



Testimony of Ken Couch

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**On behalf of the State International Development Organizations (SIDO)
House Small Business Committee**

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Chairmen Chabot, Ranking Member Velázquez, and Members of the Committee, thank you for the opportunity to testify before you today.

My name is Ken Couch; I am the Director of Product Management for ComSonics and have also been the International Business Development Director for the past four years. My objectives as the Director of International Business Development was to identify and cultivate new international business opportunities for ComSonics.

ComSonics is a test equipment provider to the cable TV industry. We helped start the first cable TV network in the United States some 45 years ago. More specifically, our equipment is focused on a sector called “Proactive Network Maintenance” which can be summarized as equipment and services that help cable TV operators proactively find network and in-home cable faults that cause your TV and Internet services to perform poorly. Our primary customers in the United States are companies like Comcast, Charter, and Altice. In addition to test equipment sales, ComSonics also has several other business units. These include contract manufacturing which enables ComSonics to produce our own equipment as well as products for a multitude of other industries. We are proud to say that our products are “Made in America”. We are also a leading services provider to the cable TV operators by providing repair services for all types of equipment that make up the cable TV network. ComSonics currently employs about 250 employees across the United States with locations in Virginia, Georgia, Indiana, and California.

ComSonics annual revenue for 2017 was \$47 million. Our revenue for international sales four years ago was hovering around \$100,000. In 2018, we expect to generate about \$2.4 million in international sales. This is a 2,300% increase. Over the last four years, we have grown our international customer base from a few countries to over 26 countries spanning Latin America, Europe, and Asia.

I would like to take this opportunity to testify about the vital role that international trade programs of the Virginia Economic Development Partnership (VEDP) and the State Trade and Expansion Program (STEP) managed by the U.S. Small Business Administration (SBA) have played in helping ComSonics and many other companies achieve success in growing our international business.

As a typical representative of a small business and one who has been through the process, I feel like I have a very good understanding of the barriers to starting international business. I would summarize these barriers into the following categories:

1. Where to start? Is there a market for our products? How big?
2. Which countries should I target? How many? Which ones?
3. How can I uncover business contacts in other countries?
4. Are there any cultural differences that can impact the business relationship?
5. What are the risks and investment requirements for our company?
6. What are the trade barriers such as shipping and customs?
7. What are the legal risks associated with exporting?
8. What are best practices for getting paid, especially from Asian companies?
9. What level of financial resources are necessary to be successful in international business development?

Each of these barriers are specifically and systematically addressed through the VEDP and STEP programs. Once our company was prepared to travel based on research provided by the VEDP, our company then was funded to be able to travel through the STEP grant. ComSonics is proof of what can be achieved if all of the resources are effectively used. Without the assistance of the VEDP and STEP, I would venture to say that ComSonics would not have been successful. The barriers listed above would have been insurmountable if ComSonics attempted to build our international business without governmental help.

How specifically does VEDP and STEP help a company overcome these barriers? The general answer is that they bring all of the needed experts and resources together in the context of regular meetings to assist, in our case, a Virginia company seeking to enter foreign markets. In addition, through STEP, they provide the funding needed to help pay for these resources that a company could otherwise not afford or would consider too high of an investment risk. However, I believe the most meaningful form of support comes in the form of the trade missions that are offered to small and medium enterprises (SMEs). These missions are the cornerstone that provide companies with a chance to meet with prospective international customers. While the VEDP coordinates the mission itself, STEP is an essential part by providing funds for travel on these missions. The VEDP international trade missions help companies by:

- Identifying prospective target markets
- Providing access to in-country experts and consultants
- Identifying prospective customers within those targeted countries
- Setting up meetings with the prospective customers
- Providing translation services if needed
- Arranging in country transportation
- Providing funding needed for the trip

All a company must do is show up and pitch its products and/or service to the prospective customers. I could not conceive of a better program to help companies jump start their international business. It is highly unlikely that any small business could overcome these barriers without the assistance that is provided through the VEDP program and STEP grant.

The other strength of these programs is that they bring all of the need resources together and make them available to companies in a one-stop shopping fashion. VEDP brings experts and resources together that cover all aspects of trade barriers: legal, banking, shipping, consulting. I have also learned from other companies enrolled in these programs as they share their experiences. Each company is assigned a VEDP advisor who consults with them on a regular basis and helps track their progress.

One of the most significant barriers to success in international business is the investment of resources without any known return. Companies often do not have the needed funds or they are unwilling to take the investment risk. This is where both the VEDP and STEP programs play a crucial role. For example, China has the lure of being a very large market. However, it is also one of the most challenging markets to enter. Without the funding and in-country resources made available to ComSonics, we would have never attempted to enter this untapped market. We now have in roads to many of the cable TV operators in China and have developed a very strong relationship with local distributors.

The STEP grant program is also valuable in the assistance it provided in funding companies' participation in international trade shows. This has helped ComSonics continue our international market growth. It is my understanding that Virginia has been able to assist hundreds of SME's via the STEP grants that it has received over the past five (5) years.

I do not want to leave you with the impression that every company who works with the VEDP and STEP will be successful. One of the key ingredients for success is that a company must be willing to dedicate full time resources to international business development. I have seen companies fail because they were unwilling to ante up to compete in a global market. It takes dedication and perseverance. I can attest that after flying some 700,000 miles around the globe, it does take extra effort to succeed. These elements are not under the direct control of VEDP and STEP as they cannot do everything to help a company be successful. However, if a company is willing to invest dedicated resources to exporting, success can certainly be attained. Of course, it also helps if you have a product or service that has demand in other countries.

With respect to the changes to NAFTA and trade tariffs, ComSonics' concerns are twofold:

- While our products are manufactured in Virginia and do not contain large amounts of steel or aluminum, many of our electrical components are sourced from China and other parts of Asia. If import tariffs are placed on these electrical components, this will increase the cost of our products and potentially impact our ability to compete in a global market.
- If Asia or Europe decide to raise import tariffs on electronic equipment in response to our tariff policy, this will also decrease our ability to compete with international competitors.

In addition, some of our new product lines could be affected. Much of the telecommunications and cable TV industry are moving towards a fiber optic type infrastructure. In order to be competitive in the fiber optics test equipment arena, ComSonics has elected to OEM products from China for both time-to-market and cost reasons. Our primary competitive advantage to enter this new market is price. However, if import and reciprocal export tariffs are imposed on these products, it is unclear as to whether we can maintain a pricing competitive advantage.

In summary, I would like to leave the Committee with the following key points to consider:

1. Small businesses typically do not have the resources or expertise to build an international business from ground zero.
2. Small businesses tend to be risk adverse to invest money into international markets that are untested and unknown.
3. Without the support of programs like the VEDP and STEP, the barriers to entry into international markets are almost insurmountable. These programs are vital to cultivate the success of small business to start and grow international sales.

I want to thank the Committee again for your time, support, and leadership on this issue. I believe that continued funding and support of these programs are a crucial part of helping small businesses compete in the global marketplace and, in turn, grow our domestic economy.

Again, thank you and the Committee for the opportunity to appear before you today, and I look forward to your questions.