A Step-by-Step Guide to Exporting

A Team Canada Inc Publication
Acknowledgements

This publication was made possible by the cooperative efforts of Team Canada Inc's members and partners who, in the spirit of partnership, dedicated time and resources to develop this authoritative guide for exporters.

Special thanks to the Forum for International Trade Training (FITT) for assisting Team Canada Inc with this project.

Additional copies may be obtained by calling 1-888-811-1119 or visiting our web site at exportsource.gc.ca to view the on-line edition.

Aussi disponible en français.
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World markets are opening up, barriers are tumbling down, and the free flow of goods, services, investment and ideas has integrated world economies as never before. Better, faster, more sophisticated communications and travel have reduced the impact of time and distance on international trade. All of these factors are making exporting in the new millennium more viable than ever before, for businesses of all sizes.

Although exporting can bring significant benefits, it can also place demands on companies, especially smaller ones, that they may or may not be prepared to meet. *A Step-by-Step Guide to Exporting* is designed primarily for small and medium-sized Canadian enterprises (SMEs) that are considering entering the export arena for the first time.

This guide is designed to give you an understanding of the realities of exporting and to provide you with solid, straightforward information on how to assess your export capabilities. It also steers you through the process of planning and executing your first exporting venture.

*A Step-by-Step Guide to Exporting* will help you:

- assess your company’s export potential
- build an export plan
- research and select your target market
- develop an export marketing plan
- determine the best methods of delivering your product or service to your target market
- develop a sound financial plan
- understand the legal aspects involved in international transactions.

It also directs you to sources of valuable information, programs and services that can help you enter new foreign markets or expand your export operations. A vast network of people and organizations are available to provide assistance to smaller businesses as they prepare for the global marketplace. How can you access that assistance? This is where *Team Canada Inc* (TCI) comes in.
Team Canada Inc, a virtual network relying on the cooperation of all levels of government, works to help Canadian businesses succeed in world markets. This single window for Canadian business vastly simplifies access to everything from training and financing programs for the new exporter, to on-the-ground support in foreign markets for more experienced Canadian businesses. Team Canada Inc is your first stop en route to the information, counselling, market intelligence, financial assistance and on-the-ground support you need to make your export venture a successful one.

You can access the full range of TCI export services and expertise, by calling 1-888-811-1119 (toll-free). A trained information officer located at your nearest Canada Business Service Centre (CBSC) will answer your questions and transfer your call directly to the export program or service that best meets your needs. This information service is available Monday through Friday, from 9 am to 5 pm in every time zone in Canada.

You can also take advantage of ExportSource, Team Canada Inc’s on-line resource for export information. In fact, you may come to think of it as your own virtual export office. But unlike other offices, this one is open 24 hours a day, seven days a week. This innovative web site lets you simultaneously search across a wide range of programs and services offered by TCI partners.

A companion product to A Step-by-Step Guide to Exporting is available on ExportSource at exportsource.gc.ca. It will link you to sources of information and assistance that can help you prepare for the world of international trade.

With the right tools in hand, you’re already one step closer to export success!
INTRODUCTION

Competing in the New Millennium
Canada’s economic growth and job creation prospects are tied to trade and, more than ever before, trade is tied to the global economy.

That was Then, This is Now

“...The real discussion should be ‘how do we, as governments, as businesses, as individuals come to grips with the new phenomenon of globalization? How do we turn globalization to our advantage and that of all our citizens?’ Because for me… the struggle is not ‘how to stop globalization’. It is to harness the forces of globalization and make them work for us and for our people, and for the good of people around the world into the 21st century.”

Minister for International Trade, Pierre S. Pettigrew, September 13, 1999, Osaka, Japan

From the beginning, when Canadian exports were limited to fish, fur, forest and mineral products, these reliable goods and services – and our reputation – were all we needed to excel in the international marketplace. Trading our resources and our resource-based manufactured goods allowed Canadians to enjoy one of the highest standards of living in the world. That was then.

This is now. Over the last 20 years, significant changes have taken place – brought about by instant communication and rapid scientific and technological advances.

CANADIAN TRADE FACTS

• Canada is the most trade intensive of the G-7 industrialized countries, and is the seventh-largest trading nation in the world.

• International trade is the fastest-growing area of the Canadian economy.

• It is estimated that every $1 billion in exports creates or sustains 11,000 jobs in Canada.

• One job out of every three in Canada depends on goods and services exports.

• Exports account for over 40% of Canada’s gross domestic product (GDP).

• International investment is responsible for more than one out of every 10 jobs in Canada, over 50% of its exports, and 75% of its manufacturing exports.

• It is estimated that over 1.3 million jobs (1 out of 10), over half of total exports and 75% of manufactured goods exported are directly tied to Foreign Direct Investment (FDI) in Canada.
Today, scientific and technological progress is driving change. It has energized economic activity through new ideas, new products and new services and it has made the world smaller, by bridging distances and speeding up communications. Businesses no longer need to limit themselves to their own domestic market – the entire world is within their reach.

Three fundamental factors determine a country’s ability to trade: its natural resources, its knowledge base, and its ability to produce competitively.

The first factor determines what a country has to work with; the second, the skills and knowledge of its people; and the third, its ability to put these to work to achieve the greatest productivity and growth.

The emergence of a truly global economy means that the world marketplace is now open for business all day, every day. It is a marketplace unencumbered by distance, unrestricted by technology and unmindful of country of origin. For Canada to maintain its enviable position as one of the world’s leading trading nations and economies, we must understand and embrace these new realities.

So, before you make a decision about entering the global trading arena, read on to find out how you can get your company on the right track to successful exporting.

“Experienced or just starting out, callers on the Team Canada Inc toll-free line are amazed at the quality of our export information service. They like the way we customize answers to their needs and how we can connect them to the right people for expert advice and counselling.”

Information Officer, Canada Business Service Centre

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1. IS EXPORTING RIGHT FOR YOU?

Why Export?

Exporting means new business opportunities and increased sales. With careful planning, even the smallest Canadian company can make it big on the international scene. But there are many other reasons that a company should consider for exporting, such as:

Enhanced Domestic Competitiveness: Companies that operate solely in the domestic marketplace can easily become complacent and out of touch with what’s happening in their industry. Those that export, compete with the best in the world. They have to work hard to keep their product or service on top. This not only makes them competitive in export markets, but it helps them succeed in their own backyards.

Diversified Markets: For some companies, the size of the Canadian marketplace can be somewhat limiting to the future growth of their organization. Access to larger markets, to emerging markets, and to niche markets where their products or services are rare or unique, are all good reasons to seriously consider exporting.

Greater Economies of Scale: By having access to a larger market base, companies can start producing on a scale that allows them to make the most of their resources.

Are you Ready?

While exporting holds significant economic promise for most companies, it takes time – often months or even several years – before an exporting company begins to see a return on its investment.

What does it mean to be export-ready? Export-readiness refers to a company’s level of preparedness to do business in an export market. Simply stated, it means that the organization has a marketable product or service as well as the capacity, resources and management commitment to compete on a global scale.

So, how do you become “export-ready?” In fact, two-thirds of the export effort takes place at home, in Canada, before you venture abroad.

The first step is to evaluate your export potential, resources and knowledge. You can save valuable time, effort and resources if you begin with an accurate assessment of whether you’re ready to enter the global marketplace. Consider everything: language and cultural issues, different monetary systems, legal and tax implications, sources of financing, the need for careful research into new market opportunities, the foreign business environment, modes of transport to get your product or service to the market, and, the measures to ensure the protection of your intellectual property.

Consider the following questions before you decide to launch your export venture:

**Human and Financial Resources:**
Do you have: the capacity to handle the extra demand associated with exporting,
internally efficient systems to respond quickly to customer inquiries, personnel with good culturally-sensitive marketing skills, sufficient capital or lines of credit to produce the product or service, and senior management support for your export objectives?

- **Competitiveness**: Do you have: a product or service that is unique and/or competitive in your target market, proven, sophisticated market-entry methods, and market research that confirms the potential viability of your product or service in the chosen target market?

- **Expectations**: Do you have: clear and achievable export objectives, a realistic idea of what exporting entails, an openness for new ways of doing business, and an understanding of what is required to succeed in the international marketplace?

Are you ready to take on the challenges and demands of international trade? Consider the following issues:

- **Competitiveness**: Exporting involves many short-term costs, such as extra travel, production of new marketing materials and hiring of additional sales staff. If you’re looking to make a quick buck, you’ll probably be disappointed.

- **Expectations**: Financial risks can be higher, although many options now exist to reduce such risks.

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**The Benefits and Challenges of Exporting**

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<th>Challenges</th>
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<td><strong>Increased Sales</strong>: If you are selling domestically and sales are good, now’s the time to start exporting.</td>
<td><strong>Increased Costs</strong>: Exporting involves many short-term costs, such as extra travel, production of new marketing materials and hiring additional sales staff. If you’re looking to make a quick buck, you’ll probably be disappointed.</td>
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<td><strong>Higher Profits</strong>: Your export profits can grow faster if all fixed costs are covered by your domestic operations or other sources of financing.</td>
<td><strong>Level of Commitment</strong>: Your flexibility in dealing with foreign clients is a key to success, combined with your willingness to devote time, effort, skills and resources to establish – and maintain – your presence in foreign markets.</td>
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<td><strong>Less Dependence on Traditional Markets</strong>: You can strengthen your company by diversifying into international markets, as well as into niche markets.</td>
<td><strong>Sensitivity to Cultural Differences</strong>: Familiarize yourself with the differences in language, culture and business practices in your target market.</td>
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<td><strong>Diversified Markets</strong>: Companies that export can take advantage of booming markets around the world.</td>
<td><strong>Paperwork</strong>: When exporting products or services, be prepared for the extensive documentation that is often required by Canadian or foreign governments.</td>
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<td><strong>New Knowledge, Experience and Enhanced Domestic Competitiveness</strong>: New ideas, approaches and marketing techniques learned from exposure to the global marketplace can often be successfully applied in Canada.</td>
<td><strong>Accessibility</strong>: Foreign clients must be able to contact you quickly and easily.</td>
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<td><strong>Global Competitiveness</strong>: Today, many foreign companies are entering Canadian markets, while Canadian companies are exporting to international markets. Exporting paves the way to global competitiveness.</td>
<td><strong>Competition</strong>: It is important to have a thorough knowledge of the competition in your target market.</td>
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Source: Adapted with permission from the Forum for International Trade Training, Going Global.
Every day, Canadian companies are competing successfully in foreign markets. Here are some of their tips for success.

- Zoom in on the most promising markets: Successful companies concentrate on one foreign market at a time, moving on to the next only after succeeding in the previous one.

- Learn from experienced companies: Talk to Canadian companies that have succeeded in your target market. Many are willing to share what worked for them and what didn’t. Contact your industry association to find names of successful exporting companies in your sector and target market.

- Plan for the financial resources you’ll need: Exploring foreign markets can take longer and cost more than expected. Be prepared for additional costs for market research, product launchings and personal visits.

- Gear up for demand: Be prepared to meet increased demand from a successful foreign sale. Don’t forget to plan how you will adapt your product or service to the needs and tastes of your target market.

- Make personal visits: Building business relationships in foreign markets is best done face to face. Faxes, phone calls and e-mail are great for follow-up, but nothing beats meeting in person.

- Study the market and the culture: Business people and customers in most foreign markets appreciate your efforts to learn about their culture.

- Set realistic expectations: Developing foreign markets is a long-term commitment. It takes time, effort and resources. Make sure your management is committed to the export venture. Be prepared for the long haul, and persevere.

Source: Adapted with permission from The Canadian Trade Commissioner Service, Expand Your Horizons.
Another way of acquiring the right export skills is to become involved in your local export community events, such as business breakfasts and seminars organized by boards of trade, export clubs, and chambers of commerce. Events can be great opportunities to get together and share experiences on export markets, and on exporting in general.

Once you have researched and selected your target market, and you have accessed the services of Team Canada Inc in Canada, you can then begin to access the services of the Canadian Trade Commissioner Service abroad. Trade commissioners located in foreign markets can assist you with exporting, international business contacts, foreign business leads, licensing, joint venture development and foreign market access.

Working with Canada’s Regional Trade Networks

In every region of Canada, Regional Trade Networks bring together federal, provincial and private-sector players to strengthen services to local businesses for success in global markets.

These services include:

- export readiness assessment
- export counselling
- export preparation and training
- information on trade fairs and missions
- introduction to foreign buyers visiting your region
- contacts in international markets
- leads on worldwide business opportunities
- liaison with Canadian embassies
- export financing and insurance
- market information and intelligence

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**Identifying Products or Services with Export Potential**

The following questions should help you assess the potential of your product or service in the target market:

- **Customer Profile.** Who already uses your product or service? Is it in broad general use or limited to a particular group? Is it popular with a certain age group? Are there other demographic similarities? Is the use of your product or service influenced or affected by climatic or geographic factors? If so, what are they?

- **Product Modification.** Are any modifications required to make it appeal to foreign customers? What is its shelf life? Will it be reduced by time in transit? Is the packaging expensive? Can it be modified to satisfy the specific demands of foreign customers? Is special documentation required? Does it need to meet any technical or regulatory requirements?

- **Transportation.** How easily can it be transported? Would transportation costs make competitive pricing a problem?

- **Local Representation.** Does it require professional assembly or other technical skills? Is after-sales service needed? If so, is it available locally or do you have to provide it? Do you have the resources to do so?

- **Exporting Services.** If you are exporting services, what is unique or special about them? Are your services considered to be world-class? Do you need to modify your services to allow for differences in language, culture and business environment? How do you plan to deliver your services: personally… with a local partner… or electronically?

- **Capacity.** Will you be able to serve both your existing domestic customers and your new foreign clients? If your domestic demand increases, will you still be able to look after your export customers or vice versa?

