



BUILD IT LOCALLY, SELL IT GLOBALLY **A REGIONAL EXPORT PLAN**

BLUEGRASS ECONOMIC ADVANCEMENT MOVEMENT





**BUILD IT LOCALLY,
SELL IT GLOBALLY
A REGIONAL
EXPORT PLAN**
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**AN INITIATIVE OF THE GREATER LOUISVILLE/LEXINGTON REGION,
HELPING SMALL BUSINESSES SELL TO THE WORLD.**

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The forces of global consumer demand are changing. Between 2013 and 2018, 85 percent of global GDP growth is expected to occur outside the United States. In 2009, North America and Europe accounted for 54 percent of the world's middle class. By 2030, population growth and income gains in places like China, India, and Latin America will dramatically shift the world's centers of wealth. North America and Europe will account for only 21 percent of the global middle class.

The increase in population and purchasing power around the world creates immense opportunities for U.S. producers; it also presents formidable challenges. Local leadership with a global vision is needed to support companies to maintain and strengthen a competitive edge. Kentucky's two largest cities, Lexington and Louisville, are fortunate to have such leaders. They know that innovative, competitive companies are the bedrock of every thriving community. These leaders also know that metropolitan areas have much to gain—or lose—by the ways in which they help companies adapt to a changing world.

THE IMPERATIVE FOR EXPORTS

Emerging from the Great Recession, the United States economy has had a revival in the production of manufactured goods. Home purchasing and consumer spending have returned to pre-recession levels. Yet, despite a renewed competitive edge, the recession has deeply marked the country. Stagnant wages, limited access to capital, and increasingly diverse competition require new approaches to economic development. Local leaders must champion strategies that deploy the best assets of their communities to new advantage.

Export development offers this opportunity. When domestic consumer spending drops, a diversified customer base helps companies weather economic recessions. One study on revenue growth found that small and mid-sized manufacturing companies that export grew by an average of 37 percent from 2005 to 2009, while domestic-only businesses contracted by an average of 7 percent.ⁱ For every \$1 billion

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in new exports, 5,400 new jobs are created.ⁱⁱ Export growth positions companies to attract and retain talented workers, innovate, and mature sustainably.

While large corporations account for much of Kentucky's dollar value in exports, the state's sheer number of small businesses makes them a critical component of export growth plans. Ninety-seven percent of all Kentucky businesses have fewer than 500 employees; these firms create almost half of all jobs in the state. Yet, research shows that small firms overwhelmingly



export below their potential. According to the U.S. Department of Commerce, 54 percent of small business exporters sell to only one foreign market. This means that small businesses represent much of Kentucky's untapped economic potential and offer a critical opportunity for growth.

ROLE OF METROPOLITAN AREAS

Metropolitan areas dominate exports at the state level, generating at least half of all exports in 42 states and more than 90 percent of exports in 11 states.ⁱⁱⁱ Metro leaders are well-positioned to lead export strategy and development work, given the role they play in enhancing existing industrial clusters, developing economic strategies and maintaining accountability for implementation of plans. By supporting a plan to increase export capacity and activity among companies, metropolitan stakeholders harness a powerful economic tool. Their work on behalf of coordinated strategies, effective use of existing resources, and collaborative guidance is critical for companies to thrive in international markets.

Mayor Jim Gray of Lexington and Mayor Greg Fischer of Louisville understand the pivotal role of their cities in the state's economic future. Working together, they launched the Bluegrass Economic Advancement Movement (BEAM), a 22-county regional partnership that is anchored by Louisville and Lexington. BEAM is focused on supporting

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MOVEMENT**

the growth of the advanced manufacturing economy. Diverse partners representing industry, government, and academia are positioning the region to compete better and smarter on a global scale.

The BEAM region produced \$14.8 billion in exports in 2012,^{iv} a 5 percent increase over 2011. BEAM region exports perform strongly as a percentage of Gross Metropolitan Product (GMP), accounting for 16 percent of GMP in 2012.

