



The Value of the U.S. Commercial Service Domestic Field February 5, 2010

At the District Export Council (DEC) National Conference in November 2009, representatives from DECs nationwide were asked to provide input on the value of the U.S. Commercial Service domestic field network. Implicit in the question was the degree to which domestic field services are essential for national export expansion efforts and the functioning of the Commercial Service worldwide. Paul Oliva, chairman of the Northern California District Export Council, subsequently prepared the following analysis in consultation with the Executive Committee of the National District Export Council Steering Committee.

The District Export Councils nationally find the following:

1. The domestic field is essential for local trend and opportunity analysis. The domestic field is essential to comprehend and communicate local and regional industrial-base trends, and assess potential implications of those trends in connection with global market opportunities. Commercial officers in the foreign field are not in a position to track U.S. industry trends and needs, especially vis-a-vis newly emerging or highly dynamic sectors like digital media, cleantech and life sciences. Analysts in Washington, D.C., are too far removed from local conditions to track or even understand trends on the ground across the country.

- **Example.** Clean tech, biotech, and digital media are three major innovation industries essential for national competitiveness and with major export potential. Market dynamics and startup, R&D, merger, acquisition, and partnership activity keeps these industries evolving far too quickly for out-of-area analysts to track effectively. Domestic field staff in Northern California will soon have the entire region's industrial bases for these three industries mapped out on Google Earth, and will be using this information to track the regional dynamics of these industries over time. Coupled with these trade specialists' knowledge of global cleantech trends and markets, the Google Earth tool will allow better decisions about outreach strategy and deployment of resources, and will serve as a powerful tool to inform stakeholders and colleagues overseas about the needs of and federal impact on these highly clustered industries.

2. The domestic field is required for client development. Local industry analysis goes hand-in-hand with client development. It is simply impossible to drive sufficient client development and resulting export successes without the domestic field to handle client intake. To be sure, Washington and overseas field staff, have limited independent capacity for some client intake through promotions via partners, online advertising, trade missions and other CS events and programs. However, client intake at a sufficient volume is not feasible without the domestic field.

- **Example.** Using the clean tech example cited above: based on mapping of large and small industry players, the San Francisco USEAC engaged in targeted outreach to clean tech companies directly, in cooperation with local partner groups such as Environmental Entrepreneurs, and in conjunction with the Northern California District Export Council. The USEAC was able to identify, vet, brief, and recruit companies for an ongoing series of events locally and internationally. Part of this work included taking a delegation of companies to exhibit at the Bright Green Expo alongside the UN Climate Change Summit in Copenhagen in December 2009, followed by a roundtable in San Francisco to promote USCS services, educate local business, and identify future client prospects.

3. The domestic field is necessary for client support, preparation, and follow-up. Preparing for USCS services, such as a Gold Key or trade show, requires a significant level of activity and support due to the inherent complexities of foreign market activity. In addition to basic due diligence, the domestic field helps clients formulate initial international business development strategy, prepare for marketing, navigate resources, and make introductions to mentors and local partners. These are activities that would be difficult-to-impossible to do from Washington, DC, let alone from a foreign post. However, they are essential for meaningful and effective client service.

