



Writing an Export Plan

EXPORT SERIES

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exportlink

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A Member of the Canada Business Network



Go Global...

Considering going global is a big step for many companies who have focused on their domestic market and therefore have limited information about potential international markets. Before you decide whether an export strategy is right for your business, we strongly recommend that you complete an analysis of the potential benefits and risks to your company and capture this assessment in an **Export Plan**. This guide is designed to assist you through this process.

On average, it takes about a three-year commitment to establish a presence in a foreign market. This will require the resources of people and finances during this developmental period. Assessing the feasibility of the venture is an essential step before you go global.

Preliminary Diagnostics

A recommended first step is a diagnostic evaluation of your business or current resources. Prior to spending a tremendous amount of research time on developing your export plan, a diagnostic evaluation will help you assess whether your objectives for exploring foreign markets will be satisfied and whether the risks of the venture are truly worth the returns.

Knowing your industry is important for the present and the future. In the diagnostic evaluation, the items to examine are the current trends and the growth potential of your industry. A declining industry, a highly competitive industry, or a saturated domestic industry may motivate seeking growth potential in markets abroad. The diagnostic should also include a look at your company, as it is extremely important that you know management's commitment to exporting, available financial and human resources, and production capabilities. Here are the topics that you should consider in undertaking a preliminary diagnostic:

The company: *Who are we? Our experience exporting. Management support of exporting.*

Export objectives: *Why are we considering exporting?*

Products/services: *What do we offer an export market?*

Market entry strategy: *How will we price the product/service? What is the best way to promote it?*

Upon completion of your diagnostic evaluation, you will have a good view of your company's readiness for international trade. If favorable, you are now ready to proceed with your Export Plan.

Export Plan

As with the overall business plan for your company, a written export plan enables you to assess and present key issues in your decision to grow your business by exporting. The information that follows will provide an annotated outline to help you complete this vital step. Your Export Plan will evaluate the country risk, the target market, the demographics, the market demand and needs, the currency and commercial risks, the legal aspects, the logistics of delivering the product or service, and of course, the financial implications involved in an export transaction.

As in all professional documents, your export plan should start with a cover page, table of contents, and executive summary.

Export Plan Outline

Cover page

Table of Contents

Executive Summary (generally written last)

A. Company Description

1. History

This section provides an opportunity to highlight the evolution of your company including:

- Significant milestones in the development of the business.
- Experience exporting – If the company is exporting now, where to, and what has been the strategy to develop export markets?
- Corporate legal structure, any subsidiaries, affiliates, joint ventures, strategic alliances.

2. Goals and Objectives

This section must demonstrate how your exporting initiative is compatible with overall company goals. Present:

- Overall goals and objectives for the company.
- Export goals and objectives – How does the exporting activity contribute to achieving overall company goals and objectives?

3. Management

In this section, highlight corporate readiness to export. Include:

- Ownership of the company.

- Organizational structure.
- Identify key personnel and summary of qualifications, identify any exporting experience, past or present.

4. The Export Team

Highlight the readiness of personnel to ensure success of your exporting strategy. Include:

- Specific individuals and positions assigned responsibilities for export development.
- International skill sets and knowledge (languages, culture, international marketing, logistics, transportation, documentation, banking, politics, economics, legal, financial, etc.).

5. Company Finances

As with any business plan, this section is critical. Ensure you include the following:

- Financial health of the corporation.
- Percentage of sales and profits to be contributed by exporting activities.
- Percentage growth of export sales and profits relative to overall growth.

B. Product/Service Description

1. Domestic and International Products or Services

This section presents your analysis of the export opportunity and the fit of your company's products or services in that export market. Consider topic headings such as:

- Unique selling attributes or competitive advantages.
- Profile of typical customers.
- Required product modifications for the export market.
- Seasonality and life cycle of your product or service.

2. Growth Potential

Highlight the potential of current and potential markets and costs of necessary R&D. Cover:

- Domestic and existing international market(s).
- New products/services research and development.
- New intellectual property protection.

C. New Foreign Marketplace Analysis

1. Rationale for Exporting

This section builds on information presented in B1 and highlights the benefits of proceeding with an export strategy. Include:

- Linkages with the company's goals and objectives

2. Rationale for Selected Foreign Market

In this section, summarize why the preferred foreign market presents the best opportunity.