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"Be patient. International business takes a long time. Make it a long-term investment and don't give up.”

Canada Export Award Winner, Agri-Food Products and Services
Assessing your “Export-ability”

While there are exceptions to every rule, export veterans and trade specialists know that certain factors make the ramp-up to international markets easier, faster and less risky. To test your “export-ability,” answer the following questions and then check your score:

1. Is your product or service already available?
   A. currently in production or being developed ☐
   B. at the prototype stage ☐
   C. at the idea stage only ☐

2. Is your product or service selling in the Canadian market?
   A. selling, and market share is growing ☐
   B. selling, but market share is low ☐
   C. selling in only one city in Canada ☐

3. Do you have the surplus production capacity or available specialists to meet increased demand for your product or service?
   Yes ☐ No ☐

4. Do you have the financing required to adapt your product or service to suit your target market and to promote it?
   A. financing is in place ☐
   B. financing is being arranged ☐
   C. no financing available ☐

ABOUT YOUR FIRM

5. Is management committed to sustaining your export effort?
   Yes ☐ No ☐

6. Does your firm have a good track record of meeting deadlines?
   Yes ☐ No ☐

7. Does management have experience in export markets?
   Yes ☐ No ☐

ABOUT YOUR PRODUCT OR SERVICE

8. Does your product or service have a distinct competitive advantage (quality, price, uniqueness, innovation) over your competition?
   Yes ☐ No ☐

9. Have you adapted your packaging (labelling and/or promotional materials) for your target market?
   Yes ☐ No ☐

10. Do you have the capacity and resources to provide after-sales support and service in your target market?
    Yes ☐ No ☐

11. Do you have a Free on Board (FOB) or Cost, Insurance and Freight (CIF) price list for your product, or a rate list for your service?
    Yes ☐ No ☐
12. Have you undertaken any foreign market research?
A. completed primary and secondary market research, including a visit to the target market
B. completed some primary and secondary market research
C. no research

13. Is your promotional material available in the language of your target markets? (Business cards, brochures, web sites)
Yes ☐ No ☐

14. Have you started marketing your product or service in your target market?
Yes ☐ No ☐

15. Have you engaged the services of a sales representative/distributor/agent, or partnered with a local firm?
Yes ☐ No ☐

16. Have you hired a freight forwarder or customs broker?
Yes ☐ No ☐

HOW DID YOU SCORE?

If you selected “A”, or answered “Yes” to 12 - 16 questions, congratulations! You understand the commitment, strategies and resources needed to be a successful exporter. At the very least, you have the foundation in place to take on the world and succeed.

7 - 11: Not bad, but there seem to be areas of weakness in your export strategy. It may be wise to seek advice and guidance from government experts, export consultants or the international trade branch of your financial institution.

Less than 7: While you may be ready to visit faraway lands, you will need to do a little more homework before you export.

Take a few minutes to complete the Take A World View Export Readiness Diagnostic Tool, which can be accessed through the ExportSource web site at exportsource.gc.ca. This tool is designed for exporters of either goods of services, and is adapted to your intended export market. It consists of nine modules, each focusing on specific areas of a typical business.

Source: Adapted with permission from the Department of Foreign Affairs and International Trade, Businesswomen in Trade On-line Assessment.
If you were setting off to an unknown country or territory, you wouldn't want to leave without a map. You need to know what lies ahead, which direction to take and what is the best route. This is what your overall export plan does – it's your map to a safe and profitable journey.

With this in mind, this chapter will introduce the major elements of an export plan. The chapters that follow cover most of the elements in greater detail, allowing you to build the plan as you go. In addition to outlining the export plan, this section will first review some of the important points that should be part of your overall business plan, which incorporates both domestic and international activities.

What will Planning do for You?

Planning and preparation are essential for any business, domestic or international. They set a course and define a purpose. A sound plan tells you where your business is going and how it will get there. It forces you to look at your company's operations and re-evaluate the assumptions upon which it is founded, and it helps you identify weaknesses and strengths in your operations.

With a plan, you lead, not follow. Time and again, it has been shown that businesses with a plan do better than those without one. And planning is all the more important in international trade, which is often more complex and riskier than domestic business.

Most financial institutions and other lending agencies will not consider providing funds to a business that cannot show a well-developed business plan. Indeed, the plan will likely be required by others outside of the business at various stages, such as potential partners or investors, in order for them to fully understand your goals and objectives.

Western Economic Diversification Canada, in conjunction with Team Canada Inc and other partners, has designed an excellent on-line system for developing an export plan called the Interactive Export Planner, which is available through ExportSource at exportsource.gc.ca. Most commercial banks and financial institutions also offer advice and tools to help you develop your business plan.

The following outline will help you identify the type of information that should be included in your business plan. Even if you have an existing plan, you should review it against the points below to make sure that all of the essential elements are addressed and incorporated.
Essential Elements of a Business Plan

A business plan should contain the following elements:

1. **Introduction (or Executive Summary)**
   - Business Objectives
   - Product/Service
   - Market and Customers
   - Management Team
   - Financing Requirements

2. **Company Description**
   - History and Status
   - Background and Industry
   - Company’s Objectives
   - Company’s Strategies

3. **Products/Services**
   - Product/Service Description and Comparisons
   - Innovative Features (Patent Coverage)
   - Applications
   - Technology
   - Product/Service Development
   - Product/Service Introduction Schedule and Major Milestones

4. **Market (Domestic and/or International)**
   - Market Summary and Industry Overview
   - Market Analysis and Forecasts
   - Industry Trends
   - Initial Product(s) or Service(s) to be introduced

5. **Competition and Risk Factors**

6. **Marketing Program**
   - Objectives
   - Marketing Strategy
   - Sales and Distribution Channels
   - Customers
   - Staffing

7. **Management**
   - Founders
   - Stock Ownership
   - Organization and Personnel
   - Future Key Employees and Staffing
   - Education and

8. **Facilities**

9. **Capital Required and Use of Proceeds**

10. **Financial Data and Financial Forecasts**
    - Assumptions Used
    - 3 Year Plan
    - 5 Year Plan

11. **Appendixes**
    - Detailed Management Profiles
    - References
    - Product Descriptions, Sketches, Photos
    - Recent Literature on Product, Market, etc.

(Source: adapted from Canada-Alberta Business Service Centre business plan outline)

“It takes patience. You can’t expect to sell products overnight. You have to plan for the long haul and take the time to examine the local culture, find out how things are done there and adapt. Part of the process includes finding the right local partner.”

Canada Export Lifetime Achievement Award Winner, Telecommunications Industry
Creating a Successful Export Plan

Now that you have prepared your business plan, or reviewed and revised an existing plan, it’s time to start building your overall export plan. Much of the information you’ll need for your export plan can be gathered by working through the remaining chapters of *A Step-by-Step Guide to Exporting*.

Basically, the export plan is a business plan that focuses on international markets. It identifies your target market(s), export goals, activities and objectives, necessary resources and anticipated results.

Essential Elements of an Export Plan

An export plan should contain the following elements:

*Introduction:* This section provides the background for your export plan. It should summarize the history of your product or service, the reasons and rationale for introducing it into a foreign market, as well as any required financing and conditions for accepting any investments, if applicable.

*Domestic Market Performance:* If your company has been operating in the domestic market, use this section to describe its performance. You should address:

- the company
- the product or service
- history of performance
- resources (human and financial)
- organizational structure
- domestic marketing strategy

*Export Objectives and Goals:* In this section, indicate what you expect to achieve by entering an export market. Describe your goals in short and long time frames, such as one-year and five-year outlooks.

*Your Target Market:* This is where you demonstrate what you’ve learned through your international market research. (See Chapter 3.) Try to describe the following topics:

- target market and industry structure
- buyer analysis and projected demand for your product or service
- competition and market shares if known
- distribution and promotional channels
- government regulations (trade restrictions, import duties, documentation)
- challenges and opportunities identified in target market
- cultural factors

*Delivery:* Indicate how you plan to deliver the product or service to your target market, and why you feel this is the appropriate choice. (See Chapter 6.)

*Marketing Plan:* This is a key section of your export plan, and should include the following elements: (See Chapter 4.)

- sales strategy
- pricing
- promotional strategy
- channels of distribution
- after-sales service
- tracking methods
Sales Forecast: Outline your:
• monthly forecast for the upcoming year
• annual forecast for the next few years

Production Plan: Provide an assessment of your:
• physical plant requirements
• machinery and equipment
• raw materials
• inventory requirements
• suppliers
• required personnel
• estimate of production costs

Risk Assessment: Address the following questions:
• How do you expect competitors to react to your entry into the market?
• Do you have contingency plans for potential problems?
• Does the political or economic situation in the market pose any risks?
• What are the critical internal and external factors in the market that could affect your business?

Implementation and Development: Describe the steps you'll take to achieve your export objectives. Include details on the roles of various parties, tasks to be undertaken and timing.

Market Performance Evaluation: Describe the methods you'll use to track and measure your progress in the market. Later, you can amend your export plan and your actions, based on feedback you receive from each export venture.

Financial Statements: Include the previous year’s balance sheets and income statements.

Financial Forecasts: Include forecasts for income and cash flow.

Financing and Capitalization: Address the following questions:
• What are your financing needs?
• What financing services will you use (e.g. government, bank)?
• What means of financing will you use (e.g. letter of credit)?

Source: Adapted with permission from Western Economic Diversification Canada, READY FOR EXPORT: Building A Foundation For A Successful Export Program.

Internet users can find another excellent template for export planning on the Canada Business Service Centre-Alberta web site at www.cbsc.org/alberta/

Once you've prepared your export plan, review it carefully to make sure it includes all possible expenses and provides a realistic assessment of the opportunities in your target market.

Your export plan is not a final and static document. Be prepared to change and amend it as you learn from your exporting experiences.
Now that you are well on your way to defining your company’s export plan, it is time to research and select a target market for your product or service. Companies start exporting for many different reasons, but no matter what your motivation is, thorough international market research is absolutely fundamental.

What is International Market Research?

Simply put, it is the process of gathering the information that will help you make sound export marketing decisions. Well-executed market research will give you an accurate picture of the political, economic and cultural factors that will help you determine how to operate in your target market.

You may already be aware of an opportunity in a foreign market, but need specific information to help you take advantage of it. Or maybe you have a target market in mind, and you want more detailed knowledge of the demand for your product or service. Market research will help you understand these needs and opportunities.

For example, research can confirm that an opportunity in a particular market actually exists, and can help you understand the market’s characteristics. It can also give you insight into how a new market can be developed. In this way, you can determine what is important to customers and what is likely to influence their buying decisions. Research should also reveal the dynamics of the target market, the trends that characterize it, and the forces driving those trends.

Avoid cultural pitfalls with thorough research

Have you heard the story of the winery that lost thousands of dollars worth of product by designing red bottling labels? The product, destined for Japan, was an instant failure because of the politically-incorrect colour.

Or what about the misadventure of a marketing campaign that was launched by a leading manufacturer of sports footwear? A television commercial employed a native African tribesman to test out the latest shoe design and provide a comment in his native language. Unbeknownst to the advertising agency prior to the commercial’s national release was that the tribesman’s comment, when translated into English, was far from complimentary about the shoe he was asked to promote! Any cultural or language issues that could affect the sale of your product or service should be discovered in your market research. If not, your export venture could become a humorous (and unprofitable) story.
Good market research not only saves you time, money and effort, it enhances your potential for success and reduces the potential risks associated with your proposed export venture.

Getting Ready to Start Researching

Your market research should include:

• determination of your objectives for the target market as well as for the research
• selection of a process for gathering information
• collection of the necessary information
• analysis and interpretation of the data
• decisions based on the information gathered.

Your first step is to assess which markets you want to target. Next, try to narrow your search down to the most promising ones. A more detailed study of each of these markets will help you prepare for the next step in the export cycle – developing your marketing plan.

Source: Adapted with permission from Industry Canada, Take A World View... Export Your Services (Strategis).

MARKET TYPES

Choosing one (or several) markets for your product or service, and understanding the type of market you've selected, will help you decide how to best approach it. Generally, most foreign markets fall into one of the following three market types:

Type 1 – Fast-paced, competitive economies (e.g. United States, Western Europe)

• Efficient product and service delivery, excellent quality assurance and an in-depth marketing plan are critical to success.

Type 2 – Relationship-based, relatively affluent economies (e.g. some countries in South America)

• Interpersonal communication skills, cultural sensitivity and linguistic fluency are critical for developing a business relationship with a local partner.
• Initially, relationships need to be developed at a senior level.

Type 3 – International Financial Institution (IFI)-funded economies (e.g. Africa)

• Developing or changing economies.
• Market development takes time.
• Flexibility and political astuteness are important.
• It is helpful to have experience working with third-party funding organizations (e.g. Canadian International Development Agency or World Bank).

Some countries, such as Japan, have characteristics of both market types 1 and 2.