The goal of this initiative is to increase export successes by 50 percent in five years.

By comparison, all U.S. exports accounted for 13 percent of national Gross Domestic Product in 2012.

Louisville and Lexington are home to the greatest concentrations of business and manufacturing activity in the state. Louisville's location on the Falls of the Ohio River is a critical intersection for trade and investment. The city

is ranked as the number two manufacturing boomtown by *Forbes* and a top city for young entrepreneurs by the readers of *Under30CEO*. Lexington, with a vibrant business economy—particularly within the equine trade and research industry—is also recognized for innovation and patent production.

BEAM EXPORT GOAL AND BACKGROUND

In June 2012, Mayor Greg Fischer of Louisville and Mayor Jim Gray of Lexington came together to launch “Build it Locally, Sell it Globally,” a component of the Bluegrass Economic Advancement Movement that focuses particularly on the region's export growth. The goal of this initiative is to increase export successes by 50 percent in five years. Export successes are defined as companies that enter new foreign markets, expand within existing foreign markets, or begin exporting for the first time. They are counted predominantly from figures supplied by the U.S. Commercial Service.

The goal of increasing export successes has been operationalized through a grant





BEAM Region Counties

from Bloomberg Philanthropies. In July 2011, Bloomberg Philanthropies awarded a \$4.8 million grant to Louisville Metro Government to create an Innovation Delivery Team to support regional economic growth efforts and improve city services. The economic growth goal of the Innovation Delivery Team aligns with the BEAM goal to increase regional export successes by 50 percent in five years. Several members of the Innovation Delivery Team are charged as project managers to work with regional trade partners to meet the challenge of the initiative.

National and State Partnerships

As metro leaders of the BEAM region have created economic development strategies to strengthen competitiveness, trade partnerships have been leveraged to promote and coordinate success. In February 2013, Mayor Fischer signed a trade partnership memorandum of understanding with the U.S. Department of Commerce/International Trade Administration, committing to work together to increase trade opportunities for local businesses.

The Brookings Institution selected the BEAM region to be part of a network of metro economies participating in the Metropolitan Export Initiative (MEI). Charleston, SC; Chicago, IL; Columbus, OH; Des Moines, IA; San Antonio, TX; San Diego, CA;

and Tampa Bay, FL were also chosen. Created by the Brookings-Rockefeller Project on State and Metropolitan Innovation, the MEI guides these regions and metro leaders in development of a customized export plan. With the “Build it Locally, Sell it Globally” goal in place, the MEI provided BEAM access to national thought leadership, research and data to develop a strategic export plan for the region.

BEAM export efforts are supported by the Governor’s Kentucky Export Initiative (KEI) and fall within its broader scope. Formed in 2010, the KEI follows in the footsteps of President Obama’s launch of the National Export Initiative the same year. Committed to leveraging existing resources to new advantage, the KEI focuses statewide on increasing small business exporting capacity and activity. This partnership among the Commonwealth’s principal business and trade promotion organizations represents an unprecedented level of collaboration. Representatives assemble regularly to share updates, coordinate activities, and plan trade missions and educational seminars. The KEI also supported activities under Kentucky’s State Trade and Export Promotion grant in 2012 and 2013. BEAM and the KEI are sustained by the same partners and pursue similar goals.

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MARKET ASSESSMENT

The BEAM Regional Export Plan is designed to capture and build upon work that is already underway to increase export successes. The following sections encompass a market assessment, strategies and implementation that support regional export activities. The market assessment provides a data-driven understanding of the Region's export activity.

MARKET ASSESSMENT

The in-depth market assessment, completed by a core team as part of the metropolitan export planning process, identifies critical drivers of the Regional Export Plan. The assessment consists of extensive data analyses of the region's top export markets and industries. The Greater Louisville Inc. Export Benchmarking Survey includes information from 248 companies in more than 26 counties. Over 25 one-on-one interviews were conducted with local companies, export service providers and logistics industry partners.

