  
El Camino College Business Training Center  
Export-Import Bank of the United States  
GB5D  
Habib Law  
Honda Motor Company  
Kogon Trade Consulting  
Long Beach City College Center for International Trade Development  
Long Beach Small Business Development Center (SBDC)  
Los Angeles Chamber of Commerce  
Los Angeles Regional SBDC Network  
Meridian Finance Group  
NexTrade Group  
Office of Congressmember Karen Bass  
Office of the Mayor  
Orange County Small Business Development Center  
PEAR Strategies  
Port of Los Angeles  
Santa Barbara Small Business Development Center  
SCORE Orange County  
U.S. Department of Commerce, International Trade Administration  
U.S. Export Assistance Center, Los Angeles West  
U.S. Export Assistance Center, Orange County  
U.S. Small Business Administration, Los Angeles District Office

Program participants joined an Export-Enabling Services Working Group, which reviewed and augmented the export-enabling steps template, and an Export Coordination Working Group, which focused on provider communication, collaboration, and planning.

### **EXPORT-ENABLING SERVICES WORKING GROUP**

The mandate of the Export-Enabling Services Working Group was to evaluate a preliminary template to identify any gaps in the export services being provided locally, and to fill in the template with local services providers.

The primary gap the Export-Enabling Services Working Group identified with the original template was a lack of e-commerce and digital strategy services and tools. Also, they wanted to see more promotion of U.S. Commercial Service’s U.S. Export Assistance Centers, which are strong providers of online education and export promotion services. (See appendix for the most recent NTE 101-LA Service Provider Resource Guide.)

### **EXPORT COORDINATION WORKING GROUP**

The objective of the Export Coordination Working Group was to improve coordination among service providers and consider ways to improve referrals and handoffs to provide more seamless service for NTE firms. For export training in particular, the working group sought to reconcile overlapping or duplicative programs and propose more options to coordinate the topics, locations, and dates most convenient for NTEs so they would not need to choose between multiple useful options.

The group had a very instructive and productive experience. They identified four opportunities to increase networking, improve communication, and facilitate collaboration among service providers:

1. Create an external (public-facing) shared calendar that would be embedded in each service providers’ website.
2. Convene meetings with stakeholders from export-oriented organizations.
3. Create an internal (to the service providers) planning tool.
4. Create an internal (to the service providers) platform for referrals, handoffs, and other information.

The group was most eager to create a shared public calendar, but this was the one objective we could not achieve. The primary impediments were technological and organizational. First, many organizations (in particular, government agencies) have security firewalls that prevent calendars from talking to each other. Without automating the process, the onus would be on individuals to maintain the shared calendar manually—which speaks to the organizational challenge. Automated or manual, success would depend on an organization or agency’s long-term commitment to updating a shared resource. When job roles change or organizations reorganize, the risk is high that maintaining the shared resource would be a lower internal priority.

Additionally, embedding a trade-specific calendar may not be in the interest of an organization with multiple mandates. For instance, the Small Business Administration (SBA) Los Angeles District website features a calendar of events, some of which pertain to trade and some of which do not. There is a link to “Export Products,” but that takes the user to the national SBA website, where it would not be appropriate to embed an LA-specific calendar. While disappointing to not realize a public, shared calendar, the group did achieve its other three objectives.

Creating networking opportunities was straightforward and, over a roughly 18-month period, the Milken Institute, California State University

Dominguez Hills, and El Camino College Business Training Center hosted several events at which service providers could interact and forge new relationships. The working group meetings themselves also supported this objective. Productive collaboration among service providers also lead to client referrals to other relevant trade programs.

The group explored technology platforms to facilitate planning and communication among service providers. Ultimately, we decided to test two platforms: a shared, color-coded calendar for groups that simplifies how teams share plans and schedule events and a communication platform where group members can easily share information and discuss topics with each other. These tools were interlinked, sending a message to all participants when a new event was added to the calendar, for example. These features, which are available on a variety of products, help everyone save time and collaborate.

