Greater Philadelphia Export Initiative
MARKET ASSESSMENT

APRIL 2016
PREPARED BY THE ECONOMY LEAGUE OF GREATER PHILADELPHIA WITH
ASSISTANCE FROM DREXEL UNIVERSITY’S LEBOW COLLEGE OF BUSINESS AND
THE WORLD TRADE CENTER OF GREATER PHILADELPHIA
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1 INTRODUCTION

During 2015, the Economy League of Greater Philadelphia and the World Trade Center of Greater Philadelphia brought together business leaders and economic development experts from across southeastern Pennsylvania, southern New Jersey, and northern Delaware to develop a metro export plan for the region. The first step in this effort was to conduct an in-depth market assessment of Greater Philadelphia’s export economy, its strengths and weaknesses, and opportunities for growth.

This report summarizes results from the Greater Philadelphia export market assessment. It draws upon comprehensive data analysis and local market intelligence from a survey of area firms and interviews with business and economic development leaders. The Economy League has been the lead researcher and author of this assessment, with support from Drexel University’s LeBow College of Business.

The assessment uses new data from the Brookings Institution that has helped to provide the most complete picture of Greater Philadelphia’s export economy yet. Brookings’ Export Nation dataset takes into account the location of production for goods and services exports and produces metro-level services export estimates that were previously unavailable. Unless otherwise indicated, export figures cited within the market assessment are Brookings’ Export Nation estimates.

Several key findings have emerged from this regional export analysis. While Greater Philadelphia’s export economy is significant – roughly $32 billion in output in 2014 – the region’s export growth rate has been slow compared to peer metros. The good news is that, despite an overall decline in manufacturing employment, Greater Philadelphia has maintained a competitive advantage in several specialized goods-producing industries, and recent growth in service sector exports offers the potential for future expansion. However, even with global markets easier than ever to reach, many small- and medium-sized companies in Greater Philadelphia have limited awareness of their global growth potential or of existing export services. And while Greater Philadelphia has a sophisticated export support ecosystem, some gaps and weak links exist.

These and other key insights and findings from the market assessment informed the development of an action-oriented export growth plan for Greater Philadelphia released in April 2016 to help accelerate job and revenue growth in our region via a dynamic export economy.
2 WHY EXPORTS?

For a region with such considerable economic strengths and advantages, Greater Philadelphia’s persistently lagging job growth numbers remain deeply troubling. Greater Philadelphia has been stuck as the slowest-growing economy among the 10 largest U.S. metros, increasing its job base by only 4.5% since 2010. This employment growth is only two-thirds the rate of the next closest metro, Washington, DC (6.4%), and half that of other large Northeast metros such as New York (8.4%) and Boston (8.5%). This stubbornly sluggish growth has kept Greater Philadelphia from realizing its greatest potential and left its communities with fewer resources to ensure prosperity and opportunity for all. The region is urgently in need of effective strategies to spur economic growth over the long run.

The Export Growth Opportunity and Imperative

As Greater Philadelphia seeks sustainable growth strategies, broad economic trends point toward the importance and promise of global business and exports. With more than 70% of the world’s purchasing power currently located overseas and 86 percent of global economic growth between 2015 and 2020 expected to occur outside the United States, exporting is more critical than ever to national and regional economic success. Even with the strengthening dollar and slower growth in Asia and Europe suppressing recent U.S. export sales, exports have been a sustained source of growth for the U.S., accounting for 27% of overall economic growth between 2008 and 2014. This activity translates into substantial employment, with every $1 billion in new exports creating approximately 5,600 additional jobs.

As export finance, technology and trade agreements have made global markets easier than ever to reach, federal, state and local leaders across the country are exploring ways to help firms sell their goods and services abroad to grow jobs at home. A rising number of metros, in particular, are focusing on exports as a critical way to grow their tradable sectors—the specialized industries that drive wealth, boost productivity, and maintain a region’s competitive advantage in the global economy.

Strengthening Local Firms by Going Global

While going global has become a regional economic imperative, the arguments in favor of exporting are even more compelling for individual businesses. On average, manufacturing and services firms that export enjoy higher revenues, faster growth, a stronger labor pool, and higher profitability than non-exporters. Exposure to additional markets can also help spur innovation while bolstering firms’ competitiveness via diversification—a strategy that can help companies weather year-to-year economic fluctuations and navigate recessions.
Chapter 2: Why Exports?

Yet despite all of these clear benefits, only one percent of U.S. companies export and, among those that do, 58 percent export to only one market. These numbers underscore the significant opportunity for Greater Philadelphia and other U.S. metros to grow by going global.

Expanding Our Economy by Selling to the World

The good news is that Greater Philadelphia has significant global business assets to build upon. In 2014, the region had almost $32 billion in export sales from area firms—a level of activity that sustained 201,000 jobs. An extensive array of trade services has contributed to this export activity, including federal agencies such as the U.S. Export Assistance Center; state programs like Pennsylvania’s award-winning Office of International Business Development, which maintains a network of 15 foreign-based contractors to support trade and investment; nonprofits such as the World Trade Center of Greater Philadelphia and DVIRC; and local economic development organizations.