The benchmarking survey contains responses from 126 exporters and 122 non-exporters. Survey results show that some smaller companies do not view exporting as a feasible growth strategy.

Many companies neglect to explore international opportunities because of a strong focus on domestic markets, lack of financing, and/or a lack of expertise.

One company noted, "We are small and we are trying to make it through the day-to-day." Forty-nine percent of non-exporters claim they do not have an exportable product and 37 percent cite a primary focus on local, regional or U.S. business. Half of all respondents cited transportation costs as the most significant deterrent to exporting. Other reasons for not exporting included the following: (multiple answers were allowed):

- 20 % - lack expertise
- 11 % - lack financing
- 7 % - do not feel comfortable taking on the risk
- 4 % - are at current capacity



Despite these obstacles, nearly 20 percent of non-exporters (22 companies) reported an interest in export training workshops for small businesses.

Fifty-one percent of existing exporters responded that they had reached out to a trade organization for assistance and cited that trade agreements and reduced government paperwork would also assist export expansion. More than half of current exporters plan to expand to new countries.

Key Findings from the Market Assessment

- **There is a need for defined and specific export resources.** Many future and current exporters work closely with existing trade partners and are eager for more training, matchmaking events, and export-related mentorship programs. While companies want to connect with trade partners, they would like a better understanding of partnerships and related roles. Companies asked for defined, organized and coordinated resources for assistance.
- **Lack of awareness impacts a company's willingness to export.** Many companies neglect to explore international opportunities because of a strong focus on domestic markets, lack of financing, and/or a lack of expertise. Trade resources that address these issues are underutilized.



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■ **Export capacity correlates with company lifespan.** According to the Greater Louisville Inc., Export Benchmarking Survey, companies in business for less than 10 years tend to have lower export revenue (under \$50,000 in sales from exports), whereas companies in business for 10 or more years tend to have export sales ranging from \$1 million to \$25 million. Companies in business under ten years appear to export below their potential and may require support through existing resources.

■ **Large original equipment manufacturers (OEMs) contribute to export revenue, yet do not overwhelm the export production of the region.** The BEAM region has a diversified economy with a strong presence in several industry clusters. Automotive vehicle revenue accounted for \$3.1 billion of the region's total export revenue of \$14.8 billion in 2012.^v OEMs and small businesses both represent a sizable portion of the region's export revenue.

Louisville is home to UPS World Port, which processes 1.6 million packages daily for worldwide delivery.

■ **Exporting supports innovation.** Companies in two categories claim to have developed a new product as a result of their international customer base: 1) those that export to more than five markets and 2) exporters for whom



international sales account for at least 40 percent of total revenue. Companies with less revenue from exports did not report developing a new product as a result of an international customer.

Transportation Opportunities for Exporters

The BEAM region's central location has many transportation options for current and future exporters. Louisville is home to UPS World Port, which processes 1.6 million packages daily for worldwide delivery. Major federal interstates, I-64, I-75 and I-65, run through the region and readily connect truck cargo to shipping points for international customers. The Ohio River winds past Louisville, providing another avenue to transport manufactured goods to ports and waterways. With two public inland ports and 48 private terminals, products can be shipped via the U.S. inland waterway system from the St. Lawrence Seaway to the Gulf of Mexico. The region is also served by Class I railroads such as Canadian Pacific, CSX and Norfolk Southern, which provide direct rail service to all markets east of the Mississippi River and connecting service to the west coast.



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GOAL:

Support economic development, job retention, and job creation by increasing export successes by 50 percent in five years, as measured by companies that enter new foreign markets, expand within existing foreign markets, or begin exporting for the first time.