From a managerial perspective, these collaboration tools have two important advantages: the cost burden is minimal, and the administrative burden is light. On the administrative end, there should be a person available who can help users troubleshoot basic issues or provide training (e.g., how to upload events), and the Milken Institute has created a user guide with processes and procedures for both tools specifically for export service providers.

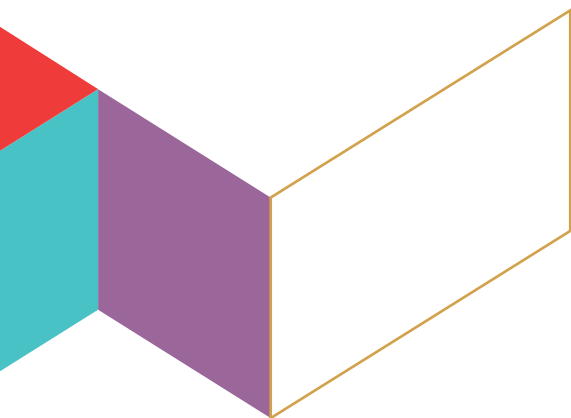
After a six-month testing period, the Milken Institute surveyed participants and discovered that most found the shared calendar tool more useful than the communication tool. They also recognized that they needed a singular point of contact to keep them motivated and compliant. Our take on these platforms is that they are valuable tools and, as organizations adopt them more broadly, users will become more comfortable and see the value as well. Motivation is critical because success depends entirely on the service providers using the tools.



*The NTE 101-LA program was a great benefit to clients (businesses) and to the Small Business Development Center. We signed up several new clients as a result of the program. Additionally, I assisted several of these clients for the CA STEP Grant Individual Company Export Promotion (ICEP) Program and they were awarded Grant funds.*



**KAREN SCUNCIO**  
International Trade Advisor, Small Business Development Center





*The technology is a great first step to achieving coordination amongst export service providers in the region. It creates an opportunity for partners to see what activities are in the process of being planned and to get involved with those activities. The challenge with the technology is ensuring that is a part of the internal process of the organizations that are participating. Many times events are planned on the fly and there is no time to coordinate with partners. The technology can at the very least alert partners that an activity will be taking place and allow them to participate if of interest and time permitting.*



**TERRI BATCH**

Senior International Trade Specialist, U.S. Department of Commerce, International Trade Administration, Los Angeles

In Los Angeles, one example where we saw the process play out successfully was when a representative from the International Trade Administration began to organize an exporting seminar. By posting the event on the shared calendar, all members of the NTE 101-LA network were automatically notified. Not only did member organizations join ITA's effort (SBA, Office of Congressman Karen Bass, and the Port of Los Angeles, among others), but Women in International Trade made the group aware of a potentially competing event it was planning. The organizations kept in touch and were able to plan events that ultimately served a broader geographic region and customer base than either could have achieved on its own.

During this testing period, the Milken Institute served as the "cheerleader" to keep program participants on top of their calendar entries. We sent reminder emails, hosted group calls, and generally made sure the service providers kept coordination and collaboration top of mind. It makes sense that providers would prioritize their own work responsibilities ahead of an inter-organizational initiative, but, as was the case with a shared public calendar, personal and institutional commitments are required for any of these tools to work. Fortunately, the Los Angeles Regional Export Council voted in October 2018 to take over management of these coordination efforts, ensuring there will be a permanent champion keeping the provider organizations motivated and engaged.



