



Exporting Your Services

EXPORT SERIES

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When it comes to services, Canadian businesses are world-class. It only makes sense that people around the world benefit from our knowledge and expertise. Abundant export opportunities exist for Canadian service firms and an increasing number of these businesses are exporting their services to lucrative foreign markets. Governments and businesses around the world are confronted with diverse challenges that require innovative solutions. In a knowledge-based economy, knowledge-intensive services represent one of the fastest growing components of world trade. Canada's service sector must become export-ready to take advantage of these opportunities.

The benefits of exporting are clear. There is the opportunity to increase sales and generate higher profits, particularly if all the fixed costs of the company are covered by domestic operations. Foreign markets offer diversification, thereby reducing the company's dependence on traditional markets. When one economy is struggling, another may be booming. This diversification also presents opportunities for growth in new directions, as well as new experiences that can translate into greater domestic competitiveness.

Exporting services, however, can present a number of challenges as well. Services are often intangible. Creating awareness of your company and its services, establishing your credibility and demonstrating your competence outside of your home territory is critical. So too is demonstrating a high level of commitment to foreign clients and building relationships. This demands time and effort, as well as willingness to research and respect differences in culture, language, and business practices.

Exporting services is not the sole domain of large businesses. Whether you are a sole proprietorship with expertise in wastewater treatment facility management or an engineering firm with offices across Canada, exporting is a viable option. This guide is meant to help you start exporting your services, by providing you with useful information and tips on how to get started, presenting the challenges that you may face and referring you to useful sources of information.

Note: Some of the information available in this guide has been reproduced from Industry Canada's tool for service exporters "Export Your Services... Take a World View!" available at <http://exportsource.ca/gol/exportsource/site.nsf/en/es02487.html>.

Table of Contents

I.	What is a Service Export?.....	4
II.	Assessing Export Readiness.....	4
	a. Benefits & Challenges of Exporting Services	
	b. Types of Markets	
	c. Types of Market Research	
III.	Evaluating & Developing Your Contacts.....	8
IV.	Developing Market Credibility.....	8
V.	Identifying Opportunities.....	9
	a. Referrals	
	b. Indicators	
	c. Types of Clients	
VI.	Selecting Service Delivery Options.....	11
	a. The Client Visits You	
	b. You Deliver Services Remotely	
	c. You Visit the Client	
	d. You Set Up an Office Abroad	
VII.	Selecting Market Entry Options.....	15
	a. Exporting in Canada	
	b. Exporting through Local Partners	
	c. Subcontracting to a Canadian Partner	
	d. Getting Exposure through CIDA Contracts	
VIII.	Managing Cultural Factors.....	20
IX.	Finalizing a Contract.....	21
	a. Pricing	
	b. Getting Paid	
	c. Legal Issues	
	d. Taxation	
	e. Intellectual Property	
X.	Temporary Business Travel.....	25
	a. Cross-Border Entry	
	b. Taking Equipment Across the Border	
XI.	Operating and Living Abroad.....	26

I. What is a Service Export?

Services play a large role in Canada's economy. Nearly 100% of new jobs are in the service industry, and it accounts for 77% of the nation's GDP. In addition, Canada is a major trading nation, so it only makes sense that its exports include both products and services. Because such a large population of this export-based nation works in the service industry, you may already be exporting services and not even know it. If you sell your service to a foreigner, regardless of their location, you have traded or exported a service.

Services can include many industries such as business, communications & Internet, construction & engineering, educational, financial, health-related, tourism, transportation, and many more. There are also various methods that you may consider to export these services. First, cross-border delivery (e.g., by e-mail or Internet) is the simplest and does not require either travel or a local presence. Second, many service firms successfully export to clients that are already in Canada or travel to Canada specifically to acquire the service (e.g., tourists, foreign students). Third, having an in-market commercial presence means you actually extend your operations into the target market, or fourth, you or your staff may travel temporarily into the market to deliver the service.

When considering which option is right for your business, consider your company's needs and capabilities. For example, over 50% of service firms have less than 10 employees, so would having a local presence in-market be realistic? Bigger isn't necessarily better. For a small company like this, the best option may be to find a local partner through which services can be delivered or deliver services remotely. In any case, the best way to determine which mode will be the most beneficial is to examine how your services are currently delivered and whether or not they will require face-to-face contact.

II. Assessing Export Readiness

"Export readiness" refers to your company's capacity for success in an export market. While you may get an unsolicited offer, your company is unlikely to be profitable abroad without having addressed the following three factors:

Resources - You have sufficient internal capacity to handle extra demand, internally efficient systems to respond to customers quickly, culturally sensitive marketing skills and management support for export objectives.

Competitiveness - You have a service that is unique and/or competitive in the type of market you are targeting, sophisticated market entry methods that you may already be using, and market research demonstrating the viability of your service abroad.

Expectations - You have clear and achievable export objectives, a realistic idea of what exporting entails, an open-mindedness to new ways of doing business, and realism about what will be necessary to be profitable abroad.

Benefits and Challenges of Exporting Services

There are a variety of benefits to exporting services, as well as challenges. The bottom line is that by and large, exporting is good business.