- Why does the company want to enter this particular foreign market(s) over other potential markets?

3. Country Profile

This section provides specific information about conditions that may impact your company's ease of conducting business in another country. Include:

- Political, economic, social conditions.
- Regulatory environment.
- Legal structure.
- Fiscal/taxation structure.
- Infrastructure conditions (e.g. roads, ports, rail, airports, telephones, and communications, etc.).
- Cultural and business practices.

4. Industry Profile

This component provides specific information about your industry sector and competitors in the market. Consider existing business practices and discuss the following:

- Broadly identify direct customers (e.g. buyers, agents, distributors, trading houses) or actual end users (e.g. individuals, businesses) and current market trends.
- Competitive Analysis
 - Overall competitive conditions.
 - Who are the existing competitors?
 - Unique selling attributes or competitive advantage(s) of each.
 - Existing sources of production and channels of distribution.
 - Marketing practices used.
 - Typical payment terms offered.

D. Market Entry Strategies

This major part of your Export Plan covers the positioning, marketing and promotion of your product or service in the market. Consider the following sections and topics:

1. Strategic Alliance, if applicable (co-marketing, co-production, joint venturing, licensing, franchising, etc.).

2. Target Customer Profile

- Direct customer (buyers, distributors, trading house).
- Who will they be?
- Demographics or company characteristics.

- Purchasing decision makers.
 - Actual end users (individuals, families, elderly, youth, businesses).
 - Who will they be?
 - Demographics or company characteristics.
 - Purchasing decision makers.
 - Total market size and future growth potential.
3. New foreign market product or service description(s)
- Typical usage by the end users (what problems are being solved?)
 - Unique selling attributes or competitive advantage(s)/market niche.
 - Describe required product modifications.
 - Product characteristics (design, styles, colors, etc.).
 - Quality characteristics.
 - Product specifications standards (health and safety).
 - Labeling, packaging, markings, language(s).
 - Seasonality and life cycle of the product or service.
 - Foreign intellectual property protection (trade name, trademarks, trade secrets, patents, industrial designs, copyrights, etc.).
4. Pricing Strategies
- Export costing analysis.
 - Pricing constraints.
 - Legislation (anti-dumping, price controls, resale price maintenance, etc.).
 - Current market pricing (if necessary, consider typical profit margins in distribution chain).
 - Price sensitivity (market acceptance of higher or lower price).
 - Market penetration pricing strategy (market skimming, penetration pricing, flexible pricing, static pricing).
5. Sales and Promotion Strategies
- Sales methods (company representative, subsidiary or affiliated company, foreign agent, foreign broker, mail order/Internet orders).
 - Promotion methods.
 - Advertising availability and regulatory constraints (newspapers, magazines, radio, television, Internet, posters, flyers, letters, etc.).
 - Demonstrations, trade fairs, trade missions, etc.
 - Promotional tools (samples, in-store giveaways, discounts, consignment, etc.).
 - Promotional message (consider cultural, religious, lifestyle/image, economic influences, etc.).
 - Sales financing support, pre-arranged financing for purchaser (e.g. EDC,

- Multilateral Development Banks, etc.).
- Performance bonds and guarantee requirements.
- After sales services (returns, repairs, warranties, maintenance, training, communications/hotlines, etc.).

6. Logistics and Transportation

- Time lines between order processing and delivery (contract negotiations, production, invoicing, collections, deliveries, communications, etc.).
- Negotiated delivery terms – Incoterms.
- Requirements and availability of warehousing and storage.
- Inventory control methods.
- Freight insurance requirements.
- Methods of transport identify special needs (e.g. refrigeration, heated, humidity sensitive, etc.).
- Usage of professional services intermediaries (freight forwarders and customs brokers).
- Documentation (import, export, health, quotas, inspections, customs preapprovals)
- Packing and marking requirements.
- Service or employment contracts (accreditation requirements, VISAS, immigration issues).