*LARExC is very pleased to continue working on the New-to-Export 101 initiative that the Milken Institute started, and it is a privilege to be helping new to export companies expand internationally. LARExC's objective is to convince more small and medium enterprises of their untapped market potential: that 85% of global purchasing power is outside the U.S., and half of U.S. exports are being purchased by customers in developing countries.*



**CARLOS VALDERRAMA**

Vice-Chair Los Angeles Regional Export Council and President, Center for Global Trade and Foreign Investment, Los Angeles Area Chamber of Commerce

## Client Program

Beginning in the spring of 2017, Kogon identified 13 mentors and subject matter experts to guide the first class of 21 clients through the NTE 101-LA Client Program. Clients were generally CEOs or founders of their businesses, and most had been in business for three or more years. Most represented small businesses with fewer than 20 employees and less than \$1 million in annual sales. Half of the businesses

were minority-owned. Their products varied from decorative tile and water purification systems to beauty products and nutritional supplements. Nearly all of them had previously considered exporting but did not pursue it for various reasons, including concerns that exporting would be too challenging, complicated, or costly.

Clients are moving through the steps at different paces, but in September 2018 we surveyed clients to gauge their satisfaction with the program to date. We also asked questions about their progress and which services had been utilized. Out of the 21 clients, 16 responded to the survey. Half of these respondents had successfully made an export sale since joining the NTE 101-LA program.

When asked about their satisfaction with the program, clients responded positively. On a scale from 1 to 5, clients gave the overall program a score of 4.3, the service provider organizations a score of 4.1, and the NTE 101 mentors a score of 4.6. The high mentor score reinforces the value of one-to-one support. When asked how likely clients were to recommend the program to other businesses, 75 percent of respondents gave the program a 9 or 10 out of 10.

Feedback was more varied regarding their progress through the framework's steps. Most clients felt they received adequate resources on building export capacity (step 1), including performing initial assessments and becoming knowledgeable about exporting. Interestingly, only half of the respondents created an export plan, as suggested by the program. We are following up to understand why: in our view, the export plans are a valuable planning tool.

Clients reported progress identifying target markets (step 2) and finding buyers and making sales (step 3). Two-thirds are utilizing e-commerce platforms, and more than one-third have appointed distributors for



their products abroad. As mentioned previously, half have made export sales. Some clients indicated they need more help finding customers.

Six respondents used a freight forwarder to simplify order fulfillment (step 5). Only two clients reported having any issues complying with regulations, and only one had an issue getting paid and delivering goods. Regarding ongoing support, companies were concerned with government regulations—almost half requested further support on compliance assistance.

Clients indicated they were struggling with accessing financial resources (step 4), utilizing export finance tools, and securing export capital. Specific tools like letters of credit and export insurance were underutilized. Almost all clients required advance payment from their buyers to cover costs, which may work domestically but can be a competitive disadvantage when exporting.

Thirteen clients sought capital during their participation in the program, and no business had all of its capital needs met. Two did secure some funding

for export promotion programs through the State Trade and Export Promotion (STEP) grant program. From a programming perspective, a good lesson learned is to set realistic expectations with clients about securing capital. With NTE 101, our goal is to provide as much information as possible to clients about the types of financing and insurance they may need and to direct them to service providers who may be able to help. Mentors should be frank that in the early stages of exporting it is difficult to obtain loans for marketing or export promotion activities to find buyers, which is why we try to connect clients to grant programs such as STEP. Later, after sales are made, more financial programs are available (such as working capital loan guarantees).

Lastly, we asked clients whether they planned to continue working on exporting and all replied affirmatively. Despite identified challenges, clients remain motivated, which we believe indicates the NTE 101 program is serving NTE firms as intended. With lessons learned incorporated, particularly around access to capital, the NTE 101 client program should prove valuable to other cities and regions.





*NTE 101-LA has been instrumental in helping us establish and develop beneficial relationships with key players in the export sector. We are grateful for every industry leader, specialist, and fellow entrepreneur we have met as they all have positively influenced our export progress and experience. We are now educated, confident, and ready to move forward in our global export journey thanks to NTE 101-LA!*



**KYRA YOUNG**  
NTE 101 Client and Owner of Kyra's Shea Medleys

**CLIENT PROFILE**

FEATURE

**Kyra's Shea Medleys**

BUSINESS OWNER

**Kyra Young**



Completed Port of Los Angeles/TradeConnect Export University



Rewarded the ICEP-STEP \$2,000 Grant



Wholesale order to Honey Hair Boutique, local beauty supply in South Korea



Identified and established a working relationship with Advanced Cosmetics Research Lab and Bioscreen