Source: Adapted with permission from Industry Canada, Take A World View... Export Your Services (Strategis).
**Market Profiles**

The following table might be helpful in summarizing your findings and in comparing three potential target markets:

<table>
<thead>
<tr>
<th></th>
<th>Market A</th>
<th>Market B</th>
<th>Market C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Market Type</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• fast-paced (1)</td>
<td></td>
<td></td>
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<tr>
<td>• relationship-based (2)</td>
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<tr>
<td>• IFI-funded (3)</td>
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</tr>
<tr>
<td><strong>2. Political Highlights</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• government overview</td>
<td></td>
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<tr>
<td>• who’s who</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• major political themes</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• relations with Canada, including agreements</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>3. Economic Highlights</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• domestic economy</td>
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<tr>
<td>• economic trends</td>
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<tr>
<td>• imports/exports (general)</td>
<td></td>
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</tr>
<tr>
<td>• imports/exports (to/from Canada)</td>
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<tr>
<td><strong>4. Business Information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• currency</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>• language</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• business practices and regulations</td>
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<td></td>
</tr>
<tr>
<td>• differences in legal framework</td>
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</tr>
<tr>
<td>• government procurement practices</td>
<td></td>
<td></td>
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<tr>
<td>• work relationships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• office hours</td>
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<td></td>
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<tr>
<td><strong>5. Partnering Options</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Canadian firms doing business in target market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• major firms from target market doing business in Canada</td>
<td></td>
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<tr>
<td>• options for local partners</td>
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<tr>
<td>industry associations</td>
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<tr>
<td>trade events in target market</td>
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<tr>
<td>other networking options</td>
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<tr>
<td>trade media</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>research facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>market research sources</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Cultural Considerations</th>
<th>Market A</th>
<th>Market B</th>
<th>Market C</th>
</tr>
</thead>
<tbody>
<tr>
<td>greetings</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>forms of address</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>do’s and don’ts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cultural differences</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>attitude toward Canadians</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>general tips</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>8. Canadian Trade Commissioner Service abroad</th>
<th>Market A</th>
<th>Market B</th>
<th>Market C</th>
</tr>
</thead>
<tbody>
<tr>
<td>market prospect: help to assess your potential in your target market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>key contact search: lists of qualified contacts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>market reports for some sectors</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9. Travel Tips</th>
<th>Market A</th>
<th>Market B</th>
<th>Market C</th>
</tr>
</thead>
<tbody>
<tr>
<td>visa or other requirements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>work permits</td>
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<tr>
<td>business support services</td>
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<td></td>
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<tr>
<td>hotels</td>
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<tr>
<td>telecommunications</td>
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<tr>
<td>tipping</td>
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<td></td>
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<tr>
<td>voltage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>religious holidays</td>
<td></td>
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</tbody>
</table>

Source: Adapted with permission from Industry Canada, Take A World View... Export Your Services (Strategis).
Types of Research

There are many ways to begin studying a market. Some companies simply rely on a “gut feeling,” while others use sophisticated techniques such as formal statistical modelling of market trends and saturation points. The more detailed the research, the less chance there is of overlooking something important. Essentially, however, there are two main types of market research: secondary and primary.

Your secondary research begins here in Canada, and consists primarily of using data from other sources, such as periodicals, studies, market reports, books, surveys and statistical analyses. Many of these are available through Team Canada Inc, as well as through chambers of commerce, economic development organizations, industry and trade associations, and Canadian companies that are already doing business in your target market.

Once you’ve completed your secondary research, move on to the primary research phase. This involves collecting market information through direct contact with potential customers or other sources. The Canadian trade commissioners at embassies and consulates can help you assess your potential in your target market and provide lists of qualified contacts.

Unlike secondary research, primary research requires a considerable amount of personal involvement through interviews and consultations. When asking for information from foreign or domestic contacts, communicate your company’s objectives at the outset, and present your questions clearly and concisely.

The following suggestions will help you avoid confusion when requesting such information:

**Company Description:** Give a brief two- or three-paragraph description of your company, its history, industries/markets served, professional affiliations (if any), and your product or service.

**Objectives:** Briefly list or describe one or more objectives for your planned export product or service, based on your secondary market research.

**Product or Service:** Clearly describe the product or service you want to export.

**Questions:** Base your questions on your secondary research, and be as specific as possible. Contacts are more likely to take the time to answer your questions if it’s clear that you have already researched the subject matter.

---

**On-line Resources**

*ExportSource* is one of the best on-line sources for this type of information. It links to all major Canadian market information web sites, and provides information on government and private sector services, market and sector information, and everything from trade statistics, to trade leads, to potential partners.

[exportsource.gc.ca]
A Step-by-step Approach to Market Research

Step 1 – Screen Potential Markets

• Collect statistics that show product or service exports specific to your sector to various countries.

• Identify five to ten large and fast-growing markets for your product or service. Look at them over the past three to five years. Has market growth been consistent year to year? Did import growth occur even during periods of economic recession? If not, did growth resume with economic recovery?

• Select some smaller emerging markets that may hold ground-floor opportunities for your product or service. If the market is just beginning to open up, there may be fewer competitors than in more established markets.

• Target three to five of the most promising markets for further study.

Step 2 – Assess Target Markets

• Examine trends that could influence demand for your product or service. Calculate the overall consumption and the amount imported.

• Study the competition, including the extent of domestic production and the major foreign countries you will be competing against in each target market. Also look at each competitor’s Canadian market share.

• Analyse the factors affecting marketing and the use of the product or service in each market, such as channels of distribution, cultural differences and business practices.

• Identify any foreign barriers (tariff or non-tariff) for the product or service being imported into the country, as well as any Canadian barriers (such as export controls) affecting exports to the country.

• Search for Canadian or foreign government incentives to promote the export of the product or service.

Step 3 – Draw Conclusions

• After analysing the data, you may decide that your marketing resources would be more effectively used in a few countries. In general, new-to-exporting companies should concentrate on fewer than ten markets; one or two countries are usually enough to start with.

Source: Adapted with permission from Western Economic Diversification Canada, READY FOR EXPORT: Building A Foundation For A Successful Export Program.
4. MARKETING YOUR PRODUCT OR SERVICE

Your international customers may have different tastes and needs than your domestic customers. Creating a marketing plan based on these specific needs will help you to become a market-driven global organization.

A good marketing plan should answer the following questions:

• What are the characteristics of your target market?
• What is your competitor's approach to the market?
• What is the best promotional strategy to use?
• How do you need to modify your existing marketing materials, or even your product or service?

What is Marketing?

Marketing should not be confused with advertising, sales or promotion. In fact, marketing is the strategy that drives all of these processes to effectively communicate your message to the target audience.

The Four “P’s” of Marketing, commonly referred to as the marketing formula, include:

• **Product**: What is your product or service and must it be adapted to the market?
• **Price**: What pricing strategy will you use?
• **Promotion**: How will you make your customers aware of your product or service?
• **Place**: How and where will you deliver or distribute your product or service?

In international trade, several other factors should be examined and included in your marketing formula, resulting in the 13 P’s of International Marketing. Those factors are:

• **Payment**: How complex are international transactions?
• **Personnel**: Do staff have the necessary skills?
• **Planning**: Have you planned your business, market, account, and sales calls?
• **Paperwork**: Have you completed all of the required documentation?
• **Practices**: Have you considered differences in cultural and business practices?
• **Partnerships**: Have you selected a partner to create a stronger market presence?
• **Policies**: What are your current and planned policies?
• **Positioning**: How will you be perceived in the market?
• **Protection**: Have you assessed the risks and taken steps to protect your company and its intellectual property?

Source: Forum for International Trade Training, Going Global
Building your Marketing Plan

Because marketing is an ongoing activity, your marketing plan is a work in progress – it must be continuously revisited, revised and modified. Consider the following questions when building your marketing plan:

- What is the nature of your industry?
- Who are your target customers?
- What is your company’s marketing strategy?
- What products or services do you plan to market?
- How will you price your products and services?
- Which segment of the market will you focus on?
- Does your marketing material accurately convey the quality of your products or services and the professionalism of your company?
- Where are your potential clients?

A good marketing plan should contain the following elements:

**Executive Overview:** State the purpose of your marketing plan. Provide an overview of your objectives, and how the plan will be used in your exporting strategy.

**Product or Service Analysis:** Give a clear description of your export product or service, its unique selling points and how marketable it might be internationally. In other words, demonstrate that your core competency is world-class.

**Market Analysis:** Describe your target market in terms of size and trends. Include key economic, social, political and cultural considerations, a profile of your target customer, buying patterns and factors influencing purchasing decisions.

**Competitive Analysis:** Analyse the competitiveness of your product or service. This will help you to effectively position it in your target market, and to decide on pricing and marketing options.

**Goals:** State your objectives in terms of market share, revenue and profit expectations. Indicate the position you would like to occupy in the target market, and explain how you will go about achieving it.

**Marketing Strategy:** Describe your marketing strategy, including information on specific product or service pricing recommendations, mode of delivery, and proposed promotional methods.

**Implementation:** List the activities you’ll undertake to implement your marketing plan, indicating target dates and who will perform the activities. Prepare a detailed marketing budget.

**Evaluation:** Design a method of evaluating your marketing plan at various intervals to determine if your goals are being achieved and what, if any, modifications may be needed.

**Summary:** Include a half-page summary of your marketing plan’s goals, describing how they fit into your overall export plan.

“Treat all markets differently. Don’t assume that because you’re successful in one, you’ll be successful in another. There are cultural differences out there that you need to respect.”

1998 Canada Export Award Winner, Information Technology Products and Services
Determining your Price

Strategic pricing is key to successful marketing. As in domestic markets, the price of your product or service determines your profit margin. Take into account all of the variables that may affect price.

In setting a realistic export price, examine production and delivery costs, as well as factors in your target market. Proper pricing takes into account costs, market demand and competition. Determining the real cost of producing a product or providing a service, then bringing it to market, is probably the most important factor in assessing the financial viability of your export venture.

In addition to the costs of production, overhead and research and development, other specific export related expenses must be taken into account, such as:

- market research and credit checks
- business travel
- international postage, cable and telephone rates
- translation
- commissions, training charges, and other costs involving foreign representatives
- consultants and freight forwarders
- product or service modification and special packaging.

Goods and Services Marketing Comparison

The following table outlines some of the basic differences between marketing techniques for exporting services versus exporting goods.

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>GOODS</th>
<th>SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demonstrations</td>
<td>Sample product</td>
<td>Presentation of capabilities</td>
</tr>
<tr>
<td>Initial marketing by</td>
<td>Sales representatives</td>
<td>Firm’s principals</td>
</tr>
<tr>
<td>Stages of marketing</td>
<td>Marketing your product</td>
<td>Marketing your firm AND your service</td>
</tr>
<tr>
<td>Local market presence</td>
<td>Sales/distribution facility</td>
<td>Office or virtual office in target market</td>
</tr>
<tr>
<td>INFORMATION NEEDS</td>
<td>Product design and packaging</td>
<td>Interpersonal dynamics</td>
</tr>
<tr>
<td>Cultural factors</td>
<td>Distributors, marketers</td>
<td>Service industry</td>
</tr>
<tr>
<td>Local associations</td>
<td>Trade shows</td>
<td>Conferences (as speaker)</td>
</tr>
<tr>
<td>Local events</td>
<td>Product advertising</td>
<td>Press coverage</td>
</tr>
<tr>
<td>Media</td>
<td>Production/distribution firms</td>
<td>Other service firms</td>
</tr>
<tr>
<td>Local partners</td>
<td>Goods acquisition</td>
<td>Services contracts</td>
</tr>
<tr>
<td>Government procurement</td>
<td></td>
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</tbody>
</table>
Market Demand

As in domestic markets, demand in foreign markets can affect your price. In other words, what will the market bear?

For most consumer goods, per-capita income is a fairly good way to gauge a market’s ability to pay. Per-capita income for most industrialized nations is similar to that of the United States, while it is much lower for the rest of the world. Some products/services may create such a strong demand that even low per-capita income will not affect their selling price. Generally, however, simplifying the products or services to reduce the selling price may be the best option in these types of markets.

Also keep in mind that currency valuations alter the affordability of goods. Your pricing should try to accommodate currency fluctuations and the comparative value of the Canadian dollar.

Competition

In domestic markets, few companies are free to set prices without considering their competitors’ pricing policies. This is also true in exporting.

If a foreign market is serviced by many competitors, you may have little choice but to match the going price, or go below it, to win a share of the market. If your product or service is new to a market, you may, however, be able to set a higher price.

Pricing Strategies

How will each market affect your pricing? Product or service modifications, shipping, insurance, exchange rate fluctuations and border tariffs need to be factored into your price. And you can’t ignore your competitors’ pricing strategies.

Include your market objectives when setting your price. Are you attempting to penetrate a new market? Looking for long-term market growth? Pursuing an outlet for surplus production products? Needing to price your first service contract competitively in order to establish credibility?

You may have to tailor your marketing and pricing objectives to certain markets. For example, pricing strategies for developing nations, where per-capita income may be low, will likely differ from your objectives for high per-capita markets such as Europe or the United States.

Several pricing strategies are available:

- **Static Pricing**: charging the same price to all customers.
- **Flexible Pricing**: adjusting prices for different types of customers.
- **Full Cost-Based Pricing**: covering both fixed and variable costs of the export sale.”

“Start by networking in Canada. Talk to or meet with experienced exporters that do business in your target country. Their knowledge and experience can help you avoid common pitfalls or costly ventures. They can give you a feel for how business is done in that country and explain the cultural nuances that you must be aware of.”

Exporter Communications Industry
A Guide to Export Costing

The following guide will help you determine your costs and develop your pricing strategy:

<table>
<thead>
<tr>
<th>Category</th>
<th>Detailed Items</th>
<th>Costs</th>
<th>Timing</th>
</tr>
</thead>
</table>
| Marketing and Promotion | • agent/distributor fees  
                        | • advertising, media relations  
                        |       |        |
|                     | • travel  
                        |       |        |
|                     | • communications  
                        |       |        |
|                     | • materials (brochures, business cards)  
                        |       |        |
|                     | • trade fairs and exhibitions  
                        |       |        |
| Production         | • unit cost of manufacture  
                        |       |        |
|                     | • product or service modification  
                        |       |        |
| Preparation        | • labelling  
                        |       |        |
|                     | • packaging  
                        |       |        |
|                     | • packing  
                        |       |        |
|                     | • marking  
                        |       |        |
| Documentation      | • inspection  
                        |       |        |
|                     | • certification  
                        |       |        |
|                     | • document preparation  
                        |       |        |
|                     | • cargo insurance  
                        |       |        |
|                     | • freight forwarder's fees  
                        |       |        |
| Transportation     | • lading and related charges  
                        |       |        |
|                     | • carriage  
                        |       |        |
|                     | • warehousing and storage  
                        |       |        |
|                     | • insurance  
                        |       |        |
| Customs            | • customs and others duties at port of entry  
                        |       |        |
|                     | • customs brokerage fees  
                        |       |        |
| Financing          | • Costs of financing  
                        |       |        |
|                     | • interest charges  
                        |       |        |
|                     | • exchange rate fluctuations  
                        |       |        |
|                     | • export credit insurance  
                        |       |        |

Source: Forum for International Trade Training, Going Global
• **Marginal Cost:** covering only the variable costs of production and exporting, while overhead and other fixed costs are paid out of domestic sales.