E. International Law (legal counsel required)

Understanding the legal environment in the country you are considering conducting business in is critical to the success of your export initiative. Seek appropriate legal expertise before you proceed. Consider at least these key legal issues:

1. Dispute Resolution in sales contracts:

- Mediation/Arbitration clauses: an agreement to attempt to resolve conflicts prior to commencing litigation procedures.
- Law of contract: the chosen legal system under which the contract is enforced.
- Venue: the jurisdiction of the court, i.e. where will the case be heard?
- Atonement: agreement of the parties to be bound by the court's decision in that chosen jurisdiction.
- Securing Payment: if decision is favorable, how will you collect and who will enforce the collection agreement?

2. Language consideration: the language used to bind the parties within the sales contract.

3. Contract terms and Conditions

- Incoterms.
 - Currency of payment and exchange rate.
 - Method of payment (cash, letter of credit, documentary collection, open account, barter, counter trade, consignment).
 - Product measurement methods and quality standards.
 - Insurance.
 - Warrantees, after sales services, etc.
4. Product Liability considerations: applicable foreign laws and regulations.
 5. Intellectual Property: the protection in the foreign market(s) required to maintain ownership.
 6. Sales Agent and/or Distributor agreements
 - Consideration of foreign laws and regulations that affect agreement.
 - Commissions.
 - Territory.
 - Duties.
 - Authority.
 - Termination.

F. Financial Analysis (accounting advice recommended)

This section confirms the financial feasibility of your export venture. Use appropriate financial expertise to optimize its potential success.

1. Facility and Equipment Requirements: detailed list of capital expenditure items specific to supplying the export market.
2. Sales Forecast: for each export market
 - Numbers of units exporting.
 - Price/unit.
 - Total sales (three to five year forecast, provide monthly details for year one).
3. Cost of Goods Sold: for each export market (refer to export costing sheet)
 - Number of units exporting.
 - Cost/unit.
 - Total cost of goods sold.
4. Projected International Income Statement: international sales less cost of goods sold and international overhead expenses to obtain projected net profit.

5. Projected International Cash Flow: expected expenditures of cash and receipt of cash, consider the time elements from the Logistics and Transportation portion of the business plan.
6. Breakdown Analysis: number of units and dollar sales to cover cost of goods and international overheads.
7. Financing Requirements: identify term financing and working capital requirements, equity contribution and collateral available to secure needed financing.
8. Financing Sources: identify type of financial support (e.g. Export Development Canada (EDC), Canadian Commercial Corporation (CCC), Business Development Bank of Canada (BDC), AFSC Commercial Export Financial Assistance, Chartered Banks...).

G. Risk Management

In addition to the normal risks of business, conducting business in another country adds additional risks. Quantify them in this section. Make sure you cover:

1. Country Risk: assessment of political, regulatory and economic conditions, contingencies for problems (e.g. pre-payments, insurance, etc.).
2. Commercial Risk: assessment of creditworthiness, contingencies for non-performance such as default, refusal to accept goods, insolvency.
3. Currency Risk: contingencies for maintenance of value, (e.g. contractual value maintenance, forward contracts, currency options, etc.).
4. Internal Risk: contingencies for ensuring adequate manpower skills and availability control over production and distribution costs.
5. Market Risk: contingencies for changes in domestic and foreign market conditions.

Conclusion

By completing your Export Plan, you will have a much more defined picture of the potential risks and gains of proceeding with your overseas venture. The information and data you have assembled will confirm the wisdom of proceeding or raise important concerns. In either case you will be better prepared to make sound decisions that

contribute to the success of your business.

Here's Help

Getting the right information to develop your international business plan is critical to the success of your export initiative. And help is readily available. The federal and provincial governments, through initiatives such as *The Business Link*, have excellent information resources and service.

Exportsource is a network of more than 20 federal departments and agencies working with the provinces, territories and other partners to help Canadian businesses prepare for the global marketplace. Exportsource.ca is the government of Canada's largest and most comprehensive web site on exporting, where you can find the information, skills and assistance you need to make your export venture a success.

Internet web site: www.exportsource.gc.ca

You can test your export readiness and get feedback on priority activities to succeed in your target export market by completing **Exportsource's** export readiness diagnostic available on-line at: www.exportdiagnostic.ca. **Exportsource** also offers a tool called the **Interactive Export Tutorial** found at www.exporthutorial.ca. This will provide you with a comprehensive overview of the important considerations, as well as a list of resources you can access to customize the information and research to the particulars of your business. There is also a list of resources you can use at the end of this guide.