The benefits to exporting services include the potential for increased sales, higher profits, the ability to reduce dependence on the domestic markets, and access to new knowledge, experience, and enhanced competitiveness. The challenges to going global, however, include marketing invisibles (or a promise to perform), the high level and long term commitment needed, cultural differences, paperwork, and accessibility.

You can test your export readiness by going to www.exportsource.ca and clicking on Key Resources/Export Diagnostic and download the Export Readiness Diagnostic available on-line at: <http://www.exportsource.ca/gol/exportsource/site.nsf/en/es01873.html>.

All of the issues pertaining to identifying the right market entry strategy as well as ensuring export readiness are addressed by conducting the proper market research, and using that information to develop your export marketing plan.

Types of Markets

One of the first issues to consider is identifying the type of market to which your services are best suited. This information will assist you in selecting among possible target markets and designing a market entry strategy.

There are three types of markets/economies. The first are fast-paced, competitive economies such as the U.S. and Northern Europe. In these markets efficient service delivery channels, excellent quality assurance and a media profile are critical to success. Exporters not fluent in the local languages can work through local partners to handle linguistic and cultural differences/challenges. In these markets, changes are frequent so exporters must be able to respond and adapt quickly.

The second type is relationship-based, relatively affluent economies such as those found in South America and Southern Europe. In these markets, interpersonal communication skills, cultural sensitivity and linguistic fluency are critical for developing business relationships with local partners. Moreover, relationships typically need to be developed first at a senior staff level. Once in place these contacts are loyal and exporters will likely receive repeat business if they perform well.

Finally, the third type of markets is IFI-funded economies commonly found in Africa & Asia. In these markets, development takes time; flexibility and political astuteness are major requirements. Getting paid may also be more difficult so it would be beneficial to work with third party funding organizations such as Canadian International Development Agency (CIDA) or IFI's such as the World Bank. To learn more about working with IFI-funded economies visit IFInet at: <http://www.infoexport.gc.ca/ifinet>.

Types of Market Research

In order to verify your choice of markets and learn more about it, there are two main types of market research: primary and secondary. Typically in conducting market research, starting with the latter is the norm. Secondary research involves the use of data previously collected by other sources, many of which can be accessed for free. Typical sources of such information include periodicals, studies, books, surveys and statistical analyses. Many of these are available via the Internet. Secondary research will allow you to narrow down your list of potential markets to one or two target markets and identify potential entry challenges.

In conducting secondary research, you should identify:

- Size of the market
- Recent market trends
- Technology available & in use
- The best single information source

The next step is to do primary research. This consists of collecting market information and intelligence through direct contact with a range of information sources, and normally takes the form of interviews, either in person or via telephone or e-mail. Primary research may be costly and time-consuming but it enables you to collect very specific and detailed information. From this research, you should be able to design a market entry strategy more effectively. Note that selecting an appropriate local partner may then provide you with all of this information.

Your primary research should identify:

- Market leaders
- Competition from Government
- Key import markets for the service
- Canadian presence & profile
- Cultural factors in service design & delivery
- Key intermediaries for referrals
- Critical benefits to offer
- Influencers in decision making

- Key industry information & associations
- Role of media
- Key publications
- Key academic exchanges
- Local partners (the need for & selection of)
- Business entry requirements
- Regulations and certifications
- Infrastructure available (including communications)
- Professional credentials required

To learn more about how to conduct international market research, visit http://www.cbsc.org/alberta/search/display.cfm?Code=8026&coll=AB_PROVBIS_E

Sources of Market Information

Canadian Trade Commissioner Service

http://tccservices.ic.gc.ca/epic/internet/inttccserv.nsf/en/h_sy00009e.html

Lists of market reports related to service industries and capital projects on the Trade Team Canada Services Industry web site.

International Trade Centre UNCTAD/WTO

<http://www.intracen.org/menus/countries.htm>

Links to national trade support institutions, country-specific business information trade and profiles.

Team Canada

<http://www.exportsource.ca>

Country reports, sector information, and trade leads.

Canada Business Service Centre

<http://www.cbsc.org>

Useful links to sites providing market information.

III. Evaluating & Developing Your Contacts

At the end of the day, it doesn't matter what the market research says – if you don't have a contact in the market to help you establish credibility, you are unlikely to succeed. As a rule, people do business with people whom they are comfortable and whom they trust.

Your number one resource in the target market is persons who are already familiar with you or your service and are willing to give you a referral into the market. These may be persons in Canada from the target market or with contacts there. Or they may be persons in the target market or other markets abroad. Listing and evaluating your network of contacts is the first step in selecting a target market and developing a market entry strategy.

The network of Trade Commissioners posted in the offices of International Trade Canada in over 140 cities world-wide can also be a good resource, especially the local commercial officers who know the structure of the market and its networks. They can assist you in identifying key foreign contacts, and can provide advice and intelligence critical to your export success. To access these Trade Commissioners, register in the Department's free and confidential Virtual Trade Commissioner at www.infoexport.gc.ca. You will receive a personalized webpage containing market reports, business leads, news and events, as well as links to the Officers in your target market.

In addition to providing these services, the Canadian offices often maintain a database of local firms wishing to partner with Canadian companies. They can organize and include potential partners in networking events, and add partnering activities onto planned trade shows and conferences. The Trade Commissioners can also provide introductions to association executives who can discuss the opportunities and potential contacts in the market. Finally, you can use the Trade Commissioners to obtain information about the cultural aspects of networking and partnering in the market.