In recent years, the region has seen an increased focus on strengthening connections to foreign markets. In addition to the everyday work of local firms and education and health care institutions connecting abroad, the region’s global orientation has been bolstered by the Welcoming Center for New Pennsylvanians’ focus on Greater Philadelphia’s diverse and growing immigrant communities, international marketing led by the Philadelphia Convention & Visitors Bureau, global conferences and meetings, successful trade missions, Philadelphia’s designation as a World Heritage City, and the Global Philadelphia Association’s work to support the region’s many international efforts.

A useful indicator to gauge the overall health and performance of Greater Philadelphia’s export economy is its export intensity, or the share of regional economic output represented by goods and services exports. The region’s export intensity has increased steadily over the past decade and reached 9.1% in 2014, as one out of every 11 dollars spent on goods and services produced by area firms came from abroad. This represents a significant increase from an export intensity of 6.8% in 2003. However, other metros have been increasing their export activity at a faster rate, as Greater Philadelphia’s export intensity ranking among the 100 largest metros fell from 56th in 2003 to 62nd in 2014.

A Major Potential Payoff for Greater Philadelphia

The potential payoff for taking Greater Philadelphia’s export activity to the next level is notable—especially in light of the region’s ongoing slow-growth challenges. Estimates indicate that raising the region’s export intensity to the average for the 100 largest U.S. metros—an ambitious but realistic goal—would translate into $6.3 billion in new economic activity every year and 35,000 additional jobs. This represents enormous untapped potential to strengthen our economy. However, this potential will only be realized if our region’s leaders understand Greater Philadelphia’s export growth opportunities and collaborate around shared strategies.
Chapter 2: Why Exports?

That is why dozens of business and economic development experts have come together to develop an action-oriented export plan for Greater Philadelphia that draws upon our region’s unique assets and capacities. Creating a customized, high-impact plan for export-led growth in Greater Philadelphia begins with a closer look at the region’s recent economic performance and its export economy.
Chapter 3: Metro Economy Performance

3 METRO ECONOMY PERFORMANCE

Greater Philadelphia has continued to struggle with slow economic growth – both pre- and post-recession.

Despite the region’s many strengths with respect to location, size, and economic diversity, it continues to lag peer metros on key economic indicators. The region’s economy ranks as the 8th largest in the U.S., with a gross metropolitan product (GMP) of $347 billion in 2014. Yet Greater Philadelphia’s growth in GMP has lagged other metros over the past decade, with annualized growth of 0.9% – almost half the U.S. metro average of 1.6% (see Figure 1). While the Philadelphia region experienced less dramatic GMP and employment decline than much of the U.S. during the recession, it also has suffered from a slower rebound. According to the Brookings Institution’s Metro Monitor analysis, Greater Philadelphia ranks 92nd among the nation’s 100 largest regions for post-recession recovery, with significantly slower job growth than other metros (see Figure 2) and regional employment still below pre-recession levels.

FIGURE 1: GROSS METROPOLITAN PRODUCT GROWTH

![Annual GMP Growth by US Metropolitan Areas and Philadelphia MSA (2003-2013)](image)

Source: Bureau of Economic Analysis
Our region has a diverse set of traded industry and cluster strengths to build upon.

Greater Philadelphia’s traded industry clusters represent promising sources of export growth. Traded sectors produce goods or services that are bought and sold across regions – both domestically and internationally – such as manufacturing, education, and many professional services. In contrast, non-traded or local industry clusters service the needs of people living within the same region, such as utilities, real estate, and personal services. Traded industry clusters drive regional economic growth via higher average wages and productivity and display higher employment specialization and concentration across regions than local industries.

**Figure 2: Regional Employment Growth**

<table>
<thead>
<tr>
<th>City</th>
<th>Employment Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Houston</td>
<td>16.8%</td>
</tr>
<tr>
<td>Dallas</td>
<td>16.0%</td>
</tr>
<tr>
<td>Miami</td>
<td>13.7%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>13.6%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>11.6%</td>
</tr>
<tr>
<td>Boston</td>
<td>8.5%</td>
</tr>
<tr>
<td>New York</td>
<td>8.4%</td>
</tr>
<tr>
<td>Chicago</td>
<td>7.3%</td>
</tr>
<tr>
<td>Washington DC</td>
<td>6.4%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics

Traded industries account for 37% of total regional employment in Greater Philadelphia, compared to 36% nationally. Our region displays particular competitive strengths among high-skilled services sectors, including the financial services, professional and business services, education and health care, information technology, research and development, and tourism sectors. While health care is usually considered a local-serving industry, Greater Philadelphia’s high concentration of health care employment has helped to drive medical services exports outside of the region.