• **Penetration Pricing:** keeping your price low to attract more customers, discourage competitors and gain quick market share.

• **Market Skimming:** pricing the product high to make optimum profit, among high-end consumers, while there is little competition.

After determining your costs and selecting an appropriate pricing strategy, establish a competitive price for your product or service that gives you an acceptable profit margin.

**Promotion**

Promotion refers to all of the communications tools used to let consumers know about your product or service, and to convince them to buy it. This is your most visible marketing activity. In fact, well-planned promotional strategies can make or break your chances of success. You should know the distinct characteristics of each market.

Be careful with your name or corporate image. Stories abound of large and small companies alike launching products in other countries only to discover that their brand name, logo or marketing materials convey negative or inappropriate connotations in the local language or culture. So do your best to ensure that materials are sensitive to local tastes and consumer preferences.

**Advertising:** Carefully select the media – television, radio, newspapers and magazines – that have a good circulation within your target audience. For example, advertising on television may not be a good idea in a country like India, where televisions are scarce, but where radio is very popular. Identify local or international publications or TV/radio stations that have a good circulation or audience with your target customers.

**Promotional Materials:** An eye-catching, professionally designed brochure can be extremely effective, and can be used almost anywhere. You may need to redesign your marketing materials, being careful to use simple and clear language, and avoiding North American fads that foreign buyers may not understand. Pictures or graphics, for example, can often tell a story much better than words can. Package design itself may also be an issue – certain colours, pictures or symbols used in Canada may be inappropriate or offensive to some cultures.

Your promotional materials should be translated into the market’s language. In many parts of the world, however, English is common in business, even when it’s not the native language. If translation is required, hire a professional translator with experience in commercial and business materials. It’s also a good idea to have a native of the country review your translated materials.

“In 1995, we earned 65 per cent of our revenues from one United States-based customer. This was a high-risk situation so we started building a local and regional presence to target export opportunities. We did this with the help of a number of well-positioned strategic partners.”

1998 Canada Export Award Winner, Information Technology Industry
Marketing Tools

Your promotional materials reflect your company’s professionalism. In many countries, first impressions are often lasting impressions.

The following table will help you make the most of your marketing tools:

<table>
<thead>
<tr>
<th>Marketing tool</th>
<th>Desired impression</th>
<th>Yours should be...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business cards</td>
<td>High quality and professional</td>
<td>• easy to read</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• in the appropriate language</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• consistent throughout your firm</td>
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<tr>
<td></td>
<td></td>
<td>• distinctive and informative</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• up-to-date and complete, including area codes, country, telephone and fax numbers, postal code, e-mail and web site addresses</td>
</tr>
<tr>
<td>Brochures</td>
<td>Creative and appealing</td>
<td>• easy to read and informative, highlighting your uniqueness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• professionally designed and printed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• visually pleasing</td>
</tr>
<tr>
<td>Customer testimonials</td>
<td>Your company is highly recommended</td>
<td>• representing your best customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• from top executives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• included in your brochure</td>
</tr>
<tr>
<td>News articles</td>
<td>Your company is a recognized leader</td>
<td>• quoted in your brochure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• reproduced on your letterhead</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• displayed in your office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• sent to potential clients</td>
</tr>
<tr>
<td>Videos</td>
<td>Sophisticated and interesting</td>
<td>• professionally produced</td>
</tr>
<tr>
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Source: Adapted with permission from Industry Canada, Take A World View...Export Your Services (Strategis).
Direct Mail: A targeted direct mail campaign can also be very effective. Research and experience in your target market will allow you to build a base of potential buyers and clients to whom you can direct your company’s message. Include news about your company, such as a new product or service or a successful project bid, to introduce your campaign.

Media: Publicity is a good way to establish awareness, profile and credibility. Using the media wisely can be highly economical and profitable. Prepare a media kit that introduces your company, new products/services or newsworthy activities, and include copies of any articles published about your company.

Personal Visits: Personal contact with potential clients is perhaps the best means of promotion. Many cultures value personal contact in their business relationships, and attention to cultural issues often impresses foreign business contacts.

Trade Shows: Attending or participating in international trade shows is an excellent way to promote your product or service. As well, it allows you to check out the competition and conduct market research. If it is difficult for your company to take part in a trade event, consider teaming up with other Canadian companies, or joining a federal or provincial group delegation or exhibit.

“Our company’s international success is directly related to our commitment to cultivating distribution agreements in key markets. Last year, we broke into Europe in a big way, selling over $11 million through major French do-it-yourself chains and Belgian, Swiss, German and Austrian distributors. As a result of these contracts, we now have 20 per cent of the market in France.”

1998 Canada Export Award Winner, Sports and Leisure Industry
5. ENTERING YOUR TARGET MARKET

By now, you have likely confirmed that the timing is right for you to start gearing up to export – you have researched one or more potential export markets and you have developed a marketing plan. Choosing a market entry strategy is your next key step.

Successful exporting depends on many factors. If you are a manufacturer, you need an effective way to deliver your goods to your target market and to distribute them. This may involve using intermediaries, direct selling or partnering. If you plan to export services, you need a mechanism to help you secure and manage contracts in the market, which usually calls for some form of local presence.

Identifying the characteristics and regulations of your target market will help you decide which entry strategy to pursue. For example, in relatively accessible markets such as the United States, direct selling may be a viable option. For other markets with cultural differences, complex local business practices and unfamiliar legal environments, it may be better to find a local partner.

Entry Strategies

Based on your market research, you should have a good idea of a number of markets that hold promise for your product or service. From what you know about these markets, you should now decide which method of entry best suits your needs.

DEcision FACTORS

• How is business conducted in your target market and industry sector?
• What are your company’s export strengths and weaknesses?
• What is your company’s financial capacity?
• What product or service are you planning to export?
• How much service and after-sales support will your customers require?
• What trade agreements or barriers (tariffs, regulations, policies) apply to your target market?

The traditional means of market entry can be grouped into three broad categories: direct exports, indirect exports and partnering/alliances. However, international trade includes a number of other market-entry mechanisms, such as investments, joint ventures and licensing agreements.
**DIRECT EXPORTS**

- For *products*, market and sell directly to the client.
- For *services*, negotiate, contract and work with the client.

Selling directly to foreign customers may give a higher return on your investment than selling through an agent or distributor. It may also mean lower prices. Direct selling lets you have contact with your customers, but it also has its disadvantages. Since you don’t have the services of a foreign intermediary, it may take you longer to become familiar with the market. As well, your customers or clients may take longer to get to know you, which is often an important consideration when doing business internationally.

**INDIRECT EXPORTS**

- For *products*, market and sell to an intermediary, (e.g. foreign distributor, domestic trading house). You can also retain a foreign agent or representative who does not directly purchase the goods.
- For *services*, negotiate and contract with a foreign intermediary who, in turn, negotiates and contracts on your behalf.

For many new exporters, using an intermediary may very well be the best way to enter a market.

**AGENTS AND REPRESENTATIVES**

Choosing the right market is only the first step. With this in mind, one idea is to seek out a strong local agent or partner in your target market. While many small business owners are tempted to jump on a plane and start knocking on doors, a local agent can save you an enormous amount of time and money.

An *agent* secures orders from foreign customers in exchange for a commission. A *representative* is a specialized agent who generally operates within a specific geographic area and who sells related lines of goods or services.

Both agents and representatives may be authorized to enter into contractual sales agreements with foreign customers on your behalf. They are usually paid a commission only when they sell your product or service.

An agreement with a foreign agent or representative immediately gives you a presence in your target market. This is normally less costly than setting up your own direct sales operation, and allows your representative to make more frequent sales calls. It also gives you control over the product or service and its price – an important advantage.

A good foreign agent or representative can help in many ways – by researching markets, advising on financing and transportation options, clearing customs, providing access to potential customers, making collections, and supplying information on local business practices, legal rules and cultural traditions.

“Your agents in the international arena are the face of your company locally. We choose our people carefully, train them well, and then we trust them to represent our business wisely.”

1996 Canada Export Award Winner, Agriculture and Agri-food Products
SELECTING A FOREIGN AGENT OR DISTRIBUTOR

This checklist should be tailored to your own company’s specific needs, as key factors may vary with the products, services and countries involved. Answering these questions will help you determine if prospective agents or distributors meet your needs.

Size of Sales Force
- How many field sales personnel does the agent or distributor have?
- What are its short- and long-range expansion plans, if any?
- Will it have to expand to accommodate your needs properly? If so, would it do so?

Sales Record
- Has its sales growth been consistent? If not, why not? Try to determine its sales volume over the past five years.
- What are its sales objectives for the next year? How were they determined?

Territorial Analysis
- What territory does it now cover?
- Is it consistent with the coverage you’re looking for? If not, is it willing and able to expand?
- Does it have any branch offices in the territory you wish to cover? If so, are they located where your sales prospects are greatest?
- Does it plan to open additional offices?

Product or Service Mix
- How many product or service lines does it represent?
- Are they compatible with yours?
- Does it represent any other Canadian firms? If so, which ones?
- Would there be any conflict of interest?
- Would it be willing to alter its present product or service mix to accommodate yours, if necessary?
- What would be the minimum sales volume needed to justify handling your lines? Do its sales projections reflect this minimum figure? From what you know of the territory and the prospective agent or distributor, is its projection realistic?

Facilities and Equipment
- Does it have adequate warehouse facilities?
- What is its method of stock control?
- Does it use computers? Are they compatible with yours?
- What communications facilities does it have (e.g. fax, e-mail)?
- If servicing is required, is it equipped and qualified to do so? If not, is it willing to acquire equipment and arrange for training? If so, to what extent will you have to share these additional costs?
- If necessary, would it be willing to inventory repair parts and replacement items?

Marketing Policies
- How is its sales staff compensated?
- Does it have special incentive or motivation programs?
- Does it use product managers to coordinate sales efforts for specific lines?
- How does it monitor sales performance?
- How does it train its sales staff?
FOREIGN DISTRIBUTORS

Unlike agents, distributors actually purchase your product or service and resell it to local customers. Often, they set the selling price, provide buyer financing, and look after warranty and service needs.

An added bonus is that the distributor can usually provide after-sales service in the foreign market. On the other hand, using a foreign distributor may reduce your profit margins and result in a loss of control over your product and/or price.

SELECTING AN AGENT OR DISTRIBUTOR

Many avenues are available to help you select a suitable foreign agent or distributor. Canadian trade offices abroad, trade associations, business councils and banks are useful sources of information. Talking with other Canadian exporters or potential foreign customers can help you identify prospective agents or distributors.

Once you’ve developed a list of candidates to sell or distribute your product or service, you should visit the market to meet with potential agents or distributors. Talk to several firms, and check their references to make sure they are reputable. You can also protect yourself by entering into a limited-term trial agreement – if the foreign intermediary does not meet your expectations, you can find an alternative once the trial period is over.

Source: Adapted with permission from Western Economic Diversification Canada, READY FOR EXPORT: Building A Foundation For A Successful Export Program.
TRADING HOUSES

Trading houses are domestic intermediaries that market your goods or services abroad. A full-service trading house handles a great many aspects of exporting, such as conducting market research, arranging transportation, appointing distributors or agents, exhibiting at trade fairs, and preparing advertising and documentation.

Some act as “principals” or “export merchants,” buying products outright from Canadian suppliers, while others act as “agents,” selling on commission. Some also specialize in specific industry sectors, such as agri-food or telecommunications, while others focus on particular foreign markets.

New exporters often use trading houses because they don’t want to sell directly to foreign customers or go through the process of finding a foreign agent or distributor.

PARTNERSHIPS AND ALLIANCES

Another option is to develop some form of partnership at home or abroad. There are many advantages associated with this type of arrangement. For example, a good partner can complement your capabilities and provide the expertise, insights and contacts that may make the difference between success and failure.

A well-structured partnership benefits both parties in the following ways:

• each company focuses on what it does and knows best
• partners share the risk
• a partnership extends each party’s capabilities into new areas; ideas and resources can be pooled to help both sides keep pace with change
• several markets can be approached simultaneously
• a partnership can provide technology, capital or market access that you might not be able to afford on your own.

Strategic alliances can also be very profitable. One of the easiest ways to export is to look at a company that has a complementary product or service. You may be able to form a strategic alliance, which is less costly for you because you can use another company’s distribution and marketing expertise.

Three basic steps are involved in developing a partnership strategy:

• deciding whether or not partnership is appropriate for you
• defining the form and structure that best suits your needs
• finding a partner that meets your criteria and complements your strengths and offsets your weaknesses.

Before investing time and money in finding a partner, make sure that it makes sense for your company. If your needs can be satisfied in-house, a partner may not be necessary. If the problem is financial, you may be better off looking for investors. But, if after evaluating these options, something is still missing — special expertise, local market presence — then you should take a closer look at partnership options.
If you are confident that a partnership would benefit your company, the next step is to define its form, structure and objectives. Start by evaluating your company’s goals and its ability to achieve them. Then, outline what you expect from the partnership.