Received \$5,000 grant from a private source



Joined Professional Beauty Association



Attended Cosmoprof North America (networking)



In Process: Localization of Kyra's Shea Medleys website



*I have been a client of Milken Institute's NTE 101-LA since the conception of the program and I have benefited from assistance from the program ever since. Through its educational workshops, resources, networking events, and mentorship program, NTE 101-LA has taught me how to export and has assisted my company at every stage of its formation and export development. As a small startup women-own international trade company, I would have not been able to venture into the international trade field without the support I have received from NTE 101-LA.*



**SIMONA RACEK**  
 NTE 101 client and CEO and founder of Just Down The Street, LLC



Completed Trade Connect Workshops/ Advanced Export University Series



Approved for a \$3,000 STEP-ICEP grant

**CLIENT PROFILE**

FEATURE  
**Just Down The Street, LLC**

BUSINESS OWNER  
**Simona Racek**



Obtained a \$50,000 SBA guaranteed loan



Acquired first client for international representation



Used Gold Key Program to travel to Bulgaria, Romania, and Portugal to locate foreign distributors



Reached an agreement with Portuguese distributor



Negotiating agreement with a distributor covering the territory of Japan, Vietnam, and Cambodia



Planning to introduce products on Amazon in the next few months



# CONCLUSION

Strengthening the organizational capacity of U.S. regional economies to support small- and medium-sized businesses' exporting efforts requires simplifying the NTE experience for NTE firms and export service providers alike. Los Angeles has the resources to support NTE firms, and we have demonstrated how the NTE 101 framework and programs successfully coordinated and leveraged those resources to better educate and prepare area businesses for exporting. Other regions can apply and adapt the model to support their NTE firms and NTE service providers, and ultimately grow their regional economies.

## In new efforts, keep in mind the lessons learned from our Los Angeles pilot:

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Applying and adopting the NTE 101 framework and creating and implementing the client and service providers programs are parts of a lengthy process, and results can be slow going. Success requires strong and consistent leadership to maintain momentum and motivate mentors, clients, and service providers.

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The cost of running the service provider and client programs can be minimal, depending on whether program directors, mentors, and administrative staff (to manage the collaboration tools) receive compensation. In Los Angeles, Kogon and the NTE 101 mentors volunteered their time, and the Milken Institute absorbed the cost of initial program management.

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For the provider program, build relationships with organizations and individuals. The risk of disruption and attrition when job roles change or organizations reorganize is higher when buy-in to NTE 101 is through a specific person instead of his or her organization at large.

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Keep in mind the technological, administrative, and organizational barriers to inter-organization coordination and collaboration.

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Mentors are key to the client program. Businesses' favorite part of the program was the one-on-one mentoring, which kept them motivated and provided continuity among the export-enabling steps.

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Recruit clients who have some domestic manufacturing success under their belts. These NTE firms are more likely to have their business fundamentals in order and be best positioned for exporting success.

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Remind mentors to work with clients to set realistic expectations around access to capital. Even with a proven track record, many small businesses (beyond NTE firms) struggle to secure financing to expand their businesses. Clients need to learn about their options with the understanding that this will potentially be the most challenging step of all.

# APPENDIX

## NTE 101–LA SERVICE PROVIDER RESOURCE GUIDE (AS OF 11/28/2018)

### STEP 1 BUILD EXPORT CAPACITY

□ Export-Enabling Steps ■ Available Services ■ Service Providers

#### □ ASSESS YOUR COMPANY'S EXPORT-READINESS

You need to have your business fundamentals in order to succeed in increasingly competitive global markets. These services will help you assess your business' export-readiness and provide guidance to build your export capacity.