While Greater Philadelphia has, like other major metros, experienced a persistent decades-long decline in manufacturing employment, the region maintains specialized manufacturing strengths. Goods-producing sectors that have an above-average concentration of employment in Greater Philadelphia include pharmaceuticals, chemicals, petroleum and coal products, precision instruments, paper products, medical equipment and supplies, aircraft products and parts, and plastics.
Modest recent population growth in Greater Philadelphia has been driven by increased international immigration.

With an estimated 6.4 million residents in 2014, the Philadelphia region is the 6th largest U.S. metro by population size. While Greater Philadelphia’s population growth compared to other regions has been modest (4.4% growth between 2000 and 2010, ranking 75th out of the 100 largest metros), high levels of immigration have boosted the region’s foreign-born population. Greater Philadelphia’s foreign-born population grew substantially by 45% between 2000 and 2010 with a net international inflow of more than 130,000 people, increasing the region’s global connections and potential for export growth.
Chapter 4: Greater Philadelphia’s Export Economy

4  GREATER PHILADELPHIA’S EXPORT ECONOMY

Exports are a major part of the Greater Philadelphia economy.

With total regional export value at $31.7 billion in 2014, Greater Philadelphia ranks as the 10th largest export economy in the U.S. (see Figure 3). This lags slightly behind the region’s rank for population (6th) and GMP (8th). This level of regional export activity contributes to 103,650 direct export-supported jobs and 200,700 total export-supported jobs.

Exports from Greater Philadelphia have been growing, but at a slower rate than peer metros.

Over the past decade, exports in Greater Philadelphia have grown more than twice as fast as the region’s economy, with an annual export growth rate of 2.5% (see Figure 4) compared to annual GMP growth of 0.9%. This stronger relative performance of exports points to its importance in shoring up economic growth for our region – in particular given the region’s slow population growth. Even with this increase in exports over the past decade, Greater Philadelphia has lagged other metros, ranking 82nd out of the 100 largest regions and last out of the 10 largest for annual export growth since 2003.

More troubling has been a recent post-recession slow-down in export activity, with almost flat annualized export growth between 2008 and 2014 (0.1%), placing Greater Philadelphia 85th for export growth during the recovery. Throughout the rest of the U.S., exports have been a more significant part of the recovery, representing 27% of post-recession GDP growth. The current strength of the U.S. dollar has lessened export demand abroad – especially for U.S. goods – and will likely have a continued dampening effect on export activity across U.S. metros in the short run.

What is a U.S. export?

An export is the sale of goods or services produced in the United States to a business or resident of a foreign country. While goods like electronics, agricultural products, and oil and gas often come to mind when exports are mentioned, services exports are a critical and growing part of our export economy.

What makes something an export is not where the transaction takes place, but whether or not the buyer is based outside of the United States. Services exports can be purchased overseas, such as work done by a U.S. engineer or architect on a project in another country, and can also be purchased within the United States, such as foreign students attending a U.S. university, international patients seeking treatment at a U.S. hospital, or international tourists making expenditures while in America.
Greater Philadelphia’s export intensity, or its share of regional economic output represented by goods and services exports, has been increasing steadily over the past decade and reached 9.1% in 2014. This represents a significant increase from an export intensity of 6.8% in 2003. However, other metros have been increasing their export activity at a faster rate. Greater Philadelphia’s export intensity ranking among the 100 largest metros fell from 56th in 2003 to 62nd in 2014 (see Figure 5).
Greater Philadelphia maintains a diverse export economy.

The diversity of Greater Philadelphia’s export economy mirrors the diversity of its overall economy. The region’s top five industries by export value in 2014 were chemical manufacturing ($4.7 billion), followed by financial services ($3.9 billion), travel and tourism ($2.9 billion), royalties ($2.6 billion), and the technology sector ($2.1 billion). These top five export industries account for 51% ($16.2 billion) of all of Philadelphia region exports, and the top 10 export industries make up 73% ($23.0 billion) of the regional total (see Figure 6). These concentrations are lower than the average for U.S. metros, pointing to a relatively diversified export economy for Greater Philadelphia, which can help to protect against global economic shocks and decline in particular sectors.

Among the region’s largest export industries, chemical manufacturing includes pharmaceutical, basic chemical, and resins and synthetic rubber manufacturing. The royalties category includes payments made from outside the U.S. for the right to use patents, trademarks, or copyrights. Almost half of the region’s royalties exports are for information technology or software ($1.1 billion), followed by chemical manufacturing royalties ($479 million), and film and music royalties ($217 million). The tech sector category is composed primarily of research and development services ($1.3 billion), telecommunications services ($429 million), and computer services ($326 million).

**Figure 5: Export Intensity**

![Export Intensity by US Metropolitan Areas and Philadelphia MSA (2003-2014)](image)

Source: Brookings Export Monitor 2015
Chemical manufacturing – including pharmaceutical and basic chemical production – is the region’s largest export industry.