- **Example.** Stillwater Sciences in Berkeley, Calif., is a new-to-export company that provides environmental science and consulting services focused on watershed analysis. How they came to be a client, and the types of services rendered domestically, are good examples of how USEACs work. To make the connection, the USCS domestic environmental technologies team had identified environmental consulting as a target area, and USEAC San Francisco director Stephan Crawford had learned of the company. Then a company representative contacted Crawford in conjunction with a USCS event. Stillwater focuses on domestic consulting, so pursuing international expansion was a challenge and would likely involve development banks. With Crawford's help, Stillwater is pursuing a project with the Asian Development Bank (ADB) and is setting up meetings in Chile. Director of marketing Sabrina Simpson says the USEAC has been a remarkable asset and that she "can't imagine where we'd be without the encouragement and support" of the office. She says the USEAC set up phone calls with international development banks such as ADB and the U.S. Trade Development Agency, arranged introductory meetings during a company trip to Washington, DC, and has helped Stillwater prioritize market penetration efforts. "They've been an incredible advocate for us and other contacts. Stephan often sounds more knowledgeable about the company than we do when talking to these development banks; in fact, they're really training us how to talk about ourselves to an international audience." Simpson says that having someone local, like Crawford, makes all the difference, since they have local context and can take advantage of a local network of other companies pursuing complementary business and other local groups with country, regional, or industry expertise. "I can't imagine having someone in D.C. or elsewhere try to help us with this. I have talked to other federal agency staffs, and they just don't hold a candle to the expertise that Stephan and his group have given us."
- **Example.** Vitamec in Van Nuys, Calif., which manufactures vitamins, herbal, and mineral products, has received numerous awards for exporting, including the President's E-Award and the Commercial News USA Exporter of the Year award. Half of Vitamec's sales are international due to USCS support. Cady Cooper, the company's export coordinator, says that help provided to the company by the local USEAC in Los Angeles is "absolutely" essential in effectively leveraging assistance from USCS foreign posts effectively. "Our USEAC in Los Angeles has been instrumental in helping us have our very innovative gumee vitamin product line bring smiles to children in over 40 countries." When issues arise in any of the countries Vitamec does business in, Julieanne Hennessy at the local USEAC is the company's conduit to the foreign post, which can directly contact the customer to establish goodwill. "The ability for the local USEAC to troubleshoot can open doors for us," says Cooper.
- **Example.** Automotive International of Cincinnati, Ohio, specializes in anti-corrosion products, automobile paint protection and paint repair products. Its major customers include manufacturers such as GM, Ford, Mazda, Nissan, Chrysler, Hyundai and Kia. The company has won an Exporter of the Year award from Commercial News USA due to its export growth, and international sales now represent 23% of the company's total sales. Company president Rick Hallberg says that Automotive International could not have as effectively used Commercial Service resources without the support of Debbie Dirr in his

local USEAC. Further, even with his extensive experience working with the USCS overseas, Hallberg says that living without his local office "would definitely hurt my efforts in communications with the foreign offices."

- **Example.** Crestcom International of Greenwood Village, Colo., is a training company that exports its services worldwide thanks to close support of its local USEAC and coordination with the foreign field. The company delivers management and sales training in more than 50 countries and 23 languages, representing 44% of the company's total sales and garnering the company a Commercial News USA Exporter of the Year award. Troy Salazar, director of marketing services, says their local USCS representative, Lana Lennberg, plays a key role in introducing the company to foreign posts and people, setting up conference calls, joining in calls, and helping the company with questions and administration of its many different programs worldwide. For Salazar, the introductions and coordination are invaluable, and that Crestcom could not have initially used any of the foreign posts without the introduction and support provided by their local USEAC. "Our local USCS representatives provide a valuable service and have done so for many years," he says.

4. Non-federal local resources are too fragmented and varied in quality to fill the role of the domestic field. The USCS has used state and local partnerships, DEC's, and, in some instances, grantmaking capabilities, to supplement the work of the domestic field. These types of activities can work quite well to leverage existing federal export resources. However, due to client confidentiality, privacy issues, database access constraints, mission conflict, and other issues, it does not appear feasible to rely on local partnerships to fulfill the role of the domestic field network. While it may be possible to replace the domestic field staff in some regions with a cost-shared network of partners, there are massive challenges and costs to doing so. Moreover, state budget cutbacks across the country have severely limited the ability of many states to allocate resources for export promotion. While exploring the feasibility for replacing the domestic field offices goes beyond the scope of this paper, doing so on a national scale would involve significant costs, upheaval, policy implications, and variance in quality of support for the Commercial Service that seems impractical. Supplementing and leveraging the USCS with DEC's and local and national partners has proven successful in many states. But eliminating the experience, contacts and reach provided by the Commercial Service domestic field would dismantle a 30-year program that has a proven track record of return on investment for American exporters.

5. Proven record of return on investment. According its 2009 Annual Report, every tax dollar invested in the U.S. Commercial Service resulted in an average of \$359 in export sales. "What is more important on a macroeconomic level, however," said Acting Director General Rochelle J. Lipsitz, "is the collective impact those sales have had on sustaining and creating U.S. jobs, and shoring up our ailing economy."

Prepared by
Paul V. Oliva, Chairman
Northern California District Export Council
+1.415.235.5185
paul@olivaglobal.com
www.norcaldec.org

In Consultation with the National District Export Council Executive Committee
Greg Sandler, Chairman
+1.413.586.8588 x800
greg@thinkglobal.us