- Self-guided assessment
  - U.S. Commercial Service Export.gov [Exporter Assessment](#)
  - California Manufacturing Technology Consulting [Export Readiness Assessment](#)
  - International Trade Compliance Institute [Export Readiness Assessment System](#)
  - globalEDGE [CORE Diagnostic Tool](#)
- Export counseling
  - NTE Mentors
  - [California Centers for International Trade Development](#)
  - [U.S. Export Assistance Center](#)
  - [Small Business Development Centers](#)
  - [District Export Council of Southern California](#)
- Manufacturing technical assistance
  - [California Manufacturers Accelerator Program](#)

#### □ BECOME KNOWLEDGEABLE ABOUT EXPORTING

Learning how your company can benefit from exporting and the export-enabling steps before you undertake them will support your understanding of the “big picture” of exporting and provide you an opportunity to start building your export network.

- Comprehensive online exporting guides and FAQs
  - U.S. Commercial Service “[A Basic Guide to Exporting](#)”
  - [globalEDGE Export Tutorials](#)
  - [International Trade Compliance Institute Export Start-Up Kit](#)
- In-person training events, seminars, and workshops
  - [Port of LA Trade Connect Seminars](#)
  - [Long Beach City College International Business Accelerator](#)
  - [Small Business Development Center Export Workshop](#)
  - [California Manufacturing Technology Consulting EXPORTECH Program](#)
  - [Women in International Trade – LA Events](#)

#### □ CREATE AN EXPORT PLAN

Create an export plan to clarify your goals, objectives, and expectations. Include the steps you will take, available resources (money, time, staff), and a general timeline to guide your efforts.

- Sample export plans and templates
  - U.S. Commercial Service “[My Export Plan](#)”
  - [Small Business Administration Export Business Planner](#)

STEPS 2–5 >>>

IDENTIFY MARKETS TO PURSUE

You are ready to activate your export plan. There is no one-size-fits-all approach to identifying target markets, though you will want to research and identify markets that will be receptive to your product and industry. Also, keep in mind macro issues such as tariffs and international relations.

- Market and industry-specific research
  - International Trade Administration [Top Markets Reports](#) and [Export Information by Industry](#)
  - International Trade Compliance Institute [Trade Information Database](#) - Foreign Market Research section
  - Google [Market Finder](#)
- Market and industry-specific webinars and events
  - [Upcoming Commercial Service Webinars](#)
  - LA Area Chamber of Commerce [International Trade Calendar](#)
  - International Trade Compliance Institute [Tutorials, Webinars and Videos](#)
- U.S. export data (to see top destinations for your product)
  - USITC [Dataweb](#)
  - [Trade Stats Express](#)
  - [Census Global Market Finder](#)

 DEVELOP AN ENTRY STRATEGY

Once you identify suitable markets, you will determine how best to sell your product in those markets. Take into account pricing, localization, and marketing, and consider if e-commerce is right for you. Finding a local distributor can simplify these steps for first-time exporters.

- Guides for doing business in that market
  - Commercial Service [Country Commercial Guides](#)
- Help choosing a sales model
  - NTE 101-LA Mentors
  - Export.gov [Approaches to Exporting](#)
- Localization, pricing, and marketing assistance
  - NTE 101-LA Mentors and Export Assistance Centers
- E-commerce platform resources
  - Long Beach City College CITD [BEAM E-Commerce Program](#)
  - Commercial Service [eCommerce Innovation Lab](#)
  - Getting to Global [Global eCommerce 101](#)

 FIND BUYERS

Making your first international sale can be difficult, but numerous services can help connect you to customers or distributors abroad. You can make passive sales through e-commerce, but at other times it will be necessary to travel and meet with buyers in person.

- STEP Grant (if eligible)
  - [California State Trade Expansion Program \(STEP\)](#)
- Business matchmaking
  - Commercial Service [International Partner Search](#) and [Gold Key Service](#)
  - International Trade Compliance Institute [Trade Information Database](#)-Trade Contacts and Leads
- Foreign trade shows and trade missions
  - Export.gov [directory of events](#)
  - World Trade Center Los Angeles
  - [California STEP Individual Company Export Promotion](#)

 RESPOND TO INQUIRIES

Once you have marketed your product and found reputable buyers, you will need to negotiate terms and close the deal. Don't forget to factor in customs/duties and shipping into your pricing model.