Chemical manufacturing is Greater Philadelphia’s largest export industry ($4.7 billion in 2014), including pharmaceutical ($2.0 billion), basic chemical ($1.3 billion), and resins and synthetic rubber ($690 million) production. Representing 15% of total export value from the region, the chemical manufacturing industry is a highly tradeable sector supporting thousands of regional jobs. With the region’s access to world class ports, its logistics and consolidation capacity, and specialized assets such as temperature-controlled warehousing for perishable freight, Greater Philadelphia plays a central role in the chemical manufacturing sector’s export supply chain. Much of the total export volume in the chemical manufacturing industry is driven by large pharmaceutical and chemical firms that are among the most sophisticated exporters in the region.

While chemical manufacturing’s prominence among the region’s export industries is clear, currently available data tell contrasting stories about recent industry trends. Brookings’ new Export Nation dataset, which provides metro-level export estimates drawing upon production data, suggests that Greater Philadelphia has experienced dramatic recent declines in chemical manufacturing exports. The Brookings data estimates a drop in chemical manufacturing exports from $7.3 billion in 2008 to $4.7 billion in 2014, representing a 36% decrease over this period. The Export Nation data tell a particularly dramatic story for pharmaceutical exports, estimating that they declined by $1.2 billion (-38%) over this period.

However, federal data that directly tracks movement of goods through the region paint a different picture. US Census data suggest that Greater Philadelphia experienced overall growth in chemical manufacturing exports between 2008 and 2014 (+17%) and a far less significant decline for pharmaceutical exports of only -6.4% between 2012 and 2014.

There are several possible explanations for the discrepancy between the U.S. Census and Brookings’ data. Brookings’ Export Nation figures rely in part upon local employment data to develop industry-based export estimates. Broader decline within the pharmaceutical sector and its economic restructuring within our region have shifted significant amounts of pharma and chemical product manufacturing jobs out of Greater Philadelphia, contributing to the dramatic export decline suggested by Brookings. However, the more positive chemical manufacturing exports trend suggested by federal Census data may point to increased technology-driven productivity in our region even amidst a sharp drop in industry employment. The higher Census figures may also point to Greater Philadelphia’s strength as an end-of-line production or consolidation hub before goods are sent overseas. Regardless of the reasons for these data discrepancies, the larger economic development challenge facing Greater Philadelphia is retaining its pharmaceutical and chemical manufacturing base along with existing R&D strengths.
**Despite ongoing contraction of the region’s manufacturing sector, Greater Philadelphia has several specialized goods-producing industries poised for potential export growth.**

Looking at recent export performance and trends, several established or emerging specialized manufacturing industries in Greater Philadelphia appear well-positioned for increased export activity. Industries with high levels of export activity (> $300 million annually) showing promise for growth include precision instruments (analytical instruments, medical devices, environmental controls, navigational and measuring instruments); aircraft products and parts; communications and electrical equipment; plastics; cleaning products; and medical equipment and supplies. The region’s export growth potential with respect to health care-related manufacturing across pharmaceutical, medical devices, and medical supplies is notable alongside the region’s health care services strengths.

Smaller manufacturing industries (export value in the $100 million to $300 million range) worth exploring for additional export growth include glass products; fabrics; commercial and service machinery; industrial machinery; and engineering and power equipment.
Chapter 4: Greater Philadelphia’s Export Economy

The region’s potential to become a major energy hub by capitalizing on its proximity to the Marcellus Shale may have begun to translate to modest new export activity. The value of energy exports from Greater Philadelphia has gradually increased over the past few years, with federal data indicating that petroleum and coal products grew by 24% between 2012 and 2014. New natural gas liquid shipment activity to Europe is expected to further boost export figures in the coming years. While increased pipeline capacity could have the dual benefit of attracting new energy-intensive manufacturing industries to the region and reducing costs for existing manufacturers, any resulting increase in export activity from new chemical and petrochemical manufacturing would be years down the line pending significant capacity investments.

Greater Philadelphia has a lower concentration of large manufacturing firms compared to peer metros – with implications for knowledge transfer among potential exporters.

In considering the positive influence that large manufacturers can have in encouraging global growth and sharing export knowledge with small- and medium-sized firms, it is important to note that Greater Philadelphia has a lower concentration of large manufacturing firms compared to peer metros. Whereas 2.8% of manufacturing firms across the U.S. have more than 250 employees, the share in Greater Philadelphia is only 1.9%. This may seem like a small difference, but, having a comparable share of large manufacturers would mean approximately 50 more large manufacturers in the region.

Larger firms engaged in international sales often have detailed knowledge and experience in overcoming barriers to export. These larger firms, in turn, can provide both a demonstration effect as well as serve as a source of information for small- and medium-sized enterprises (SMEs) considering exports or expansion to new markets. Large, experience exporters can amplify knowledge transfer among potential exporters, and a smaller share of such global firms in our region can limit both general awareness and specific know-how around export opportunities for SMEs.