Another excellent resource is potential partners who have already established a presence in the market. You can prompt them to seek joint projects by updating them on your capabilities. You may also want to contact winners of major development contracts for subcontracting opportunities to help get your company established amongst the local networks of partners and customers in the market.

Keep in mind that the contacts you make in the market as you progress as an exporter will slowly become advocates for your company, and your good reputation will become known. The same applies to a contact with whom you lose credibility, however, so be cautious to properly build relationships keeping cultural considerations in mind.

IV. Developing Market Credibility

Once you have identified the contacts in the market that can help you establish a presence, the next step of developing credibility is absolutely critical. There are a number of things you can do to create such a profile.

First, focus on the benefits that your services can provide not the details and features of your firm. You should be able to tell customers what is unique about your service to leave an impression and get them talking about it. If you find this a difficult exercise, try asking key domestic customers why they pick your firm and create testimonials. Once you have determined your target market and potential opportunities, link your messaging to this niche.

Second, you can build credibility through networking in the target market. Networking is important not only because of the information you gather, but because of the relationships you build in doing so. Create opportunities to meet groups of people. You can do this by attending events that bring together people in your niche market. A critical step in networking is the follow up, however, so remember that networking doesn't stop when you leave the function. Make sure you have a mechanism for following up with all potential partners and customers.

Your marketing materials, including your business card, will stay with a person long after you are gone. Because it represents you and your company, it is important to ensure that these materials demonstrate you are a world-class service provider, that they showcase past work and testimonials, and that you have pre-designed pieces for insert to media like newspapers or magazines. Even in the current marketplace when much of this is on-line, people often still feel more comfortable if they have a promotional package to review.

Media coverage can benefit you in most markets, and is particularly critical in fast paced markets. Keep this in mind when you participate in public events as you can use the opportunities to identify "newsworthy" angles pertaining to your company. Another way to get coverage is to submit articles to trade journals, which you can distribute to heighten your profile as an industry expert. Make sure you have prepared a press kit that contains material about your company as well as a press release on what is newsworthy at that time.

It's important to showcase your expertise in the target market so you are recognized as a player to be taken seriously. Plan to attend the key international events for your service industry. In addition, try to have a visible role in such events such as speaking engagements or product demonstrations.

Finally, it is becoming increasingly common that customers assess service firms through their online presence. Your website represents your firm and therefore the quality of the site reflects the perception of the quality of service you offer. It's also important to remember your website is a virtual office, so its performance should be managed as such. It should meet or exceed current global best practices. You may also want to consider having your website rated by a rating agency provided its design will result in high ratings.

Aside from testimonials, you can also offer credibility to your firm's work by obtaining referrals, membership in the local professional association, as well as by offering free trials. If you fully research and understand the competition that exists in the market, you should also recognize what you need to get an edge. Make sure you know the standard regulations and certifications that apply to you and your service so you can compete more effectively. The most critical of all, however, is being aware of the cultural nuances in the market and applying them to your business practices.

V. Identifying Opportunities

Market research can also serve to verify whether there exist opportunities in a market, as well as what they may be. It can help you identify what needs are not being met in the market, and from that, you can establish your niche audience.

Referrals

The most important source of opportunities for service companies is referrals. If you think about how you select a new service provider, you probably ask others for recommendations. Your export development challenge is to become the company that others in the market recommend. You can start developing referrals by asking your existing client base and professionals like your banker who they know in the market to whom they would be willing to recommend your firm. As you become clearer about the target markets of most interest to you, you can seek out Canadians from those markets or hire an intern from the market who can help you develop referral links.

Joining the sister association in the market you are selecting is another excellent way to develop contacts and referrals. This can also help your company appear “local” and build your knowledge of the market. You may find the association a good venue for locating a local partner. If your service industry association in Canada does not know its sister associations abroad, you can use the list of International Service Industry Associations on the International Trade Centre UNCTAD/WTO website at:

http://www.intracen.org/serviceexport/sehp_intl_service_industry_assoc.htm.

Finally, you can register your company on **e-Leads**, a free electronic leads system available through the International Business Opportunities Centre (IBOC). By subscribing, companies can be notified about international business leads from foreign buyers. For more information and to register, go to www.e-leads.ca.

Indicators

As part of your market selection process, be on the lookout for a variety of indicators that may point to potential business opportunities abroad. These pieces of information can be obtained from a large number of sources, such as clients, business partners and associates at home and/or abroad, the media, the Internet (e.g. news service of target market), the Canadian Embassy and/or other government sources, financial institutions, trade publications, etc. Some examples of indicators are:

Announcements about:

- new economic initiatives;
- major municipal/state projects to be put out to bid;
- winning of large contracts by a local firm (who may need subcontractors);
- sporting or cultural events that will need support services.

Trends such as:

- environmental clean-up initiatives;
- health care management & cost containment;
- major purchasing/reorganizing/retooling activities;
- workforce literacy and re-training;
- corporate or government downsizing, with associated contracting out.

Market characteristics:

- administrative centre (country, state/province, other capital/central city);
- media hub (strategic communication centre/headquarter);
- major industry concentration (presence of the largest insurance firms, call centres);
- rapidly growing service and/or related industries (e.g. research and development, high tech, communications).