Once you’ve decided on the type of partnership that best meets your needs, look for the right partner – one that complements and strengthens your capabilities, and that will work well with your company.

E-COMMERCE

The evolution of globalization and the “one world” approach to business has been accelerated with the advent of electronic commerce, or e-commerce. It is now possible for more and more companies to use the Internet to access their foreign customers by means of online marketing, automated ordering and payment systems, supply-chain management networks, Internet telephony, and even “virtual” offices within the target market. For more information on how e-commerce may be a market entry solution for your company, visit the “Task Force on Electronic Commerce” on the Industry Canada web site at e-com.ic.gc.ca where you will find information and links to many different e-commerce resources.

Working Abroad

Individuals or firms who are providing services in other countries should be fully aware of the personal and business issues involved in working outside of Canada. Since the most valuable asset in this circumstance is the “well-being” of the service provider, exporters of services can prepare for problems that may arise concerning health, finances, taxation, foreigners’ rights, and more, prior to leaving Canada. Canadian citizens who have worked abroad for an extended period must also be aware of their responsibilities upon returning to Canada, particularly those relating to taxation of foreign income. The Department of Foreign Affairs and International Trade publishes a guide called “Working Abroad: Unravelling the Maze” that will assist service exporters in becoming aware of all of these issues (also available on their web site at www.dfait-maeci.gc.ca/travel/consular/working_abroad-e.htm).

Putting the Entry Strategy to Work

Your entry strategy is an important part of both your marketing plan and your overall export plan. Putting it in place is just as important as choosing the right one.

Whether you choose direct selling, indirect selling or partnering to enter your target market, all strategies are based on relationships. At the heart of any business venture are people. While this fact is important in business generally, in international trade it is emphasized by differences in culture and business practices. Successful market entry depends on finding the right buyers, agents, distributors and partners in your target market.

The Canadian Trade Commissioner Service abroad can provide you with lists of qualified contacts in your target market. These sources have the local knowledge you need to refine and implement your market entry strategy. The lists can include: potential buyers, partners; agents, manufacturers’ representatives; distributors, importers; consultants, accountants; government officials; associations, chambers of commerce; freight forwarders; lawyers and patent attorneys; technology sources; financial institutions.
6. GETTING YOUR PRODUCT OR SERVICE TO MARKET

To sell your goods and services in Canada, you must comply with a variety of regulations. The same is true in foreign markets—and invariably, the regulations are different. This means that your goods and services may have to meet certain safety and quality standards, health and environmental regulations, and packaging requirements. For service exporters, it may also mean acquiring professional accreditation.

EXPORT DECLARATION

One of the most common forms that exporters of goods should be aware of is the Canada Customs and Revenue Agency form B13A Export Declaration. This form, along with the appropriate permits and licenses, must be prepared by exporters prior to exporting to all non-U.S. destinations. For more details on mandatory reporting of exports, contact your local Canada Customs and Revenue Agency office to obtain guide RC4116 – Exporting Goods from Canada. As an alternative to filling out form B13A, exporters may wish to submit it electronically by using the Canadian Automated Export Declaration software available from the Statistics Canada web site www.statcan.ca

EXPORT PERMITS

The first step in logistics planning is to determine whether you need an export permit, which is required when the destination is a country on the Area Control List (a list of countries to which any export, except humanitarian items, requires an export permit) or when the goods are on the Export Control List (a list of goods and technologies that require export permits to be exported from Canada, pursuant to the Export and Import Permits Act). There are two types of permits: a General Export Permit and an Individual Export Permit.

Transporting and Delivering your Product or Service

Getting your product from where you are to your customer’s doorstep is often as important as the product itself. Determining the best mode of transportation, delivering on time and setting up customer service are all vital elements of successful exporting.

DELIVERING PRODUCTS

A number of documents are required for moving products to foreign countries, including those for shipping, transportation, tracking, customs clearance, delivery and receipt.

There are four options available for getting your goods to foreign customers. Often, more than one mode of transportation is used for any given export shipment.

Truck: Trucking is popular for shipments within North America. Even when shipping goods overseas, trucking is often used to deliver the product to its final destination. The quality of available trucking services declines, however, once you go beyond the major industrialized countries.

Rail: This is another common option, especially when shipping to the United States. Rail is also widely used when shipping to seaports for transport abroad, and from seaports to a final destination.

Air: International air freight is expanding rapidly. Regular service to U.S. and overseas destinations is readily available from major Canadian airports. Not all destinations are covered, however, and special charters may be required for more exotic markets. Shipping by air is more expensive than
surface or sea transport, but the higher costs may be offset by faster delivery, lower insurance and warehousing costs, and better inventory control.

**Ocean:** Exports of goods to offshore markets is most often transported by ocean carriers. Shipping large items, bulk commodities and goods that do not require fast delivery is more economical by sea.

**Freight Forwarders and Customs Brokers**

*Freight Forwarders* can guide you through the extensive paperwork involved in international trade, and help you improve your delivery times and customer service. A good freight forwarder can also help you clarify conditions on the letter of credit with your customer and bank.

There are freight forwarders for both air and ocean shipments. Many also specialize in arranging shipments to certain countries, while others concentrate on particular types of products.

Freight forwarders negotiate rates with shipping lines, airlines, trucking companies, customs brokers and insurance firms on your behalf. You can choose how involved you want to be in this process. A freight forwarder can provide a comprehensive service that takes care of all of your logistical requirements, or can simply negotiate a rate with a shipping line.

*Customs Brokers* will clear your goods through customs, prepare customs documentation, and remit duties owing on exported goods. They are also good sources of information on recent tariff changes and other customs-related developments.

**Delivering Services**

The challenges associated with delivering services to a foreign market are no less complex, albeit quite different from those in exporting products. Delivering services often depends on such factors in your target market as:

- extent and reliability of telecommunications links
- existence of a reliable infrastructure of computers, faxes and modems
- frequency and convenience of air links between Canada and the market
- technological sophistication, receptivity and flexibility of customers
- potential support through official channels, government departments and international development agencies
- ability to satisfy legal regulations governing work permits or professional certification.

Services can be delivered using different modalities.

- **Provider Visits Client**
  This is the service delivery modality that is most easily recognized as an export activity. You will probably need to meet the client repeatedly, often at the site.

- **Client Visits Provider**
  The classic example, and a very important income earner for Canada, is tourism. Every year thousands of Canadians earn good income by meeting the needs of visitors who pay for services with earnings generated in countries around the world.

- **Establishment in the Market**
  In general this modality is more likely to be used by large firms, but it is important to any firm that wishes to become a major player in any market. Legal firms, accountants, and major banks are examples of businesses that have established a presence in numerous foreign markets.

- **Remote Delivery**
  Remote delivery has expanded dramatically with the availability of modern communications technology, such as the Internet. Some examples are the increasing use of electronic commerce, or medical diagnosis and treatment for remote locations.

More information on exporting services is available by visiting Take a World View at strategis.ic.gc.ca/twv.
Packing, Marking and Labelling

Take special care in packing, marking and labelling your products for export. They often travel long distances and are transferred from one mode of transportation to another. They should be protected from damage or theft and clearly marked so they are not lost in transit.

When packing your goods, take into account their final destination and the transportation infrastructure in both transit and target markets. Often, goods shipped overseas are handled roughly due to poor roads and repeated loading and unloading from sea, to rail and to road.

Ensure that your goods are properly labelled. Markings on containers must identify the buyer, the port of entry, gross and net weights, the country of origin, and any cautions. A packing list identifying the contents of each container must also be included, and all markings must agree with those on the bill of lading (or other shipment documents).

Consider the following factors when selecting your packing method:

- Adverse weather conditions and extreme temperatures may occur in transit. Certain types of goods may require special temperature controls or other protective measures during transit, handling, or storage.

- The type of carrier in which products are to be shipped may determine the kind of packing you should use. For example, if the goods are carried by ship, you need to know whether they will be placed above or below deck.

- At port and handling facilities, as well as during transit, cargo may be handled roughly and should be packed with extra care.

- Proper packing can reduce the risk of theft during transit.

Labelling, packaging or advertising restrictions should be taken seriously. For example, your product may not clear customs if labels don’t conform to local requirements, such as the country’s official language, product weight, fibre content, ingredients, electrical or other technical standards.

Marking distinguishes your goods from those of other shippers. Marks shown on the shipping container must conform to those on the commercial invoice/bill of lading, and may include some or all of the following items:

- the buyer’s name or some other form of agreed identification

- the point/port of entry into the importing country

- the gross and net weight of the product in kilograms and pounds

- identification of the country of origin, e.g. “Made in Canada”

- the number of packages

- appropriate warning/cautionary markings

- a packing list, plus one copy in each container, itemizing the contents.

Export Documentation

Export documentation identifies the goods and the terms of sale, provides title to the goods and evidence of insurance coverage, and certifies that the goods are of a certain quality or standard.

A number of documents are required for overseas shipping, which generally fall into two categories.
Shipping Documents

Shipping documents are prepared by you or your freight forwarder, and allow the shipment to pass through customs, to be loaded onto a carrier, and be transported to the destination. Key shipping documents include:

- commercial invoice
- special packing or marking list
- certificate of origin
- certificate of insurance
- bill of lading

A bill of lading is used for ocean freight; an air waybill is used for air freight; and rail and truck bills of lading are used for land freight. The ocean bill of lading can be a negotiable instrument that passes title to the goods. This is unlike the other types, which are “straight” bills of lading that pass title to the consignee as soon as the goods are delivered.

An insurance document is also required, particularly for international shipments, given the risks of damage or loss during transit. Goods shipped by sea are typically insured for 110% of their value, to compensate for the extra costs involved in replacing lost goods.

Collection Documents

Probably the most important collection document is the commercial invoice, which describes the goods in detail and lists the amount owing by the foreign buyer. This form is also used for customs records, and must include the date of issue, the names and addresses of the buyer and seller, the contract or invoice number, a description of the goods, the unit price, the total weight and number of packages, shipping marks and numbers, and the terms of delivery and payment.

Other collection documents include certificates of origin, certificates of inspection, and import and export licences, which are supplied as required. For example, a NAFTA certificate of origin is used to secure duty-free, or lower duty rate, entry into the United States and Mexico for Canadian exports. Also, certificates of inspection are used to ensure that goods are free from defect.

Insurance

Generally, cargo insurance is more important in international transportation than in domestic transportation. International carriers assume only limited liability for goods when shipping by air or sea. Terms of sale often make the seller responsible for the goods up to the point of delivery to the foreign buyer. For this reason, transportation insurance is absolutely essential, particularly for overseas exports.

Marine transportation insurance protects both ocean- and air-bound cargo, and also covers connecting land transportation, of which there are three main types:

- Free of Particular Average (FPA) is the narrowest type of coverage. Total losses are covered, as well as partial losses at sea if the vessel sinks, burns or is stranded.
- With Average (WA) offers greater protection from partial losses at sea.
- All Risk is the most comprehensive, protecting against all physical loss or damage from external causes.

In international transportation, it is important to remember that once the documents transferring title are delivered to the foreign buyer, you are no longer liable for the goods.
7. FINANCING YOUR EXPORT VENTURE

You’ve got a great product or service, a market entry strategy, and you’re eager to land your first sale. But wait! What about financing? How can you ensure that your foreign customers will make good on their purchases? What will you do if a customer asks you for financing?

You may think that talking about financing before you’ve made your first sale is like putting the cart before the horse, but knowing your export finance options can be critical.

Imagine that you have just received a huge overseas order for your product or service. Suddenly, you need more production capacity and financing to fill the order. When it comes to paying for the sale, the buyer will likely want a 30-, 60-, 90-day, or even longer payment plan. And what if the buyer defaults, or goes out of business before paying? For many new or smaller exporters, self-financing a growing export business can be very risky.

There are, however, a great many financing options that can minimize your risks and give you a competitive edge in world markets. Many new exporters are unaware that they may be able to offer their foreign customers competitive loans or financing terms through such Team Canada Inc members as the Export Development Corporation (EDC).

Export Finance Planning

While stories abound of small firms turning into successful exporters overnight, most export success stories involve sustained effort over relatively long periods of time. Maintaining this effort requires financial stability and strength. Successful exporting often calls for the financial stability that comes from established domestic sales or other sources that give you a reliable cash flow.

A secure cash flow or cash budget is absolutely essential to fund your export drive. Exporting can be costly. Remember, even though Canada is one of the least expensive countries in the world in which to do business, the costs of exporting can add up. A secure cash flow can help to support your export activities during the time it takes to build income and eventually achieve profitability.
A financial plan that covers the various costs and demands of exporting is key. This should include a cash budget to cover your export activities for the first two or three years. This will highlight your financing requirements, so you can better plan how to finance your activities.

Your financial plan should also include a longer-term cost-benefit assessment of your export objectives, commonly referred to as a *capital budget*. Essentially, this provides you with an operating plan against which actual expenditures and revenues are measured.

Both the cash budget and the capital budget can help you navigate your firm through the financial waters of exporting. The cash budget helps you determine the timing and amount of your cash expenditures. The capital budget gives you an overview of the funds you'll need to complete your export project. It will also indicate when the project will start generating positive cash flows.

You need to know the timing of both cash inflows and outflows. You’ll have a hard time arranging the right financing if you don’t have a thorough financial projection, or if you don’t know when the project will begin to show a profit.

Cash flow is important in domestic business, but even more crucial to international trade payments on transactions which are usually more delayed than domestic transactions. Ensuring that your company has sufficient cash or operating lines of credit should be your principal objective in your financial plan. Cash flow planning can help you defend against such problems as:

- exchange rate fluctuations
- transmission delays
- exchange controls
- political events
- slow collection of accounts receivable

These segments of your financial plan relate mainly to your company’s current financial situation. Accurate details are important to the overall effectiveness of your export plan. Ensure that the complexity and length of your export plan match the funding being sought. A financing plan for a multiphase, high value project will be more complex than the financing plan for a $10,000 transaction.