Our region’s share of total export value in services has grown significantly over the last decade.

New efforts led by the Brookings Institution to measure services exports at the metropolitan level estimate that the total value of services exports from Greater Philadelphia surpassed the total value for goods exports for the first time in 2013. This continues a dramatic trend over the past decade that has seen flat overall numbers for manufacturing exports (-1% in export value between 2003 and 2014), reflecting growth and decline across specific manufacturing industries, alongside a near doubling in services exports from $8.6 billion to $16.4 billion (+90%). According to Brookings’ estimates, services exports represented 36% of total regional exports just a decade ago. Today, Greater Philadelphia’s 52%
Chapter 4: Greater Philadelphia’s Export Economy

share of total export value in services ranks 17th out of the largest 100 metros and 6th out of the top 10.

Three broad services sectors rank among both the top 10 in export value as well as among the 10 fastest growing between 2008 and 2014 for Greater Philadelphia (see Figure 7) – financial services ($3.9 billion, 7.3% annual export growth), the technology sector ($2.1 billion, 7.0%), and management and legal services ($1.2 billion, 2.7%). Half of the region’s financial services exports come from New Castle County, Delaware, with its concentration of banks, credit, financial management, and insurance companies. With a highly skilled workforce of legal and corporate service professionals, the region’s financial service industry, and Delaware in particular, serves as a front door for many domestic and international firms looking to break in to the U.S. financial market. The region’s technology sector export strength is driven by research and development services, with $1.3 billion in export value in 2014 and a strong annualized growth rate of 11% over the past decade.

**Figure 7: Greater Philadelphia’s Fastest-Growing Export Industries**

<table>
<thead>
<tr>
<th>Philadelphia Metro Area Top 10 Industries By Annual Export Growth, NAICS-3 (2008-2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational &amp; Medical Services</td>
</tr>
<tr>
<td>Financial Services</td>
</tr>
<tr>
<td>Tech Sector</td>
</tr>
<tr>
<td>Insurance Services</td>
</tr>
<tr>
<td>Engineering Services</td>
</tr>
<tr>
<td>Electrical Equipment &amp; Appliances</td>
</tr>
<tr>
<td>Management &amp; Legal Services</td>
</tr>
<tr>
<td>Food Manufacturing</td>
</tr>
<tr>
<td>Plastics &amp; Rubber Products</td>
</tr>
<tr>
<td>Primary Metal Manufacturing</td>
</tr>
</tbody>
</table>

Source: Brookings Export Monitor 2015
Chapter 4: Greater Philadelphia’s Export Economy

Education and medical services – long a core strength for the region – fall just outside of the 10 largest export sectors for Greater Philadelphia, coming in 11th with $945 million in export value in 2014. Eds and meds have been achieving strong export growth, with the region’s highest post-recession export growth rate (54% increase in export value since 2008; 7.5% annualized growth). Not only have area universities been aggressively growing their international student populations, their international footprint and research and knowledge creation functions strengthen the region’s overall competitiveness and global business connections. Though health care is not commonly viewed as a traded sector, it is for our region, as Greater Philadelphia’s health care systems and hospitals are capitalizing on their strengths by attracting international patients and by selling medical services and expertise abroad.

Analysis of regional competitiveness and export trends points toward export growth opportunities for an array of services sectors, including R&D services, education, telecommunications, legal, management and consulting, software/IT, computer services, advertising, and architectural and engineering services. While Greater Philadelphia has seen employment and export growth across these industries, several – such as management and consulting and computer services – have been growing at a slower rate and are at risk of losing ground to competitor metros if connections are not made to promising foreign markets.

**Greater Philadelphia has maintained strong export levels to its NAFTA partners while expanding ties to European markets and entering high-growth Asian markets.**

According to federal data that tracks the movement of goods through the region, Canada and Mexico serve as the top destinations for exports from Greater Philadelphia, receiving an estimated $6.4 billion (24% of total Greater Philadelphia exports) and $2.8 billion (11%), respectively, in 2014. With strong historic ties to European markets, the majority of Greater Philadelphia’s top 15 export markets are in Europe including the United Kingdom ($2.6 billion in 2014), Belgium ($2.0 billion), the Netherlands ($1.5 billion), Italy, Spain, Switzerland, Germany, and Italy. Greater Philadelphia has also begun to enter promising Asian export markets including Japan, China, Vietnam, and India.

Greater Philadelphia’s top five export markets are the destination for 58% of exports from the region. Given the continued dominance of these top export markets, small- and medium-sized firms new to exporting are frequently making their first sales to these already developed markets.
5 LOCAL MARKET INTELLIGENCE

Key barriers for firms interested in exporting include lack of knowledge of foreign markets, language and cultural barriers, transportation costs, and funding/financing.

Greater Philadelphia Metro Export Initiative partners developed and distributed a survey of area businesses from March through May 2015 to better understand firms’ experiences with exporting. The survey generated 124 responses.