A complete list of sector-specific opportunity indicators is also available at <http://exportsource.ca/gol/exportsource/site.nsf/en/es02493.html>.

Types of Clients**Government clients**

If foreign government departments are your potential clients, visiting the government web site of the target country will likely provide initial contact names. For government clients in any country, contact the Trade Commissioner in the Canadian Embassy, or High Commission for advice on the correct approach. In almost any country, a government introduction to a government client is a good starting point. Before asking the Trade Commissioner to help, you/your company must be registered in the Virtual Trade Commissioner, a free database and very useful tool available at: <http://www.infoexport.gc.ca/ie-en/login.jsp>.

When working with any government client, consider asking the Canadian Commercial Corporation for its advice and assistance in obtaining a government-to-government contract. Information on the Canadian Commercial Corporation is available at: <http://www.ccc.ca>.

For dealing with the United States federal government - the world's largest purchaser – start by visiting Sell2USGov, the Canadian site dedicated to U.S. procurement at: <http://www.dfait-maeci.gc.ca/sell2USgov>. Contacting the Canadian Embassy in Washington

DC for the current contact list is a proper first step. For contacts in U.S. State governments, the U.S. "National Association of State Procurement Officials" (NASPO) in Lexington, Kentucky <http://www.naspo.org>, offers a variety of reference publications, including "How To Do Business with the States: A Guide for Vendors" and the "Contract Cookbook for the Purchase of Services". As well, register for the annual NASPO conference's workshop on "Marketing to State Governments".

If the potential clients are in developing countries, information may be obtained about requirements, contacts and opportunities through the in-country representatives of the International Financial Institutions and UN Agencies. The Canadian International Development Agency <http://www.acdi-cida.gc.ca/index-e.htm> may also be able to identify requirements in target countries.

Business Clients

If you do not have business contacts already in the market, obtain dates of conferences or other trade events and names of selected publications (directories or periodicals) to which potential clients would refer. Your Canadian service industry association may be able to help you with this task. Listings of international trade shows can be found on Team Canada's website at <http://exportsource.ca/gol/exportsource/site.nsf/en/es01887.html>, the Trade Show Resource at <http://www2.tsnn.com/> and Expo 24/7 at <http://www.expo24-7.com/default.asp>. Exporters can also participate in Team Canada Trade Missions to other markets to find business contacts. For information on this program, visit <http://www.tcm-mec.gc.ca/menu-en.asp>.

General Public Clients

If your service firm provides services to the general public, then you may need to identify potential foreign clients or you may wish to partner with a foreign company that is already providing the service. An example is the export of education services, which may occur by having foreign students or executives come to Canada or by your traveling abroad to deliver training. Many Canadian educational institutions and professional organizations establish courses abroad through partnership with existing institutions in the target market. Resources an exporter can use to identify these organizations include industry associations, liaisons within local educational institutions, and the Canadian Trade Commissioner Service abroad. For a listing of these Canadian Trade offices, register on the Virtual Trade Commissioner at www.infoexport.gc.ca.

VI. Selecting Service Delivery Options

There are a variety of ways to deliver services to the customer, all of which can be employed domestically or abroad. A service firm, however, may find the most effective method of

delivering its service in the local marketplace may not work in export markets. The four modes that will be addressed in this guide are:

1. Client visits the provider in Canada
2. Delivering the service remotely
3. Provider visits the client (temporary business travel)
4. Setting up an office abroad

The decision as to which of the four to select, or what combination, when entering any market will depend on your long term aims, the business environment in the market, your available resources, the technical and practical feasibility of each modality for your service, and cost-effectiveness, the receptiveness of potential clients to use new technology in the delivery of services, and lastly, the views of clients concerning the most mutually beneficial service delivery approach.

There is no "best modality" for any one market. For each opportunity, a careful look at the advantages and disadvantages of each modality is required, to consider how a variety of modalities may be applied to the components of the export work, and to discuss the options with clients. Many service exporters use a combination of several modes of supply. An architecture design exporter may offer his services cross border (such as advice, designs, etc through the Internet) followed by cross border movement to visit the client. Intentions, concerning service delivery, should be discussed also with the Canadian Embassy/Consulate in the market and with other Canadian companies that have exported services successfully to the same market.

The Client Visits You

This is the least expensive mode of exporting as there are no travel costs involved. 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. Other examples include foreign students studying in Canada, executive and language training provided in Canada, and health services provided to foreigners in Canada.

Advantages:

- ability to provide top level service with access to all the facilities that are available to a domestic client,
- undivided attention of client,

Disadvantages:

- there may be reduced chance to identify additional business opportunities with the same client, or with others in the same market,
- there is no opportunity to ensure that

- continuous service to domestic clients,
 - no international travel expenses,
 - opportunity to showcase the full range of your services,
 - in the domestic environment the client is more likely to adhere to the terms of the contract,
 - offering training at home to representatives of foreign client provides the opportunity to showcase the full range of exportable and domestic technologies and services,
 - chance to learn about differences in business culture exhibited or remarked on by your client, and eventually incorporating the acquired knowledge into training materials and using it during visits to client.
- the worth and impact of the exported services is recognized within the client organization,
- there are few chances for ensuring that the services provided are totally appropriate and completely meet client requirements.