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**Key Financial Elements**

- Is your current financial position sound?
- Do you have a financial plan to cover export development costs?
- Are sufficient funds available for exporting?
- Have you developed an export costing sheet?
- Are you able to wait for payment?

Source: Adapted with permission from the Atlantic Canada Opportunities Agency, The Atlantic Canada Opportunities Agency Trade Tool Kit.
Getting Paid

There are four common ways for customers to pay an invoice in international trade: cash in advance, open account, letter of credit and documentary collection. The following are listed in order of increasing risk to your company.

CASH IN ADVANCE

Cash in advance is the most secure option for an exporter, since it eliminates all risk of non-payment and bolsters working capital. Unfortunately, few foreign buyers are willing to pay cash in advance, although some will pay a portion when goods or services are specially ordered. For services, a retainer might be paid at the start upon signing a contract, after which progress payments are matched to deliverables. If you can get cash in hand, however, you obviously have fewer worries.

LETTERS OF CREDIT

Letters of credit provide some measure of security to both the importer and exporter by relying on banks to receive and check shipping documents and guarantee payment. By specifying particular terms, a letter of credit can allow the costs of financing a transaction to be borne by either the exporter or importer. Both sight and term payment provisions can be arranged.

There is also a distinction between confirmed and unconfirmed letters of credit. A letter of credit issued by a foreign bank can be confirmed by a Canadian bank, constituting a guarantee that payment will be made. This is an undertaking by the Canadian bank to pay, even if the foreign bank does not. Confirmed letters of credit protect exporters against the risk of non-payment by the foreign bank. The most secure form is a letter of credit which is both confirmed and irrevocable.

CHECKING LETTERS OF CREDIT

Address the following questions when examining letters of credit (LCs):

- Are the names of the applicant (buyer) and the beneficiary (exporter) complete and spelled correctly?
- Is the LC irrevocable?
- Is the LC confirmed by a reputable Canadian bank?
- Is the amount and currency of the LC acceptable?
- Are the shipping and expiry dates acceptable, and is the time period for presentation of documents sufficient?
- Can the shipping instructions be met?
- Are the goods or services to be provided accurately described?
- Are the insurance specifications acceptable?

Source: Adapted with permission from the Atlantic Canada Opportunities Agency, The Atlantic Canada Opportunities Agency Trade Tool Kit.
DOCUMENTARY CREDITS AND COLLECTIONS

Exporters can also make use of sight and term documentary credits. A documentary credit calling for a sight draft means that the exporter is entitled to receive payment on sight, i.e. upon presentation of the draft to the bank. A term documentary credit, in contrast, may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

In a collection, the exporter ships goods to an importer and forwards shipping documents to a collecting bank which obtains payment from the importer in exchange for the documents. A collection differs from a letter of credit in that the exporter remains exposed to credit risks associated with the importer because no bank has undertaken in advance to pay the exporter upon presentation of the documents. Under collection terms, the exporter is required to finance the shipment until the importer receives the goods (sight draft) and sometimes longer (term draft).

OPEN ACCOUNT

Open account terms require the exporter to ship goods and pass title to the importer before payment is made. In these cases, the exporter is fully exposed to any credit risk associated with the importer until payment is received. In addition, because open account terms usually allow 30, 60, 90 days, or longer, before payment is due, the exporter effectively finances the transaction. Often, this period is extended because the importer pays after the due date.
You’ve assessed your export capabilities, researched potential export opportunities, created a marketing plan, selected an entry strategy, studied how to deliver your product or service to your target market, developed a financial plan and an overall export plan.

You may now be in a position to negotiate a sale or contract with a potential buyer. As with any domestic transaction, it’s vital that you protect your interests, and have legal recourse if any of the parties don’t live up to their part of the deal.

Find out about the rights and regulations of business within your target market. Be aware of international conventions, business laws governing that country or region, and trade agreements that may exist with Canada. Obtaining the guidance of a professional who has detailed knowledge of international laws and agreements will help you to sidestep potential legal pitfalls or resolve disputes.

International Contracts

After you have taken a good look at the risks, calculated the costs, determined a viable price and the client has accepted your offer, you’ll need to draw up a contract to cover all aspects of the transaction. In theory, for a contract to arise, one party makes an offer and the other accepts it. Essentially, a contract is an agreement that the law will enforce.

The contract “crystallizes” the arrangement that you’ve negotiated with your customer or partner. In the area of international trade, however, many questions can arise, particularly concerning such issues as which laws govern the contract, what recourse is available if your client defaults, or what to do if a dispute arises.

By their very nature, international business contracts are more prone to complications than domestic ones. The parties are usually from different countries. Language barriers may lead to misunderstandings. Cultural and geographical impediments may crop up. Words may have different meanings in different countries.

And, most important, the parties are used to different laws and business practices. This is why international business contracts must be precise, specific and all-encompassing – to reduce the risk of misunderstandings, misconceptions and disputes.

The Proper Law

Certain basic issues are common to all international contracts, but the most fundamental principle is that of the governing or “proper” law of the contract.

Problems in international business contracts occur because of differences in the laws of the countries involved. When different laws are applied, results may be inconsistent, and substantive rights may depend on whose law applies. For example, one law may require that a contract be written, whereas another may not. Or under one law, persons who are not a party to the contract may have specific or general rights, whereas under another law they may have no rights. It is therefore essential to establish from the outset which law governs.
Resolving Disputes

Many issues can become controversial in international trade transactions. For example:

- disputes with agents
- collection of payments due
- breach of contract or warranty
- intellectual property rights
- secured creditors’ rights, e.g. seizure of assets
- enforcing foreign judgments.

Resolving disputes formally through the legal system can be costly. Whenever possible, try to settle out of court.

Selling Goods

Under Canadian law, buyers and sellers must meet a number of obligations, many of which can be modified or waived by the contract.

A contract covering the sale of goods involves the seller transferring or agreeing to transfer goods to the buyer for a sum of money. The actual transfer of the property is important, because it distinguishes the sale of goods from other transactions such as leases or property loans. The term “goods” includes all movable things, excluding real estate, and such intangibles as debts, shares, patents and services. Further, the fact that money changes hands distinguishes a sale of goods from other transactions, such as barter or counter-trade.

Transferring Title and Risk

Several elements hinge on determining the exact legal moment when the buyer takes ownership of the goods (in formal terms, when title passes or is transferred to the buyer).

Risk: The transfer of title affects the parties’ rights in case of total or partial loss, damage or destruction of the goods.

Rejection: Once it has occurred, transfer of title may preclude the buyer from rejecting the goods, despite valid complaints regarding quality, quantity or description.

Price: Once the buyer takes title, the seller can sue the buyer for the full unpaid price, rather than merely for the lost profit.

Rights of Action: After taking title, the buyer can enforce his or her property rights through court action or other methods.

Delivering Goods

The seller must deliver the goods to the buyer in one of two ways:

- physically, by delivering a legal document of title, such as a bill of lading; or
- symbolically, by delivering, for example, the key to where the goods are stored.

The contract should specify where the delivery will take place. In international matters, this is usually defined by using such International Commerce (INCO) terms as Cost, Insurance and Freight (CIF) or Free on Board (FOB). If the contract does not specify the place of delivery, then this becomes the seller’s place of business, and the delivery is considered complete when the seller delivers the goods to a carrier.

Buyer’s Acceptance

If the seller does not break any of the conditions of the contract, the buyer must accept the goods. Refusal to accept the goods without justification gives the seller the right to sue for damages. But, if the seller breaches a condition of the sale, then the buyer can legally reject the goods.
Upon request, the seller must allow the buyer to examine the goods. The buyer can accept or reject the goods in one of three ways:

- by conveying his/her acceptance to the seller;
- by acting in a manner that is inconsistent with the seller’s ownership of the goods, e.g. by reselling the goods after they are delivered; or
- by keeping the goods without notifying the seller that he or she has decided to reject them.

Once any of these types of acceptance or rejection has taken place, the buyer can no longer refuse the goods – even if the seller has breached a condition of the contract.

**Unpaid Seller’s Rights**

The best protection for sellers is payment in advance, or upon delivery. Next is payment by confirmed letter of credit. If neither is possible, then the seller should take out security for the unpaid purchase price. This can take several forms, for example, it can be independent of the goods themselves, such as a written guarantee or a mortgage against real estate. The most common method is to reserve title, or to take a secured interest in the goods.

**Selling Services**

Service contracts can range from a handshake to pages of legal and technical specifications. Whatever the form, both parties should have the same understanding of:

- the service to be provided
- the personnel who will provide the service
- the personnel or facilities to be made available to the client
- the date on which the provision of service is to begin (and end)
- payments to be made
- benchmarks or dates when payments are to be made
- circumstances under which the contract may be terminated, and any implications in terms of completion of the work, handing over the work completed to date, partial payments, penalties, and so on
- the procedure in case the client is unable to make available the agreed personnel, information or facilities
- conditions for holdbacks
- conditions for the return of bid or performance bonds or guarantees
- procedures for resolving disputes.

**Protecting Intellectual Property Rights**

Intellectual property (IP) is a collective term used to refer to new ideas, inventions, designs, writings, films, and so on, which are protected by copyright, patents and trademarks.

Always protect your ideas. Whether or not you already have patent or copyright protection for your product or service in Canada, you should consider seeking similar protection in your target market.

Patent and intellectual property law, however, is complex, so it is best to obtain the advice of professional legal counsel.

To protect your IP rights in Canada, you should establish ownership with the Canadian Intellectual Property Office (CIPO). If selling outside of Canada, learn about IP rights and regulations in other countries.

Exporters should bear in mind that the cost of registering and maintaining foreign patents is high, and if they go this route they should also be prepared to pursue offenders, if necessary in the courts.
Through CIPO’s data banks, you can find solutions to technical problems. And, because Canada is a member of the Patent Co-operation Treaty, you can file applications for patents in nearly all the countries where you need protection, with just one application in Canada.

The following describes the key IP elements, and explains how they can be protected:

**Patents:** For inventions (and new or improved technology), protection in Canada extends up to 20 years from the date the application is filed. You can receive a patent for a product or a process that is new, useful and inventive.

**Copyrights:** Literary, artistic, dramatic and musical works, and sound recordings are protected for the life of the author, plus 50 years. Copyright is automatic, thus registration is not obligatory. However, registration provides presumption of rights in the event of a court dispute.

**Trademarks:** Words, designs, or a combination of these, which are used to distinguish your goods or services from those of others, are called trademarks. A trademark registration gives the owner the right to its exclusive use in Canada. Protection can be renewed for 15-year periods.

If you’re starting a business, you may wish to ensure that no one else has registered, is awaiting registration, or is using a trademark or trade name similar to yours.

**Industrial Designs:** These protect the visual features of shape, pattern, ornamentation or configuration, or a combination of these, of a finished manufactured product. Unless you have a registered design, you cannot make a claim of ownership or protect the design against imitations. Registration gives you exclusive rights for up to 10 years.

As a cautionary note, exporters of intellectual property should be aware of those countries which do not uphold intellectual property laws and standards, making legal recourse in the event of a violation more complicated. Exporters are advised to consult the Canadian Intellectual Property Office (CIPO) or a professional specializing in international intellectual property issues on the countries that represent this risk to determine what legal action, if any, is at their disposal.

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**On-line Services**

A number of web sites offer information on intellectual property issues, including:

- Canadian Intellectual Property Office (http://cipo.gc.ca);
- World Intellectual Property Organization (http://www.wipo.org);
- Take a World View...Export Your Services! (http://strategis.ic.gc.ca/twv).
Now that your overall export plan is in place, you’re likely eager to close that first export sale. But before you start shipping 100,000 widgets to the other side of the world, test the waters with a trial run, especially if you are new to exporting. By following these steps, you can test the viability of your export venture. At the same time, you’ll be reviewing all of the points presented in A Step-by-Step Guide to Exporting.

SELECTING YOUR MARKET
Many new Canadian exporters start with the United States market because of its proximity and familiarity. While there are advantages to this approach, you should also look at opportunities in other export markets.

PLANNING AND PREPARATION
Whether you export goods or services, many of the following preparatory steps will be similar.

- Visit cities in the region, talk to potential buyers and intermediaries, request a face-to-face briefing with the Canadian trade commissioner there to discuss the latest development on the market and your future needs.
- Develop a network of contacts and potential partners. Find out who your competitors and potential allies are, and who are the most important importers, distributors and agents for your product or service.
- If working through agents and distributors, make a short list of potential candidates and assess their qualifications and capabilities. Develop a profile of the ideal associate, then select the one whose skills and experience best complement your export objectives. If exporting a service, consider the possibility of finding a local partner to represent your interests.
- Put together a promotional package describing your company and its products or services.
- Attend a regional trade fair, if possible. Do some preliminary promotion and establish contacts with potential buyers and associates.
- Make arrangements with key export service providers such as freight forwarders, trading houses and customs brokers.

CONCLUDING THE TRANSACTION
The following is a summary of the procedures involved in concluding a deal and shipping goods to your buyers. Service exporters will share certain steps, although they don’t have to deal with documentation, freight forwarding, shipping or customs clearance.
Checking References

- customer’s credit rating
- other exporters who have had dealings with the customer
- ask the Canadian trade commissioner in your target market to provide you with information on the local companies or organizations that you have identified (local company information)
- profile of business

Whether you’re dealing with end-users, retailers or intermediaries, check references. You can do this by contacting other Canadian exporters, commercial banks, people in the industry, or your trade commissioner.