The survey asked about the most significant challenges faced by companies when exporting or considering new export markets (see Table 1). Almost half of respondents cited knowledge of foreign markets as a barrier (49%), followed by transportation costs (44%), and language and cultural barriers (37%). These export barriers were followed by concerns about foreign import control laws and compliance (33%) and U.S. export controls and compliance (29%).

### Table 1: Export Challenges

<table>
<thead>
<tr>
<th>Market Business Survey</th>
<th>Number of Firms</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the most significant challenges faced by your company when exporting or considering new export markets?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge of foreign markets</td>
<td>31</td>
<td>49%</td>
</tr>
<tr>
<td>Transportation costs</td>
<td>28</td>
<td>44%</td>
</tr>
<tr>
<td>Language and cultural barriers</td>
<td>23</td>
<td>37%</td>
</tr>
<tr>
<td>Foreign import control laws, regulatory compliance, inspections, tariffs</td>
<td>21</td>
<td>33%</td>
</tr>
<tr>
<td>U.S. export control laws, regulatory compliance, licensing, inspections, tariffs</td>
<td>18</td>
<td>29%</td>
</tr>
<tr>
<td>Foreign government regulations/policies</td>
<td>17</td>
<td>27%</td>
</tr>
<tr>
<td>Global advertising, marketing, distribution</td>
<td>13</td>
<td>21%</td>
</tr>
<tr>
<td>Customs clearance</td>
<td>12</td>
<td>19%</td>
</tr>
<tr>
<td>Global sales contracts, contract negotiation</td>
<td>11</td>
<td>18%</td>
</tr>
<tr>
<td>Protection of intellectual property rights</td>
<td>11</td>
<td>18%</td>
</tr>
<tr>
<td>Working capital financing (general operations)</td>
<td>8</td>
<td>13%</td>
</tr>
<tr>
<td>Exchange rate fluctuations</td>
<td>7</td>
<td>11%</td>
</tr>
<tr>
<td>Difficulty in obtaining U.S. entrance visas for visitors</td>
<td>7</td>
<td>11%</td>
</tr>
<tr>
<td>Foreign government support programs</td>
<td>7</td>
<td>11%</td>
</tr>
<tr>
<td>Export financing</td>
<td>6</td>
<td>10%</td>
</tr>
<tr>
<td>Smallscale production (general operations)</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Frequency of international flights</td>
<td>2</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Greater Philadelphia Metro Export Business Survey
Chapter 5: Local Market Intelligence

It is important – and promising – to note that many of these top concerns are addressable for capable new-to-export firms via export assistance providers that can provide information about and connections in promising foreign markets, as well as guide firms through government import and export compliance.

**When asked what would help them start or expand export activity, area firms most frequently cited informational and networking events, training workshops, trade missions, and mentorship opportunities.**

Table 2 indicates responses to a survey question about efforts or programs that would help companies to begin exporting, increase exports, or export to new markets. The most popular answer was events such as trade shows and conferences to help match or introduce new-to-export or small- and medium-sized businesses with prospective foreign business partners (49% of respondents). This was followed by mentorship programs and networking opportunities (26%), trade missions (26%), training workshops (26%), reduced taxes or government overhead (26%), and export financing programs (20%).

**Table 2: Increasing Exports**

<table>
<thead>
<tr>
<th>Market Business Survey</th>
<th>Number of Firms</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade shows, conferences/etc. focused on matching/introducing new-to-export and/or small-/medium-sized businesses w/ foreign business partners</td>
<td>52</td>
<td>49%</td>
</tr>
<tr>
<td>Mentorship programs and networking opportunities for new-to-export and/or small-/medium-sized businesses</td>
<td>28</td>
<td>26%</td>
</tr>
<tr>
<td>Export development trade missions to other countries, led by industry and/or trade associations, governments</td>
<td>28</td>
<td>26%</td>
</tr>
<tr>
<td>Reduction of taxes/government overhead</td>
<td>28</td>
<td>26%</td>
</tr>
<tr>
<td>Export-related training workshops targeted at new-to-export and/or small-/medium-sized businesses</td>
<td>27</td>
<td>26%</td>
</tr>
<tr>
<td>Export-related training workshops</td>
<td>23</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>21%</td>
</tr>
<tr>
<td>Export financing programs targeted to new-to-export businesses and/or small-/medium-sized businesses</td>
<td>21</td>
<td>20%</td>
</tr>
<tr>
<td>Streamlining or reduction of export-related government paperwork and procedures</td>
<td>18</td>
<td>17%</td>
</tr>
<tr>
<td>State or national export promotion strategy</td>
<td>17</td>
<td>16%</td>
</tr>
<tr>
<td>More free trade deals</td>
<td>16</td>
<td>15%</td>
</tr>
<tr>
<td>Workforce development programs</td>
<td>15</td>
<td>14%</td>
</tr>
<tr>
<td>Improvement to critical infrastructure including ports and airports</td>
<td>9</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Greater Philadelphia Metro Export Business Survey

Greater Philadelphia Export Initiative – Market Assessment 17
Again, it is promising that all of the activities and programs highlighted as being impactful in spurring export growth are already in place to some extent in our region, providing an opportunity to further promote, scale, and focus these efforts. It is also notable how many of the responses to this question focus on new-to-export and small- and medium-sized businesses.