Making the most of the Client's Visit to the Provider:

- Prepare thoroughly several months before client comes to Canada by reminding client about the need for a valid passport, visa, vaccinations, etc.
- Provide a clear summary of the services to be provided, state what costs will be borne by each party (in some situations it may be necessary for the client to make a partial or complete payment in advance, specially for any out-of-pocket costs that might revert to the exporter, such as travel and accommodation)
- Provide a package of information about Canada (region and city, if it is client's first visit)
- Inform client about climate and clothing requirements, particularly during winter
- Obtain written confirmation of the availability of any outside resources required for the provision of the contracted services
- Provide a complete and detailed list of any equipment or information the client is to bring
- Identify bilateral chambers of commerce, churches, etc. where client may be able to relax with compatriots, particularly in the case of an extended visit

You Deliver the Service Remotely

If you currently deliver services electronically (by e-mail or Internet), then this option can provide a very inexpensive way to export. At least initially you may need to supply it by in-person visits to your target market to develop personal relationships.

Advantages:

- Utilizing remote delivery means that costs are minimized,
- clients are completely unaffected by distance and time differences,
- exporters are able to provide top level service with access to all the facilities that are available when serving domestic client,
- no break in service levels provided to domestic clients,
- travel costs are reduced, and
- the opportunity to showcase the full range of services is maintained.

Disadvantages:

- There is limited opportunity, through the delivery mechanism, to identify additional market opportunities with the same client or with others in the same and/or neighbouring markets,
- there is no opportunity to ensure that the worth and impact of the exported services is recognized within the client organization,
- there are few chances for ensuring that the services provided are totally appropriate and completely meet client requirements, and
- services must be offered at the hours suitable to the client.

Making the most of your Remote Delivery of Services:

- Efficient and cost-effective provision of services remotely to clients can result in: referrals, references, recommendations and new business, as well as round-the-clock utilization of equipment and facilities and instant response to client input without the need to travel to visit the client.

You Visit the Client

This is the service delivery modality that is most easily recognized as an export activity. It is often used in conjunction with remote delivery of service. Care is needed to make sure that you can get into the target market easily from a visa perspective and that the costs of travel do not outweigh any potential profit from the export activity.

Advantages:

- establishment of relationship and credibility,
- chance to get to know the client personally,
- opportunities to meet local staff, consultants and/or potential partners,
- chance to ensure that client understands and accepts delivery options and choice of personnel assigned to the task, and
- opportunity to identify other potential clients in the same market.

Disadvantages:

- travel time is usually un-billable and can also be lost-opportunity time,
- high cost of travel,
- it may be viewed as an effort to undermine authority of personnel (particularly local staff) on site.

Making the Most of Your Visit to the Client:

- Prepare thoroughly before leaving Canada by ensuring passport validity
- Secure required visas several months prior to the trip
- Obtain necessary vaccinations
- Have a clear letter of invitation from your client
- Confirm that all the client's personnel, local staff or consultants with whom you will need to work will be available during your visit
- Provide a complete and detailed list of any equipment or support you will need on site and ask for written confirmation that they will be available
- Plan to carry appropriate equipment and accessories (plug adaptors, converters, computer disks, film, etc.) for each working situation
- Follow the business travel and general travel advice available from Foreign Affairs Canada
- Forward an agenda for your visit and ask for confirmation from your client of its acceptability
- Take time to learn about the country, business and cultural customs, and the client

You Set Up an Office Abroad

In general, this modality is more likely to be used by large firms as it is the most resource intensive. Smaller service exporters can often achieve the same ends through a strong partnership with a well-respected local firm.

Advantages:

- In most situations, once established, exporters will be able to provide services on an equal basis with all other providers in the market.

Disadvantages:

- The main disadvantage is high cost in general, as well as additional costs that would not be encountered in Canada, and potential difficulties and delays in establishing a business in a foreign country.

Making the most of Establishing in the Market:

- Once established in the target market, investigate the potential for additional business and meet new clients
- Develop new service offerings, tailored specifically for that market
- Obtain referrals and recommendations from clients to others in that market, and/or neighboring markets

VII. Selecting Market Entry Options

Exporters may enter foreign markets in a variety of ways. Some examples include:

- Directly exporting in Canada to foreigners from the target market
- Directly exporting abroad either through remote delivery or through services supplied to clients in their markets
- Forming partnerships with companies abroad
- Gaining market experience by subcontracting to a Canadian exporter
- Working through contracts from organizations like the Canadian International Development Agency (CIDA) to gain exposure

Exporting in Canada

While exporting in Canada is the least expensive approach, it requires strategic thinking to develop profitably. The first step is to identify any foreigners in Canada to whom you are already providing services and examine whether or not there are ways to expand that business. Next you can look for channels for attracting new clients to Canada. For example, if you already provide English language training, consider teaming up with investment advisors or tour operators to offer a package service.