OBJECTIVES:

- Influence the culture of international business in the region and reinforce its image as a place for global business
- Strengthen access to export resources and solidify trade partnerships
- Target specific sectors with export potential and organize trade promotion efforts to encourage entry into high growth markets

STRATEGIES:

- 1

Coordinate for Growth: Build and leverage strong export partnerships to assist companies and streamline access to services
- 2

Connect high potential firms to existing services for successful export growth
- 3

Sell “Kentucky-Made” to the World: Strengthen the region’s image as a place for global business and promote the sale of Kentucky products to foreign markets

STRATEGY 1

Coordinate for Growth: Build and leverage strong export partnerships to assist companies and streamline access to services

Solidified Regional Trade Partnership

Meeting the goal of increasing export successes by 50 percent in five years began with coordinating a regional trade partnership among representatives of the U.S. Commercial Service, World Trade Center Kentucky, Greater Louisville Inc., CommerceLexington and Kentucky Small Business Development Centers. These partners are committed to providing accessible, coordinated assistance to the region’s companies.

- A coordinated trade partnership promotes direct company referrals among trade partners and improves continuity of communication between companies and trade resource partners.
- Increased collaboration has facilitated the development of a coordinated method for tracking results. The team developed a database to log company information, track referrals, and identify potential future exporters.
- Kentucky Export Initiative and BEAM region partners collaborate to connect companies to trade opportunities and organize trade

missions. The statewide partnerships support BEAM’s trade activities, providing a model for cooperation.

- Close collaboration with the Kentucky Small Business Development Centers provides the support to enact new initiatives on behalf of young and vulnerable companies. Enhanced focus on preparing these companies bridges the gap between those that are export-ready and those that are not, strengthening the pipeline of future small business exporters.

Export Roadmap for Companies

- BEAM has produced a document for companies that gives a clear explanation of trade resources, streamlines access to assistance, and highlights collaboration among organizations.

Other Opportunities

- BEAM has partnered with World Trade Center Kentucky to deliver a two-credit international business course which prepares MBA students to meet workforce demands in the global marketplace. It will be taught at universities and colleges in the region.
- BEAM will work with the Louisville and Lexington chambers of commerce to support the adoption of metrics to track their role in assisting companies to sell into international markets.

STRATEGY 2

Connect high potential firms to existing services for successful export growth

Proactive Outreach and Engagement

In order to increase exports, companies need to be connected to resources and supported throughout the exporting process. The BEAM export initiative set a goal to reach out to high potential small companies to discuss their exporting needs.

- **Individual Outreach:** Beginning with a list of over 1,300 companies, the project team identified companies that are headquartered in the state, produce an exportable product or service, and have fewer than 300 employees. Direct referrals to trade partners are made as appropriate.
- **Sector-Specific Outreach:** BEAM is working with the trade partnership to coordinate sector-based outreach efforts. Sector-specific outreach will include market briefings by Commercial Service officials at U.S. embassies and consulates, roundtable discussions, consultations with trade partners, and access to market information. Target industries include:
 - Processed food
 - Food equipment manufacturers
 - Transportation equipment suppliers
 - Biotech

Direct Financial Assistance for Exporters

■ The BEAM Kentucky Export Promotion

Program: Made possible by a generous grant from the JPMorgan Chase Foundation, this program provides qualifying companies with awards of up to \$4,500 for export expansion or preparation for export activity. First priority is given to companies with less than \$40 million in revenue.

- Export-ready companies will work with the U.S. Commercial Service, World Trade Center Kentucky and Kentucky Cabinet for Economic Development to identify and pursue international opportunities. Other companies will work with Kentucky Small Business Development Centers to build a strong foundation for future export activity.
- **For more information on the BEAM Kentucky Export Promotion Program please visit:** www.louisvilleky.gov/beam

Training and Educating for Growth

- Trade partners have collaborated to develop and deliver a training program for economic development professionals throughout the region. Sessions outline the need for export development, provide guidance on evaluating products and companies, and help colleagues make appropriate referrals. Economic development representatives have participated in seminars hosted at the Lexington and Louisville chambers of commerce. Elected officials and business leaders also attended. Class material may be adapted into a certified course on exporting for colleagues across the state.

“Seminars for chamber and economic development professionals and elected officials have informed key partners on export growth opportunities that benefit companies in the region.”