The most common reasons given for why area firms do not export are that they do not think their good or service is exportable and that they want to focus on U.S. expansion.

Almost half (47%) of surveyed firms that gave reasons for why their company does not export said that their product or service cannot be exported. A portion of this response may include firms that do not believe their product or service is exportable but actually do have the potential to expand via global sales. This underscores the regional growth opportunity in ensuring that firms – especially small- and medium-sized ones – are aware of their export potential. Almost one-quarter (23%) of respondents to this question said that they were more interested in expanding within the U.S. and 13% said that they do not know what export assistance services are available to their company.

Area firms seeking to expand export activity to new markets are focused on growth in Asia as well as established markets in Europe and emerging markets in South America.

Survey responses about which countries and regions area firms are targeting for future export growth point toward strategic global markets for Greater Philadelphia. Beyond interest in current strong export markets such as Canada, Europe, and Mexico, firms also said that they were planning to expand exports to China, Australia, and India in Asia as well as growing South American markets including Brazil, Colombia, and Chile.

Interviews with firms and economic development exports indicate hesitance except among large and experienced exporters to expand into higher-risk emerging markets in Africa and elsewhere. Despite this hesitance, an opportunity exists to connect more experienced firms with higher risk markets with potential high returns and first-mover advantages. Trade experts also cited the opportunity to match goods and services that are in high demand in specific emerging markets with Philadelphia’s regional export strengths, as well as to leverage the region’s large and growing immigrant populations for global business connections. With current U.S. currency strength discouraging exports, immediate targeted market efforts can focus on Arab Gulf and other nations that are pegged to the dollar.

In describing how they have chosen – or, in many cases, stumbled into – current export markets for their goods and services, it is clear that many exporting firms in the region have the potential to expand their global sales by identifying new international market opportunities.
Many area firms are not aware of existing export services – but those that do use them report high satisfaction.

Both survey results and interviews with businesses and service providers point to a significant number of area firms not being aware of support organizations and export services at their disposal. For smaller firms, both time and money can be significant barriers to learning about and taking advantage of such services. Several businesses said that they were also unclear about where to turn for assistance with expanding sales to other metros within the U.S.

Of the 36 survey respondents who said that they have received export assistance from a government or nonprofit organization, 94% reported a positive (good or better) experience and 75% said that it was very good or excellent (see Figure 8). The nine respondents who reported receiving export assistance from a private, for-profit provider all ranked their experiences as good or better.

**Figure 8: Firm Satisfaction with Government & Non-Profit Export Assistance**

![Firm satisfaction chart]

Greater Philadelphia has a comprehensive export support ecosystem – especially southeastern Pennsylvania – but some gaps and weak links exist.

The quality and range of export assistance provided to firms in the region – especially in southeastern Pennsylvania, given the resources and global network sustained by the Pennsylvania Office of International Business Development – are considered to be very strong. Leading export support and business development players include public agencies such as the U.S. Commercial Service, U.S. Small Business Administration, New Jersey and Delaware Departments of State, and local economic development agencies, as well as nonprofits including the World Trade Centers of Greater Philadelphia and Delaware, DVIRC, and small business development centers, among many others.
Chapter 5: Local Market Intelligence

However, interviews suggest that these organizations could generate greater impact by collectively developing a more seamless set of information and services. Although there is cooperation among top service providers, they do not operate under a system that is wholly clear to either the providers themselves or to potential exporting firms and clients — and it is no one’s responsibility to build or maintain such a system. Many firms report that they find it challenging to navigate the business services ecosystem and to get the right assistance when and where they need it.

Specific opportunities cited in interviews include reducing duplication of services and overlaps in client targeting, tightening gaps in referral networks, and establishing shared regional export growth goals and strategies. In addition to strengthening links between leading export and business development service providers, interviews noted the importance of area chambers of commerce becoming more active in engaging their members around global business growth opportunities. Several interviewees noted the potential for activating networks of trusted for-profit service providers including banks, law, tax and accounting, and logistics firms, and customs brokers by arming them with clear and standardized information and messaging about export growth opportunities and resources. And for all of the energy and resources put into trade missions, there is an opportunity for greater strategic, sustained coordination following these business development and relationship-building trips to maximize impact, especially across state and local governments.