Exporting Through Local Partnerships

This is the optimum method of providing services in most markets. It can provide solutions to many of the issues regarding: cultural sensitivity and language capability, professional accreditation, competitive pricing, breadth of technical expertise, creating links and synergy between providers of goods and services, mobility of personnel, taxation and legal status in the target market and eligibility to bid on target contracts

The variety of partnerships and alliances is as great as the number of companies involved. Examples include: Horizontal Alliances, Vertical Alliances, Business Network, Teaming Agreement, License Agreement, Joint Venture, and Strategic Alliance. (For full definitions refer to <http://exportsource.ca/gol/exportsource/site.nsf/en/es02492.html>)

When applied in the international context, the range of options becomes even greater as partnership may incorporate primarily Canadian companies, a combination of Canadian and local target market companies, or a group including third country participants. Participants may find themselves in a more competitive position as they:

- a) bring together strengths in the technical aspects of the services to be provided;
- b) gain benefits from operating together in the target market;
- c) find it easier to finance the project and;
- d) find ways to better handle the issues of long-term management.

Selecting the Right Partner

The first step is to identify the strengths needed for the tasks or project that will be undertaken. The second is to identify clearly the strengths and weaknesses of each party that may be involved and what each can bring to the partnership; partners should seek to complement each other's strengths and weaknesses. Each should be appreciative and open in recognizing partner contributions and be open about aims and understanding of the collective and separate aims of all that participate.

Regardless of what market entry strategy is chosen, remember that it is better to move cautiously than to jeopardize credibility and reputation by selecting an inappropriate market entry strategy, by moving too quickly, by entering into an inappropriate partnership, or by failing to nurture a good partnership.

Some tips for success in your strategy

- Use referrals whenever possible, either from other clients in the same country, or from clients with similar mandates in other countries. The use of referrals also benefits potential clients by helping them manage their risk in purchasing the services.

- Participate in networking activities in target markets that are organized by sector specific industry associations, local Chambers of Commerce, service clubs, or other business organizations. Identify opportunities to meet individually in a social or professional context, with potential clients. The social introduction is particularly important when working in Asia, Latin America or Europe, just as membership in a service organization or the right golf club is important in North America.
- Establish an objective verification of capabilities through registering for quality standards, competing for awards and collecting testimonials from clients.
- Ensure listings in professional and trade directories, such as the Virtual trade Commissioner and SourceCan.
- Be prepared to spend time understanding the client's needs and focus on those needs rather than on promoting the exportable expertise. Building a relationship and trust may take a lot of time.
- Be sensitive to cultural differences and their relationship to and impact upon the service that is intended for exporting.
- Be prepared to provide a "sample" of the service destined for exporting to establish credibility. Potential clients will want to see how well exporters perform so doing tasks such as presenting at information workshops and writing articles for association newsletters or the media may be a good option.
- Be sure to talk with the financial decision makers as well as with the technical experts.
- Work with financial service providers such as your commercial bank, the Canadian Commercial Corporation (www.ccc.ca) and Export Development Canada (www.edc.ca) before finalizing your pricing or the terms and conditions of your contract.

Subcontracting to a Canadian Partner

An excellent way to start out is to focus on your core expertise and work with or through other companies that have strong marketing, cultural and language skills and sufficient resources to market internationally. You have the ability to work within the target market in cooperation with a "lead" exporter (by sub-contracting) and develop both experience and credibility abroad.

Identifying "lead" exporters

For both developing and developed countries, the Canadian Trade Commissioners posted in the country may be able to help identify companies that are already active in the market and might be strengthened by adding new expertise to their existing capabilities.

Lists of current exporters (contractors) can be obtained from the International Financial Institutions (refer to <http://www.infoexport.gc.ca/ifinet>) and from the Canadian International Development Agency at <http://www.acdi-cida.gc.ca/index.htm>.

Working with a lead organization

The costs of preparing a proposal are often high. When this work is undertaken by the lead organization in the hope of gaining a contract, exporters should find ways to contribute expertise to this work as part of upfront contributions. This will provide the lead company with a work sample. International work is a cooperative effort and exporters can position their firm or themselves as a team player.

When working with a lead organization, it is important to inform potential clients how your involvement with a lead organization can help them to achieve their aims and satisfy their clients.

Getting Exposure through CIDA Contracts

CIDA contracts are not service exporting per se because you are being paid by the Canadian government. However, they can be useful vehicles for gaining experience and exposure in foreign markets. In addition, they offer an opportunity to rapidly expand your foreign network of contacts.

Find more information about CIDA at www.cida.gc.ca.

VIII. Managing Cultural Factors

Understanding the cultural considerations for the market you are working in is important in that managing an interpersonal interaction, and likely an ongoing relationship, appropriately is critical to customer satisfaction. Exporters must be aware of, understand and be sensitive to social norms and how they influence the way business is conducted. In many cases, a firm will have to modify several aspects of its marketing plan to be successful. Some things to be particularly aware of include:

- The meaning of your company's name, brand, logo, and slogans in the target market
- Religious practices and prohibitions
- Concepts of right and wrong, guilt, shame, etc.
- Ethical standards
- Personal greetings & introductions
- Business protocol
- Etiquette for hosting & gift giving
- Personal space
- Social role & status of women

- Importance of personal relationships
- Dietary taboos & mealtime patterns
- Esthetics & symbols
- Offensive slang & body language

In order to be more culturally sensitive, there are strategies you can implement. For example, determine if there are staff in your firm who have lived or worked in that market and utilize them as a cultural resource. Also, hire and use local people where possible to eliminate cultural misunderstandings and gain an insight into the local culture. In addition, that local person may act as an interpreter/translator that can assist you with business development, keeping in mind the person should have experience working in that market. You can learn some basics of the language including how to address people properly, and most importantly, conduct detailed research into the local culture.