Visiting Prospects

- gather insights into your customer’s operations and requirements
- ask the Canadian trade commissioner to provide you with advice on timing and organizing your trip (visit information)

Visits to important customers in your market(s) are strongly recommended. A visit can give you useful insights into the operations and credibility, as well as the requirements, of potential customers. Your efforts, in turn, give you credibility with your customers and clients.

Finalizing the Sale

Confirm the following details of the transaction with the buyer:

- quantity
- payment terms
- shipping/trade terms
- transportation method
- price

Be sure both sides agree on quantity, payment terms, shipping/trade terms, mode of transportation, price and other specifics of the sale. Typically, the process will be initiated when your sales department receives a purchase order from the buyer. You should respond with an acknowledgment of the order or a sales confirmation.

Preparing a Letter of Credit (LC)

- the buyer issues an instruction to his or her own bank
- the buyer’s bank sends your bank the LC
- your bank sends the LC to you

The letter of credit is an important document. Review it carefully, along with your freight forwarder, banker and legal counsel. It must be consistent with your sales agreement, and you must comply with all of its provisions. Remember that the buyer’s bank can latch on to any discrepancies in your documentation – it pays upon receipt of correct documents, not upon successful completion of the transaction. If a name or address is misspelled, if the shipping date is wrong, or if all charges are not included, you may be unable to collect.

Prepare other Documentation

Your shipment must be accompanied by all relevant documentation, including:

- commercial invoice
- packing slip
- shipper’s instructions
- certificate of origin
- standards documentation (if necessary)
- health/sanitary certificate (if necessary)

Freight Forwarding

Your freight forwarder prepares the following documents:

- customs invoice
- consular invoices (if required)
- special packing or marking list
• insurance and certificate of insurance
• bill of lading

Your freight forwarder delivers copies of all documents to you, your buyer and your commercial bank.

You can now inform your freight forwarder that your container is packed and supplied with the required documentation. Your freight forwarder will then begin preparing the paperwork and deliver the shipment to the buyer.

Your shipment must be accompanied by a transportation document such as a bill of lading or air waybill that specifies the mode of transportation, the route the goods are to take and delivery times. It must be presented to your bank with the letter of credit and other required documents.

The shipment may also require a certificate of insurance as proof that it is insured against loss or damage. Insurance must comply with the specific coverage indicated in the letter of credit. (All-risk insurance is normally the best type of coverage for exporters.)

**Shipment**

• your freight forwarder sends the goods to the carrier

• your customer receives all relevant documentation, allowing the shipment to clear customs

Once your shipment has been delivered to the carrier, your freight forwarder prepares and sends copies of all documentation to you, your customer and your bank. Your customer will be notified that the product has been shipped, and will be told when to expect arrival. Your customer then uses the documentation to clear the shipment through customs.

**Customs Clearance**

• the goods clear customs at the destination entry point

Customs clearance varies depending on how you export your product or service. For example, when shipping goods to a wholly owned subsidiary in a foreign country, you're responsible for taking the goods through customs, transporting, storing and delivering them. In many cases, however, the buyer is informed that the goods are being held in customs, and arranges to have them cleared and delivered.

**Collection**

After the shipment has been sent:

• the freight forwarder presents your bank with the LC and all accompanying documentation

• you present your bank with a sight draft (demand for payment)

• your bank passes the documentation to the buyer's bank with a demand for payment

• the buyer's bank accepts the documentation and lets you know when the funds will be transferred

• your bank transfers funds to your account

The freight forwarder presents your bank with the LC and all required documents (including certificates of inspection, commercial invoices, packing lists and insurance certificates). Your bank checks all documents for discrepancies and verifies that the shipment was delivered on time.

Finally, the draft and documents are delivered to your customer's bank. If no discrepancies are found, the draft is accepted and you are notified of acceptance. At a specified time, your bank will receive funds from your customer's bank, and your trial run is complete.
Reviewing and Revising your Export Plan

After you have completed your trial run, it’s a good idea to review your export plan and revise it, if necessary. The following questions will help you determine if your plan needs to be revised in certain areas.

**PRODUCT OR SERVICE**
- Should your product or service be modified in some way that was not anticipated?
- Do you need to strengthen your ability to provide training to use the product or service?
- Are better arrangements required for providing after-sales service?

**PRICE**
- Is your price competitive?
- Can you accept a reduced profit margin to make your price more competitive?
- Can you raise your price and still increase your profits?

**TARGET MARKET**
- Have any of the assumptions you made about your target market not materialized and, if so, what are the implications?
- Are there other markets that might be better suited to your product or service?
- If you have had some initial success, should you expand your effort within that country, or to other countries?

**INTERMEDIARIES**
- If selling through intermediaries (agents/representatives), are you satisfied with their performance?
- If selling to a distributor, has the expected quantity of orders been placed? If not, has the distributor explained the shortfall or recommended changes in your product, service or price?
- If selling through a trading house, how successful has it been selling your product or service abroad? If the performance has been poor, should you look at other options?
- If working with partners abroad, has the relationship been mutually beneficial?

**FINANCING**
- What methods have you been using to secure payment for foreign sales?
- Have they been satisfactory?
- How long have you had to wait for payment?
- Has there been a negative impact on your working capital?
- Have you had credit or collection problems?
- Have you incurred any bad debts?
- Are you satisfied with the services of your bank?

**PROMOTION**
- Is there a better, more cost-effective way to promote your product or service?
- Does your promotional material (e.g. brochures, sales letters, samples) need to be modified or improved?
- Have you learned anything about your target market that warrants a reassessment of your promotional strategy?

**SHIPPING**
- Are you and your foreign customers satisfied with the methods of shipping and delivering your product or service?
- Are there less expensive or quicker ways to get your product or service to the market?
- Is your freight forwarder doing a good job?
Team Canada Inc, a virtual network relying on the cooperation of all levels of government, works to help Canadian businesses succeed in world markets. This single window for Canadian business vastly simplifies access to everything from training and financing programs for the new exporter, to on-the-ground support in foreign markets for more experienced Canadian businesses. Team Canada Inc is your first stop en route to the information, counselling, market intelligence, financial assistance and on-the-ground support you need to make your export venture a successful one.

Team Canada Inc Members currently include:

- Agriculture and Agri-Food Canada
- Atlantic Canada Opportunities Agency
- Business Development Bank of Canada
- Canada Economic Development for Quebec Regions Agency
- Canada Mortgage and Housing Corporation
- Canada Commercial Corporation
- Canada Customs and Revenue Agency
- Canadian Heritage
- Canadian International Development Agency
- Department of Foreign Affairs and International Trade
- Environment Canada
- Export Development Corporation
- Human Resources Development Canada
- Indian and Northern Affairs Canada
- Industry Canada
- National Farm Product Council
- National Research Council Canada
- Natural Resources Canada
- Public Works and Government Services
- Statistics Canada
- Transport Canada
- Western Economic Diversification Canada

Team Canada Inc provides a single source of information about international business development activities offered by federal departments, the provinces, the territories and the private sector. The result is an unprecedented effort to streamline services to the Canadian business community – getting the right kinds of services, quickly and efficiently, to the companies that can benefit.

Team Canada Inc Services

General Export Information Services are available via a single-window access connecting you to a full range of government export services and expertise.

- Export Information Service – Call 1-888-811-1119 toll-free and a trained information officer will discuss your export needs and provide you with the appropriate export information, sources or contacts. This service is accessible via your local Canada Business Service Centre Monday through Friday, from 9 am to 5 pm in every time zone in Canada.
• **ExportSource** – exportsource.gc.ca – Team Canada Inc’s official web site. Simultaneously search across a wide range of programs and services offered by Team Canada Inc members and partners.

*Skills Development Services* can be accessed in a wide variety of formats and are offered by various government organizations, trade and industry associations and other export service providers.

• **Export Preparation Guides** – visit ExportSource for an on-line version of the Step-by-Step Guide

• **Export Skills Training** – half-day workshops such as the *Going Global* series; intensive training (classroom or on-line) which can lead to professional designation as a Certified International Trade Professional (CITP) offered by the Forum for International Training; market and sector-specific seminars offered by various TCI members and partners

• **Preparation for U.S.** – for first-hand exposure to new markets, participate in *NEBS*, New Exporters to Border States; *NEBS Plus* for other U.S. markets

• **Preparation for Other Markets** – similar to the *NEBS* program, *NEXOS* is for overseas markets and *NEXSA* for South American markets.

Ask about other similar programs which can help you to enter a market for the first time.

*Export Counselling Services* are provided at various stages of the export preparation process and are designed to address specific exporter needs.

• **Export Readiness Assessment** – helps you to determine how ready your company is for export markets and helps to identify possible action items

• **Export Plan Development** – specific information, intelligence and referral to export service providers helping you to identify and select your target markets

• **Export Plan Implementation** – includes use of opportunity identification mechanisms such as the WIN Exports database and the International Business Opportunities Centre (IBOC). These tools are an integral component for trade commissioners abroad who use them to learn about your company and serve as a mechanism to channel leads back to Canada.

*Market Entry Support Services* are primarily intended for companies which have demonstrated that they are capable and committed to the export market. They should have an export plan, a short list of target markets, and should be ready to invest the time and effort required to cultivate the market.

• **Market Information and Intelligence** – market and sector-specific studies, information on projects funded by international financial institutions and market intelligence in the form of specific opportunity identification, bid matching and competitive intelligence

• **Trade Missions and other Trade-related Events** – outbound and incoming missions, trade fairs, pre-mission briefing sessions, market-focus seminars and a variety of other trade-related events

• **Market-specific Advice and Guidance** referral to specific events, contacts and introduction to the services of the Canadian Trade Commissioner Service and its network of offices around the world. Guidance is also provided to help overcome barriers to market entry including regulations, cultural considerations, business ethics, among others.
• **Market Development Funding** – for example, Program for Export Market Development (PEMD), Canadian International Development Agency (CIDA Inc) Industrial Cooperation, as well as a number of provincial programs

**Export Financing Services** are provided to satisfy a wide range of needs

• **Needs Assessment and Counselling** – provided by dedicated teams of specialists who have experience in assessing the needs and providing guidance to small and medium-sized businesses in accessing a wide range of export financing options

• **Working Capital** to augment existing operating lines of credit – examples include: bonds and guarantees, export receivables insurance, pre and post shipment working capital financing (including guarantees), specific export working capital and term lending

• **Foreign Risk Mitigation** – Examples include: export credits insurance, political risk insurance, credit guarantees, discounting and bonding.

• **Medium and Long Term Foreign Buyer Financing** is available for the purchase of Canadian capital goods and services in the form of direct loans, lines of credits and notes purchases.

All of the services noted above are available right here in Canada, through Team Canada Inc and its partners and through **Regional Trade Networks (RTNs)** located in each province.

**Assistance in your Target Market**

Any market entry strategy requires establishing primary market contacts for your company, either in person or through the assistance of a landed representative.

With offices in more than 120 cities worldwide, the Trade Commissioner Service helps new and experienced companies that have researched and selected their target markets. The 500 trade officers operating from Canadian embassies and consulates facilitate the market entry of Canadian business and institutional clients across the full spectrum of exporting, investment and technology.

Companies who want to access this service should first register with the WIN Exports database of the Department of Foreign Affairs and International Trade. Information on Canadian companies residing in the WIN Exports database is accessed by the trade commissioners abroad to match the capabilities with the needs of prospective foreign buyers and clients.

All offices of the Trade Commissioner Service offer the following core services:

• **Market Prospect**: help to assess your potential in the target market

• **Key Contacts Search**: qualified contacts and partners

• **Local Company Information**: current information on local businesses

• **Visit Information**: practical guidance on organizing your trip

• **Face-to-face Briefing**: market intelligence from our officers in the field

• **Troubleshooting**: advice on resolving critical business challenges

Trade officers can also refer Canadian clients to local service providers in target markets for specified additional services such as extensive business program confirmation, translation and interpretation, hotels/business centres and in depth market research, for example. Trade commissioners can also facilitate trade and investment missions into foreign markets within the agreed framework of the TCS Business Mission Agreement.
Regional Trade Networks

Your first stop en route to the information, counselling, market intelligence, financial assistance and on-the-ground support you’re looking for.

The 10 Regional Trade Networks (RTNs) across Canada are partners of Team Canada Inc, offering you, as an active or potential exporter, export development services. RTNs are an important part of the Team Canada Inc approach to helping you capture emerging opportunities in international markets. The networks consist of federal, provincial and local Team Canada Inc partners who have joined together to help you to gain the maximum benefit of available exporter services. In short, their job is to help you to acquire the information and market intelligence that you need to launch your product or service abroad by providing assistance in:

- export preparation and skills development
- creating your export plan
- participating in trade fairs, seminars, and missions
- collecting market information and intelligence
- determining your export financing needs
- accessing assistance in the target market

Before you tackle a new global market, contact the RTN in your area at:

Toll free 1-888-811-1119
Monday through Friday 9am to 5pm
Further information on the RTN partners is available online at: exportsource.gc.ca

REGIONAL TRADE NETWORKS ACROSS CANADA:

RTNs are located across the country in the following regions:

- British Columbia
- Alberta
- Saskatchewan
- Manitoba
- Ontario
- Quebec
- New Brunswick
- Nova Scotia
- Prince Edward Island
- Newfoundland and Labrador

Trade Team Canada Sectors

Taking on the World!

YOUR SECTOR CONTACTS IN TEAM CANADA INC

Government and industry are working together in key sectors to plan trade promotion initiatives to help Canadian companies succeed in global markets.

Trade Team Canada Sectors currently operate in:

- Advanced Manufacturing Technologies
- Aerospace and Defence
- Agriculture, Food, and Beverages
- Automotive
- Bio-Industries
- Building Products
- Electric Power Equipment and Services
- Environmental Industries
- Health Industries
- Information Technologies and Telecommunications
- Plastics
- Service Industries and Capital Projects

...to offer the services and activities you need.