**Export service providers want to systematically identify and reach more of the region’s firms but are not strategically aligned or resourced to do so.**

The Brookings Institution has estimated that the Philadelphia region has approximately 800 to 2,000 small- and medium-sized firms that currently do not export but are in a position to do so. Economic development and trade experts express a strong interest in identifying and proactively engaging these “threshold” firms to encourage as many as possible to join the exporting ranks. However, with limited available resources and lack of a shared strategy for targeted outreach, service providers have been more reactive in finding new clients. Several expressed interest in finding new ways to engage and meet the needs of potential service exporting firms, as this has not been as much of an explicit focus for many support organizations and provides an opportunity for growth and innovation.

With the most far-reaching state export assistance program of its kind in the country, Pennsylvania’s Office of International Business Development (OIBD) still estimates that it touches only 1,300 out of an estimated 15,000 exporting firms statewide — or one in 12 — in a given year. While OIBD and its export service provider partners are critical catalysts for engaging and informing firms about export opportunities, gaining further market penetration will require approaches that activate existing business networks and leverage media and other communications to spread the word about export successes and opportunities.
Greater Philadelphia’s infrastructure for exports – including its ports, airport, and rail – is seen as an asset for area businesses considering selling globally.

Nine percent of survey respondents cited improvements to port and airport infrastructure as critical to helping boost area exports. Interviews with firms and economic development experts, however, point toward the capacity and location of the region’s ports, airports, and rail capacity as being an overall strength and not a limiting factor for increased exports. The region’s ports have struggled to add new shipping lines when many outbound containers are currently only one-third full. This market challenge, exacerbated by competition from ports to the north and south with more immediate access to oceanic routes, has port officials especially interested in a regional export growth strategy that can boost demand for port facilities by area exporters.

Philadelphia is home to UPS’s second largest air shipping facility in the country, providing high capacity for non-maritime shipments including pharmaceuticals and advanced machinery and devices. Limited direct airline service to major international markets arises as an issue in attracting foreign direct investment and may have an impact on services export activity where firms need to fly executives to target markets to build the direct relationships necessary to secure business.

A range of public sector commitment to supporting exports exists at the state and local levels.

Few, if any, states have maintained the continuity of funding and support that Pennsylvania has for its World Trade PA program, allowing it to build a network of 15 trade representatives in strategic markets around the world and grow a client base. Delaware has demonstrated a commitment toward supporting global trade and has started to collaborate with Pennsylvania’s Office of International Business Development around information sharing and client development. New Jersey’s international business development efforts have traditionally focused more on trade shows and missions.

In the City of Philadelphia, former Mayor Michael Nutter was an active participant in trade missions and overall cheerleader for the importance of international business development, and Mayor Kenney has indicated that exports will be an increased focus for his administration. County governments and economic development agencies in Delaware, Bucks, and in particular Chester and Montgomery counties have also invested in international business development and export assistance for their companies. At the federal level, local U.S. Commercial Service and Small Business Administration offices provide consistent resources and leadership to drive export growth among area firms.
Cross-sector leadership awareness of the importance of exports to the region’s economic future and of Greater Philadelphia’s export economy and growth opportunities is limited.

With international trade and exports currently not held up as a consensus top economic development and growth priority for the region, interviewees suggest focusing on business networks and broader engagement of the media around exports messaging and communications. Many interviewees repeated that firms get the most out of stories, advice, and guidance from peer firms, which points to the potential of awareness-raising around export growth via business networks. This approach is already broadly used via export mentorship and peer discussion forums such as the China Club and the International Design, Engineering and Construction (IDEC) group coordinated by the World Trade Center; the Mid-Atlantic District Export Council facilitated by the U.S. Commercial Service; and the region’s many bilateral international chambers. Major media outlets can help tell the stories of successful area exporters and broaden acceptance of exports as a core economic development strategy for the region. Getting key area business and economic development leaders to champion exports as a priority focus for regional growth will be critical to raising overall awareness.
Chapter 6: Toward an Export Plan for Greater Philadelphia

6 TOWARD AN EXPORT PLAN FOR GREATER PHILADELPHIA

This market assessment provides an unprecedented look at Greater Philadelphia’s export economy, its strengths and weaknesses, and opportunities for growth. The data analysis and local market intelligence gathered for this study yielded five overarching key findings:

1) Greater Philadelphia’s export economy is large and diverse, but its growth has been slow relative to other metros.

2) Despite an overall decline in manufacturing, the region has maintained a competitive advantage in several specialized goods-producing industries, including medical devices and equipment, precision instruments, and aircraft products and parts.

3) Greater Philadelphia has experienced recent export growth in leading service sectors, including professional services, research and development, and software/IT, with potential for further expansion.

4) Many small- and mid-sized companies have limited awareness of their global growth potential or of existing export services.

5) Greater Philadelphia has a comprehensive export support ecosystem, but some gaps and weak links exist.

These findings informed the development of a customized, action-oriented metro export plan for Greater Philadelphia released in April 2016. Created with input from regional business and economic development leaders, the plan will lay out export growth goals and objectives, priority strategies and tactics, and an implementation plan to accelerate job and revenue growth in Greater Philadelphia via a dynamic export economy.