Resources for Learning About Different Cultures for Business

Websites:

The popular site formerly know as www.e-thologies.com is now called Country Insights. Country Insights provides free access to invaluable information on the countries and cultures of the world including conducting business internationally. Visit the Centre for Intercultural Learning at www.intercultures.ca/cil-cai/country_insights-en.asp?lvl=8.com.

For information about business practices in the country or region:

<http://rru.worldbank.org/doingbusiness/default.aspx>.

Also:

www.executiveplanet.com

The library at your local Canada Business Service Centre may have additional publications such as "A Short Course in International Business Culture", Charles Mitchell, World Trade Press

IX. Finalizing a Contract

Service delivery contracts can range from a handshake to dozens of pages of legal and technical specifications. In every case it is essential for the two sides to have the same understanding of:

- the services to be provided,
- any preconditions to the provision of the services such as availability of client's personnel, information, facilities, mobilization payments, weather conditions,
- the personnel to provide the services, personnel or facilities to be made available by the client,
- date on which provision of service is to commence (and end),
- payments to be made, benchmarks, or dates on which payments are to be made,
- circumstances in which the contract may be terminated, and implications in terms of completion of work, handover of work to date, partial payments, penalties and how "completion" of tasks will be determined,
- conditions for hold-back of payments, conditions for return of bid or performance bonds,
- procedures in case client is unable to make available personnel, information, and facilities as agreed.

The process of drafting a contract is an excellent opportunity for ensuring a full understanding of client expectations, and provider capabilities. A contract is often considered to be a binding agreement according to which the parties will work together. It will help to resolve any disagreements and will assist in ensuring partial or full compensation.

In developing a contract, it is important identify the governing law that will be used since countries have differing laws of contract: European countries use civil codes, some Arab countries use Islamic Code, whereas in Canada (with the exception of Québec) contracts fall under the common law system. These differences will affect how contracts are enforced and the rights of the parties involved. It is important then, to specify in the contract what particular governing law will apply, and even the location (country or even the province) in case of litigation.

While it is not always necessary to have a lawyer draft the agreement, you should seek the advice of a lawyer if you have questions or concerns. It is, however it is equally important for both parties to retain control and ensure that the contract will: be realistic, ensure delivery of services as per client requirements, and guarantee payment as agreed. It is also a good practice to hire an independent translator to translate a contract's contents back to the original language to help identify and clear up potential misunderstandings.

Regardless of modality, all parties need to have a clear record of decisions and responsibilities. The record may vary from a one page document to a formal contract, but its main purpose is to ensure that each party understands the terms and conditions of the business deal. Should disputes arise, the record is an invaluable tool for working out any

differences. The most important part of a contract is the understanding of its role by both parties.

Pricing

When setting price for services it is net profit not sales figures or gross profits that are important. Many costs need to be factored in such as communication (long distance calls, internet usage, faxes, etc), travel, insurance, as well as fees for using banks, lawyers, interpreters and more. Simply pricing the service based on what the target market can bear is unrealistic.

Be aware that when quoting prices, they will likely need to be in the currency the client prefers, not in Canadian dollars. If this is the case, currency exchange fluctuations should also be factored into the costs. Note that GST is not charged on foreign sales but you will likely need to charge GST for work that is done in Canada. If a service is supplied in Canada to a non-resident corporation, the service is subject to the GST since the service is rendered while the individuals are in Canada. For more information about GST and service exports visit <http://www.cra-arc.gc.ca/E/pub/gm/4-5-3/README.html>, or contact Canada Revenue Agency at 1-888-959-5525.

Getting Paid

Use of an open account is one of the most popular methods of payment that has the least risk for potential clients but is the highest risk for exporters. What this entails is the service is produced and delivered before payment is received. Fortunately, there are a few ways for exporters to reduce risk involved in using open accounts. The first is to do due diligence to research clients' credit worthiness. Finding reputable clients through referrals from trusted contacts is always a good practice. Others include doing credit checks through Exportcheck and purchasing accounts receivable insurance against non-payment. These services are available through Export Development Canada (EDC) at <http://www.edc.ca>. Another option is to incorporate milestones within the contract agreement that trigger payments at certain intervals. This will enable you to get paid when particular results or goals have been achieved rather than one lump sum at the end of the contract.

Although exporters are unlikely to receive payment in advance for services that haven't been delivered, there is the possibility of asking for a retainer or asking clients to pay a portion of the costs up front.

Legal Issues

To ensure compliance with legal requirements and cultural expectations, exporters need to: familiarize themselves with relevant legislation, have the legislation "interpreted" by legal advisors in the market as well as by a Canadian trade law specialist, work with a local partner

who has succeeded in the market; and, go beyond the issues of establishment to clarify other related issues such as labour law, liability insurance, repatriation of profits and capital.

Once an exporter is established in a foreign country, he/she/the firm is subject to the laws of that country, so being aware of the "Governing Law" of the country is critical.