Find out more about Trade Team Canada Sectors by calling Team Canada Inc toll-free at:
1-888-811-1119 or by visiting the Team Canada Inc web site at exportsource.gc.ca
Exporting is more complex than selling in a domestic market. It is helpful to familiarize yourself with key trade expressions and techniques. Among other areas, you should understand some or all of the following aspects:

- the laws, regulations and practices governing your product or service in your target market;
- export documentation, including invoices, bills of lading, certificates of origin, and health and safety certificates;
- tariffs, customs duties and processing fees as well as taxes payable on your shipment;
- export-related services offered by brokers, trading houses, agents, freight forwarders and insurance companies;
- how to label, pack, transport and store your products;
- payment options such as letters of credit, bills of exchange and open account transactions.

**General Terms**

International trade carries its own particular terminology. The following are general trade expressions that new exporters will encounter in published sources and trade discussions.

**Anti-dumping Duty:** A special duty imposed to offset the price effect of dumping that has been determined to be materially harmful to domestic producers. *(See also Dumping.)*

**Countertrade:** A general expression meaning the sale or barter of goods on a reciprocal basis. There may also be multilateral transactions involved.

**Countervailing Duties:** Additional duties imposed by an importing country to offset government subsidies in an exporting country, when the subsidized imports cause material injury to domestic industry in the importing country.

**Dumping:** The sale of an imported commodity at a price lower than that at which it is sold within the exporting country. Dumping is considered an actionable trade practice when it disrupts markets and injures producers of competitive products in the importing country. Article VI of the General Agreement on Tariffs and Trade permits the imposition of special anti-dumping duties against dumped goods equal to the difference between their export price and their normal value.

**Export Quotas:** Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain exports designed, for example, to protect domestic producers and consumers from temporary shortages of the goods affected or to bolster their prices in world markets.

**Export Subsidies:** Government payments or other financially quantifiable benefits provided to domestic producers or exporters contingent on the export of their goods and services.

**GDP/GNP (Gross Domestic/National Product):** The total of goods and services produced by a country.
Subsidy: An economic benefit granted by a government to producers of goods, often to strengthen their competitive position. The subsidy may be direct (e.g. cash grant) or indirect (e.g. low-interest export credits guaranteed by a government agency).

Surcharge or Surtax: A tariff or tax on imports in addition to the existing tariff, often used as a safeguard measure.

Tariff: A duty (or tax) levied on goods transported from one customs area to another. Tariffs raise the prices of imported goods, thus making them less competitive within the market of the importing country. Under the North American Free Trade Agreement, most tariffs on Canadian goods and services to the United States and Mexico have been eliminated.

International Commerce (INCO) Terms

Shipping terms set the parameters for international shipments, specify points of origin and destination, outline conditions under which title is transferred from seller to buyer, and determine which party is responsible for shipping costs. They also indicate which party assumes the cost if merchandise is lost or damaged during transit. To provide a common terminology for international shipping, the following INCO terms have been developed under the auspices of the International Chamber of Commerce.

Cost and Freight (C&F): The exporter pays the costs and freight necessary to get the goods to the named destination. The risk of loss or damage is assumed by the buyer once the goods are loaded at the port of embarkation.

Cost, Insurance and Freight (C.I.F.): The exporter pays the cost of goods, cargo and insurance plus all transportation charges to the named port of destination.

Delivered at Frontier: The exporter/seller’s obligations are met when the goods arrive at the frontier, but before they reach the “customs border” of the importing country named in the sales contract. The expression is commonly used when goods are carried by road or rail.

Delivered Duty Paid: This expression puts maximum responsibility on the seller/exporter in terms of delivering the goods, assuming the risk of damage/loss and paying duty. It is at the other extreme from delivered ex works (see below), under which the seller assumes the least responsibility.

Delivered Ex Quay: The exporter/seller makes the goods available to the buyer on the quay or wharf at the destination named in the sales contract. There are two types of ex quay contracts in use: ex quay duty paid, whereby the seller incurs the liability to clear the goods for import, and ex quay duties on buyer’s account, whereby the buyer assumes the responsibility.

Delivered Ex Ship: The exporter/seller must make the goods available to the buyer on board the ship at the location stipulated in the contract. All responsibility/cost for bringing the goods up to this point falls on the seller.

Delivered Ex Works: This minimal obligation requires the seller only to make the goods available to the buyer at the seller’s premises or factory. The seller is not responsible for loading the goods on the vehicle provided by the buyer, unless otherwise agreed. The buyer bears all responsibility for transporting the goods from the seller’s place of business to their destination.

Ex Works (EXW): The price quoted applies only at the point of origin and the seller agrees to place the goods at the disposal of the buyer at the specified place on the date or within the period fixed. All other charges are for the account of the buyer.
Free Alongside Ship (FAS): The seller quotes a price for the goods that includes charges for delivery of the goods alongside a vessel at the port. The seller handles the cost of unloading and wharfage, loading, ocean transportation, and insurance are left to the buyer.

Free Carrier...(named port): Recognizing the requirements of modern transport, including multi-modal transport, this principle is similar to Free on Board (see below), except that the exporter's obligations are met when the goods are delivered into the custody of the carrier at the named port. The risk of loss/damage is transferred to the buyer at this time, and not at the ship's rail. The carrier can be any person contracted to transport the goods by road, sea, air, rail or a combination thereof.

Free of Particular Average (FPA): This type of transportation insurance provides the narrowest type of coverage – total losses, and partial losses at sea if the vessel sinks, burns or is stranded, are covered.

Free on Board (FOB): The goods are placed on board the vessel by the seller at the port of shipment specified in the sales contract. The risk of loss or damage is transferred to the buyer when the goods pass the ship's rail.

Free on Board Airport (FOB Airport): Based on the same principles as the ordinary FOB expression, the seller's obligation is fulfilled by delivering the goods to the air carrier at the specified airport of departure, at which point the risk of loss or damage is transferred to the buyer.

Free on Rail and Free on Truck (FOR/FOT): Again, the same principles apply as in the case of ordinary FOB, except that the goods are transported by rail or road.

With Average (WA): This type of transportation insurance provides protection from partial losses at sea.

Transportation and Delivery Terms

The following are common terms used in packing, labelling, transporting and delivering goods to international markets. They are in addition to the above INCO terms.

Area Control List: A list of countries to which any export (except humanitarian items) requires an export permit.

Bill of Lading (Ocean or Airway): A contract prepared by the carrier or the freight forwarder with the owner of the goods. The foreign buyer needs this document to take possession of the goods.

Certificate of Origin: A document that certifies the country where the product was made (i.e. its origin). A common export document, a certificate of origin is needed when exporting to many foreign markets. It must be used for Canadian-made goods to qualify for preferential tariff treatment under the North American Free Trade Agreement.

Commercial Invoice: A document prepared by the exporter or freight forwarder, and required by the foreign buyer, to prove ownership and arrange for payment to the exporter. It should provide basic information about the transaction, including description of goods, address of shipper and seller as well as delivery and payment terms. In some cases, the commercial invoice is used to assess customs duties.

Consular Invoice: A statement issued by a foreign consul in the exporting nation describing the goods purchased. Some foreign governments require Canadian exporters to first obtain consular invoices from their consulate in Canada. A fee is usually charged.
**Customs Declaration:** A document that traditionally accompanies exported goods bearing such information as the nature of the goods, their value, the consignee and their ultimate destination. Required for statistical purposes, it accompanies all controlled goods being exported under the appropriate permit.

**Customs Invoice:** A document used to clear goods through customs in the importing country by providing documentary evidence of the value of goods. In some cases, the commercial invoice (see page 58) may be used for this purpose.

**Dock Receipt:** A receipt issued by an ocean carrier to acknowledge receipt of a shipment at the carrier’s dock or warehouse facilities. (See also Warehouse Receipt.)

**Ex Factory:** Used in price quotations, an expression referring to the price of goods at the exporter’s loading dock.

**Export Control List:** A list of goods and technologies that require export permits to be exported from Canada, pursuant to the *Export and Import Permits Act.*

**Export Permit:** A legal document that is necessary for the export of goods controlled by the Government of Canada, specifically goods included on the Export Control List (see above) or goods destined for countries on the Area Control List (see page 58).

**Freight Forwarder:** A service company that handles all aspects of export shipping for a fee.

**Insurance Certificate:** A document prepared by the exporter or freight forwarder to provide evidence that insurance against loss or damage has been obtained for the goods.

**Landed Cost:** The cost of the exported product at the port or point of entry into the foreign market, but before the addition of foreign tariffs, taxes, local packaging/assembly costs and local distributors’ margins. Product modifications prior to shipment are included in the landed cost.

**Packing List:** A document prepared by the exporter showing the quantity and type of merchandise being shipped to the foreign customer.

**Pro Forma Invoice:** An invoice prepared by the exporter prior to shipping the goods, informing the buyer of the goods to be sent, their value and other key specifications.

**Quotation:** An offer by the exporter to sell the goods at a stated price and under certain conditions.

**Warehouse Receipt:** A receipt identifying the commodities deposited in a recognized warehouse. A *non-negotiable* warehouse receipt specifies to whom the deposited goods will be delivered or released. A *negotiable* receipt states that the commodities will be released to the bearer of the receipt.

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**Financial and Insurance Terms**

The following are the most commonly used terms in international trade financing.

**All Risk:** This is the most comprehensive type of transportation insurance, providing protection against all physical loss or damage from external causes.

**Cash in Advance (Advance Payment):** A foreign customer pays a Canadian exporter prior to actually receiving the exporter’s product(s). It is the least-risk form of payment from the exporter’s perspective.
Confirmed (or Irrevocable) Letter of Credit: A Canadian bank confirms the validity of a letter of credit issued by a foreign bank on behalf of the foreign importer, guaranteeing payment to the Canadian exporter provided that all terms in the document have been met. An unconfirmed letter of credit does not guarantee payment so, if the foreign bank defaults, the Canadian exporter will not be paid. Canadian exporters should accept only confirmed/irrevocable letters of credit as a form of payment.

Confirming House: A company, based in a foreign country, that acts as a foreign buyer’s agent and places confirmed orders with Canadian exporters. They guarantee payment to the exporters.

Consignment: Delivery of merchandise to the buyer or distributor, whereby the latter agrees to sell it and only then pay the Canadian exporter. The seller retains ownership of the goods until they are sold, but also carries all of the financial burden and risk.

Document of Title: A document that provides evidence of entitlement to ownership of goods, e.g. carrier’s bill of lading.

Documentary Collection: The exporter ships the goods to the foreign buyer without a confirmed letter of credit or any other form of payment guarantee.

Documentary Credit (sight and term): A documentary credit calling for a sight draft means the exporter is entitled to receive payment on sight, i.e. upon presenting the draft to the bank. A term documentary credit may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

Draft (Bill of Exchange): A written, unconditional order for payment from one party (the drawer) to another (the drawee). It directs the drawee to pay an indicated amount to the drawer. A sight draft calls for immediate payment. A term draft requires payment over a specified period.

Export Financing House: A company that purchases a Canadian exporter’s foreign receivables on a non-recourse basis upon presentation of proper documentation. It then organizes export arrangements and provides front-end financing to the foreign buyer.

Factoring House: A company that buys export receivables at a discount.

Open Account: An arrangement in which goods are shipped to the foreign buyer before the Canadian exporter receives payment.

Partnership, Alliance and Market Entry Terms

The following expressions define the various types of partnership or alliance arrangements as well as methods of market entry common in international trade.

Agent: A foreign representative who tries to sell your product in the target market. The agent does not take possession of – and assumes no responsibility for – the goods. Agents are paid on a commission basis.

Co-marketing: Carried out on the basis of a fee or percentage of sales, co-marketing is an effective way to take advantage of existing distribution networks and a partner’s knowledge of local markets.

Co-production: This arrangement involves the joint production of goods, enabling firms to optimize their own skills and resources as well as take advantage of economies of scale.

Cross-licensing: In this form of partnership, each firm licenses products or services to the other. It is a relatively straightforward way for companies to share products or expertise.
**Cross-manufacturing:** This is a form of cross-licensing in which companies agree to manufacture each other’s products. It can also be combined with co-marketing or co-promotion agreements.

**Distributor (Importer):** A foreign company that agrees to purchase a Canadian exporter’s product(s), and then takes responsibility for storing, marketing and selling them.

**Franchise:** This is a more specific form of licensing. The franchise is given the right to use a set of manufacturing or service delivery processes, along with established business systems or trademarks, and to control their use by contractual agreement.

**Joint Venture:** An independent business formed cooperatively by two or more parent firms. This type of partnership is often used to avoid restrictions on foreign ownership and for longer-term arrangements that require joint product development, manufacturing and marketing.

**Licensing:** Although not usually considered to be a form of partnership, licensing can lead to partnerships. In licensing arrangements, a firm sells the rights to use its products or services but retains some control.

**Trading House:** A company specializing in the exporting and importing of goods produced or provided by other companies.

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**Legal Terms**

The following are some of the more common legal terms encountered in international transactions.

**Arbitration:** The process of resolving a dispute or a grievance outside of the court system by presenting it to an impartial third party or panel for a decision that may or may not be binding.

**Contract:** A written or oral agreement which the law will enforce.

**Copyright:** Protection granted to the authors and creators of literary, artistic, dramatic and musical works, and sound recordings.

**Intellectual Property:** A collective term used to refer to new ideas, inventions, designs, writings, films, and so on, protected by copyright, patents and trademarks.

**Patent:** A right that entitles the patent holder, within the country which granted or recognizes the patent, to prevent all others for a set period of time, from using, making or selling the subject matter of the patent.

**Trademark:** A word, logo, shape or design, or type of lettering which reflects the goodwill or customer recognition that companies have in a particular product.