– **Ed Webb**, President and CEO, World Trade Center Kentucky



DID YOU KNOW?

Mayors Greg Fischer and Jim Gray are businessmen who learned first-hand the value of international customers.

Mayor Fischer started his business career with an ice and beverage dispenser company and four employees. By nurturing both domestic and international contracts, his company grew to have more than 300 employees, about 60 of whom owed their jobs to international sales.

Mayor Gray and his family took a small construction company and built it into a global design-build firm, consistently ranked among the top 10 U.S. contractors in manufacturing plant construction. The company, Gray (formerly Gray Construction), is headquartered in Lexington and has designed and built facilities around the country for customers headquartered across the globe.

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STRATEGY 3

Sell “Kentucky-Made” to the World: Strengthen the Region’s image as a place for global business and promote the sale of Kentucky products to foreign markets

Kentucky is uniquely and often immediately recognized around the world for its bourbon and equine industries. The region has other notable strengths - particularly in manufacturing - for which it could be better known.

Kentucky products are sold in approximately 200 countries. Transportation equipment, chemicals, non-electrical machinery, computer and electronic parts, primary metal manufacturing, appliances, components and electrical equipment are the strongest economic drivers. Food and beverage machinery, dental and medical equipment, commercial fans, bourbon, packaged ice cream, pizza and processed foods, baseball bats and even disco balls are produced by some of the state’s most innovative small companies.

The BEAM export initiative, “Build it Locally, Sell

it Globally,” will aggressively brand the region as a global center for manufacturing and production across a diverse array of sectors. Trade partners throughout the region are collaborating on the following key items:

Strengthen the Region’s Image as a Place for Global Business

- Foster a global culture by bringing thought leadership on international business to the region. The BEAM Kentucky Export Promotion Program allocates a portion of program dollars to support costs for three speakers on international trade issues and opportunities.

Enhance the Profile and Activity of the Region’s Developing Specializations

- Leverage high-level support to promote Kentucky products and build new relationships. Governor Steve Beshear’s support of Kentucky exporters and the KEI has facilitated development of strategic trade relationships in several foreign markets. In June 2013, the Governor led 19 companies on a trade mission to Canada to explore new business prospects. The BEAM trade partnership will explore the opportunity of a Mayor-led trade mission.
- Explore the opportunity of the Export Trading Company Act, which encourages company collaboration by sector to reduce transportation costs and compete more effectively in international markets.
- The BEAM export initiative will initially focus on markets with high potential for Kentucky’s products and services. Research and analysis from the trade partnership will help identify opportunities in these countries/regions:

- | | |
|---------------|---------------|
| ■ Canada | ■ Japan |
| ■ Brazil | ■ Middle East |
| ■ South Korea | ■ Europe |
| ■ China | ■ Mexico |



EARLY SUCCESSES

- Project leads for the BEAM export initiative have conducted outreach to companies and made over 30 referrals to trade partners. They also supported additional activities, such as Kentucky World Trade Day.
- Over 30 economic development colleagues have completed two BEAM-led export training seminars and are working to develop their export portfolios.
- BEAM has partnered with World Trade Center Kentucky to deliver an MBA course on international business at universities throughout the region.
- A database has been created to track company export successes and measure outreach work.
- Mayor Fischer signed a memorandum of understanding with the U.S. Department of Commerce, signaling the region's commitment to export development and enhancing the profile of the work underway.
- The JPMorgan Chase Foundation has awarded \$200,000 to create the BEAM Kentucky Export Promotion Program. This unique program will encompass three critical areas of support for small businesses in the region to:
 - 1) expand exports to new countries and foreign