Taxation

Whether exporters are completing a simple transaction, undertaking a complex project, or establishing an operation in the market, taxation issues must be thoroughly investigated prior to working in foreign markets. When seeking clarification, it is advisable to obtain opinions in writing from tax accountants in the target country, a Canadian accountant, an expert in international work, and clients who, especially if this is a private sector operation, may be able to provide the most realistic advice. In particular, ascertain the timing of all taxation liabilities, the process and pace of drawbacks, as well as the process for challenging the tax regime.

Information about taxes for specific countries can also be accessed through the Canadian Tax Foundation's library at 1-877-733-0283.

Intellectual Property

Intellectual property is a collective term used to refer to new ideas, inventions, designs, writings, films, etc. and protected by copyright, patents, trademarks, etc. There are many laws protecting intellectual property and these should be carefully studied before the exporting of services such as ideas, designs, technology, trade secrets or know-how. An important element of conducting in-depth market research is to understand the rules, regulations and laws governing intellectual property. Patent and intellectual property law is complex and exporters needing this kind of protection, or wanting to make sure their product complies with foreign patent laws, should consider retaining professional legal counsel. Keep in mind that a Canadian patent only protects property in Canada. Intellectual property must be obtained individually for each country from their respective issuing office.

To access the departments responsible for the dissemination of intellectual property information and the administration of the intellectual property system in the countries you wish to export to, visit the web site of the World Intellectual Property Organization (WIPO) at: <http://www.wipo.int/portal/index.html.en>.

Innovation is also critical for service exporters. It is often difficult to protect a new service through legal means, so exporters need to work hard to keep up-to-date and adapt to trends, new developments, and more importantly, to client needs. This may involve redesigning the service, altering the delivery system or even changing the organizational structure.

X. Temporary Business Travel

Cross-Border Entry

One of the most challenging issues for service exporters is the matter of temporary business travel, particularly into developing and transition economies. With the exception of the U.S., there is often no clearly defined visa category for temporary business entry (as there is for a tourist) whose requirements can be met at the border. You may have to acquire a visa from the country's embassy or High Commission in Canada, which can take up to several weeks. Research into temporary business entry requirements is critical as soon as you know that you are interested in a particular market. Make sure that you are aware of what documentation (including official visa photos) you will need to take with you.

Even if you have a signed contract for service delivery, you may still need to get a visa ahead of time and may need additional documentation from your client in order to do so. If an option, it is well worth paying for a multiple-entry visa initially even if you don't know if you will be going back again.

In the case of traveling to the U.S., there are provisions in the North American Free Trade Agreement that deal with Canadians traveling to the U.S. for business purposes. NAFTA allows for expedited access for 60 categories of services ranging from Architects, Engineers, and Management Consultants to Geologists. Be aware, however, that the agreement has strict guidelines regarding the extent of work that can be done and the documents required by U.S. Customs and Border Protection. Needless to say, the topic is very complicated and exporters that do not research in advance and take with them the appropriate documents will likely experience difficulties with gaining business entry into the U.S.

The following general sources of information may be useful to consult:

- Canadian Consular Affairs http://www.voyage.gc.ca/consular_home-en.asp
- Cross-Border Movement of Business Persons and the North American Free Trade Agreement <http://www.dfait-maeci.gc.ca/nafta-alena/cross-en.asp>
- U.S. Citizenship and Immigration Services <http://uscis.gov/graphics/index.htm>

Taking Equipment Across the Border

Exporting services often involves the movement of equipment, supplies and other goods across borders. Laptops, software, trade show booths, and conference materials for example may be required for conducting your business abroad. There are a variety of methods of temporarily exporting such items from Canada to the target market.

The first is a Temporary Import Bond (TIB) with the importing country. Under a TIB, exporters place a bond for twice the amount of duty and taxes of the item that would otherwise be owed through importing. Depending on the country, TIB's are typically good for one year by which the item must return back to Canada. Customs brokers can assist you with obtaining Temporary Import Bonds.

A second method is the ATA Carnet, an international customs document that can be used to temporarily import goods, duty free, around the world. It replaces the need for customs documents and guarantees the duties on the goods will be paid if they are not subsequently re-exported. This "passport" for equipment and samples can be issued for up to one year and can be obtained from the Canadian Chamber of Commerce. For more information, visit www.chamber.ca/carnet.

The last method is to formally export the items, pay duty on them, and once they are re-imported into Canada, a drawback on the duty and taxes paid can be applied for. Either way, it is critical to be aware of the fact that even samples, trade show booths, and some documents (such as specs) must make formal entry into the market through the appropriate documentation.

XI. Operating and Living Abroad

If your service firm decides to establish an office abroad, you will need to research regulations about work permits, foreign corporate operations, profit repatriation, and much more. Both the investment ministry of the target market and the Canadian Trade Commissioners in the target market can be helpful to you.

Living and working in a foreign country can be a great experience or a nightmare depending on the individual, the country and the expectations. Preparation ahead of time is critical to ensuring that the experience will be a positive one.

Note: Some of the information available in this guide has been reproduced from Industry Canada's tool for service exporters "Export Your Services... Take a World View!" available at <http://exportsource.ca/gol/exportsource/site.nsf/en/es02487.html>

Disclaimer

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