Trade Team Alberta is a partnership of key Alberta public and private sector organizations offering trade-related services to active and potential exporters. It provides services to businesses to help them achieve success in global markets. The team is one of 10 Regional Trade Networks across Canada dedicated to helping Canadian businesses capture emerging opportunities in international markets.

Internet web site: www.tradeteamalberta.ca

To access the information and services provided by any of these organizations, contact **Export Link**, a specialized service of **The Business Link**, dedicated to Alberta's new and potential exporters. We will assess your export readiness and assist you in determining the appropriate contacts to access throughout your venture.

Export Information Service: 1-888-811-1119

Internet web site: www.exportlink.ca

Additional Resources

Getting Started

Export Link www.exportlink.ca or 1-888-811-1119

Export Readiness Assessment www.exportsource.ca/diagnostic

Trade Statistics

Canadian International Merchandise Trade www.statcan.ca/trade/scripts/trade_search.cgi

Trade Data On-Line http://strategis.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html

Trade Map <http://www.trademap.net/canada/en/login.htm>

World Bank <http://worldbank.org/data/>

Country Information

CIA Factbook <http://www.odci.gov/cia/publications/factbook>

Country Watch <http://www.countrywatch.com/>

Country Insights www.intercultures.ca

Global Edge www.globaledge.msu.edu

HSBC http://www.hsbc.ca/hsbc/business_en/international-trade

Foreign Affairs & International Trade www.dfait-maeci.gc.ca/world/menu-en.asp and www.infoexport.gc.ca

The Economist <http://www.economist.com/countries/>

United Nations: International Trade Centre <http://www.intracen.org/menus/countries.htm>

US Department of State <http://www.state.gov/r/pa/ei/bgn/>

Market Information

Doing Business in 2004 <http://rru.worldbank.org/doingbusiness/default.aspx>

Europa <http://www.europa.eu.int/scadplus/leg/en/s05020.htm>

Export Development Canada www.edc.ca

Federation of International Trade Associations <http://www.fita.org/>

International Trade Information (US site) <http://www.ita.doc.gov/>

Internet Public Library <http://www.ipl.org/div/serials/browse/rci00.00.00/>

Stat-USA (from Industry Canada's website) <http://strategis.gc.ca/epic/internet/inimr-ri2.nsf/en/gr-01000e.html>

Industry Sector Information

Agri-Food Trade Service <http://atn-riac.agr.ca/>
 Canadian Heritage (Trade Routes) http://www.pch.gc.ca/progs/ac-ca/progs/rc-tr/progs/pcrc-trcp/index_e.cfm
 Cultural Human Resource Centre www.culturalhrc.ca/Export_Marketing/EM/E_index.asp
 Canadian Mortgage & Housing Corporation <http://www.cmhc-schl.gc.ca>
 Exporting Your Services, Take a World View
<http://exportsource.ca/gol/exportsource/site.nsf/en/es02487.html>
 Foreign Affairs & International Trade www.infoexport.gc.ca
 Trade Team Canada Sectors <http://tcs.ic.gc.ca/tc/ttchome.nsf/vHTML/front-e.html>

Customs Information and Foreign Requirements

Canadian Food Inspection Agency
<http://www.inspection.gc.ca/english/related/countriese.shtml>
 Canada Border Services Agency www.cbsa.gc.ca
 Canadian International Freight Forwarders Association www.ciffa.com
 Canadian Society of Customs Broker www.cscb.ca
 Governments on the Internet <http://www.gksoft.com/govt/en/>
 Export Import Controls Bureau www.dfait.gc.ca/eicb
 Standards Council of Canada www.scc.ca
 World Customs Organization www.wcoomd.org
 World Intellectual Property Organization www.wipo.int

Business Practices & Cultural Information

International Chamber of Commerce www.iccwbo.org
 Ernst & Young <http://www.ey.com/global/content.nsf/International/Home>
 Country Insights www.intercultures.ca
 Executive Planet www.executiveplanet.com
 Price Waterhouse Coopers (Doing Business guides) <http://www.pwcglobal.com>

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