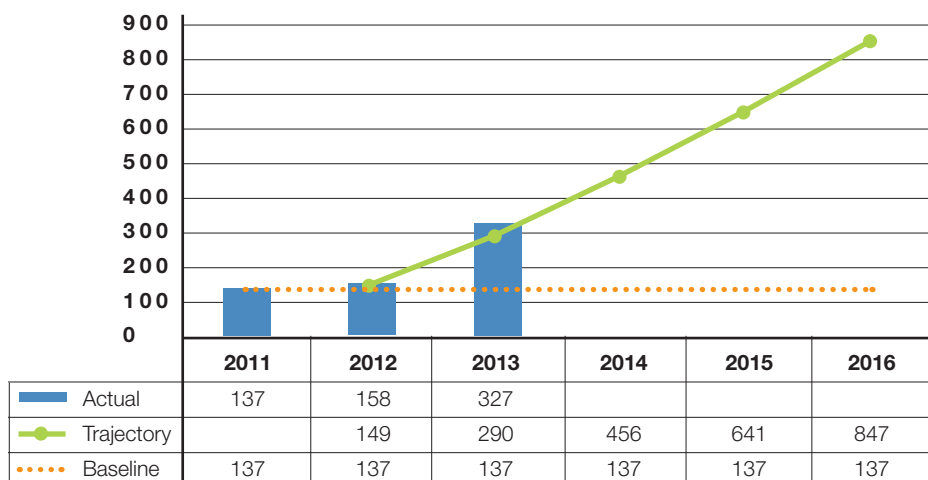
customers; 2) begin exporting for the first time; and 3) learn from top thought leaders in international business.

- BEAM exceeded its 2012 goal by twelve percent. With 327 export successes recorded as of November 2013, BEAM is also on track to exceed its 2013 goal.

PROGRAM ADMINISTRATION

- The work for the “Build it Locally, Sell it Globally” goal is managed in the Mayors’ offices. Two project leads are paid through an award from Bloomberg Philanthropies to Louisville Metro Government.
- The BEAM Kentucky Export Promotion Program will be administered through the Office of Mayor Greg Fischer and will be supported by all members of the trade partnership.
- The BEAM Kentucky Export Promotion Program reports results annually (funding is provided through 2014). Success is measured by the number of companies that begin or expand exporting. Program officers will also analyze job creation and retention numbers as they are made available.
- Activities will be measured through 2016.

TOTAL EXPORT SUCCESSES



ACKNOWLEDGEMENTS

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Donahue, also of the Brookings Institution, gave useful guidance on data and facts.

The following individuals make up the regional steering committee and working group assembled to conduct the market analysis and develop and enhance strategies for success. We thank these individuals for their time, innovative approaches and thoroughness as we produced the BEAM Regional Export Plan.

Kevin Atkins, Chief of Economic Development, Lexington-Fayette Urban County Government*

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Scott Casey, VP of Legal & Public Affairs, UPS

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*Core team members.

ⁱ *Ten Steps to Delivering a Successful Metro Export Plan*, Brookings Institution

ⁱⁱ Ibid.

ⁱⁱⁱ Brookings Export Nation 2013

^{iv} Ibid.

^v Ibid.

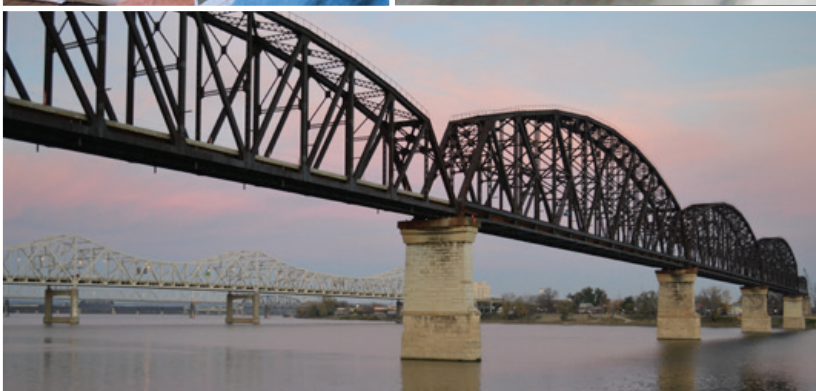


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