- Help vetting potential customers
  - Online research (website, reviews, etc.)
  - Commercial Service [International Company Profile](#)
  - International Credit Reports
- International commercial terms (Incoterms) resources
  - [International Chamber of Commerce Incoterms](#)
  - Export.gov [Incoterms Overview](#)
- Pricing resources
  - NTE 101-LA Mentors
  - Export.gov [Pricing considerations](#)



**STEP  
4****ACCESS FINANCIAL RESOURCES**

□ Export-Enabling Steps ■ Available Services ■ Service Providers

□ **ASSESS FINANCIAL NEEDS**

Access to capital and insurance may be the most challenging step for NTE firms. A thoughtful business plan and even potential buyers do not guarantee that you will be approved for a loan or secure capital. To maximize your chances, know the full range of products available and their eligibility requirements. Also consider smaller dollar options, such as grants, to get you started.

- National trade finance and export loan programs
  - [U.S. Commercial Service Export.gov Trade Finance Guide](#)
  - [Small Business Administration Export Loan Programs](#)
  - [EXIM Bank Finance Solutions](#)
- Local trade finance expert consultations
  - NTE 101–LA Mentors
  - [EXIM Western Region offices](#)
  - [SBA International Trade](#)

□ **SECURE EXPORT WORKING CAPITAL AND/OR INSURANCE**

You may need additional working capital to fulfill a large export order or a letter of credit to ensure payment from a new customer. Financial tools such as these can help you scale up production and protect your business from payment and delivery risks.

- Export and working capital loans
  - [SBA Working Capital Program](#)
  - [EXIM Bank Working Capital Program](#)
  - California Infrastructure and Economic Development Bank [Jump Start Loan Program](#)
- Export credit insurance, bank letters of credit
  - [EXIM Bank Finance Solutions](#)
  - [Meridian Finance Group](#)
  - Other banks and brokers (Euler Hermes, Coface, etc.)

**STEP  
5****FULFILL THE ORDER**

□ Export-Enabling Steps ■ Available Services ■ Service Providers

□ **PREPARE FOR SHIPPING**

Delivering your goods might be as simple as mailing a package from the post office or as complicated as sending containers of product across the ocean. Service providers, such as freight forwarders, can assist in determining the best way to deliver your product.

- Documentation, labeling, and customs assistance
  - [Los Angeles Area Chamber of Commerce International Documentation Services](#)
  - [District Export Council of Southern California](#)
  - [Customs and Border Protection](#)
- Freight forwarding services
  - NTE 101–LA Mentors
  - [Los Angeles Customs Brokers and Freight Forwarders Association](#)

□ **COMPLY WITH U.S. AND FOREIGN REGULATIONS**

Properly label your product, file regulatory paperwork, and pay your customs duties to avoid delays. As required for products (such as technology, medicine, products with military licenses, etc.), also make sure that you have secured an export license.

- Regulatory compliance assistance
  - [International Trade Compliance Institute Trade Information Database Trade/Investment Regulations Section](#)
  - [District Export Council of Southern California](#)
  - [Customs and Border Protection](#)
  - [Bureau of Industry and Security](#)
  - Export.gov [Consolidated Screening List](#)

# ABOUT US

## About the Milken Institute

We are a nonprofit, nonpartisan think tank determined to increase global prosperity by advancing collaborative solutions that widen access to capital, create jobs, and improve health. We do this through independent, data-driven research, action-oriented meetings, and meaningful policy initiatives.

## About the Milken Institute Center for Regional Economics

The Center for Regional Economics promotes prosperity and sustainable growth by increasing understanding of the dynamics that drive job creation and promote industry expansion. Our research, programming, and convening develop and disseminate innovative, actionable economic and policy solutions that provide changemakers with the tools to create jobs and improve access to capital.

## About the Authors

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