

The ACOA Trade ToolKit

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**Atlantic Canada Opportunities Agency /
Agence de promotion économique du
Canada atlantique**

Atlantic Canada Trade ToolKit
Summary Booklet

INTRODUCTION

The ACOA Trade ToolKit Summary Booklet includes diagnostics and contact information that will be useful to you and your clients in assessing export readiness and preparing to move to the next stage of the export process.

More complete information can be obtained from the main ToolKit or the Reference Portfolio.

1.0 The Ten Commandments of Exporting

Successful exporting involves some fundamental rules which companies should not ignore. They are:

- 1 *Develop a thorough export marketing plan and make it an integral part of the overall business plan.*
- 2 *Commit dedicated resources to the export drive.*
- 3 *Choose your export partners (e.g. agents, customs brokers) with care.*
- 4 *Never give your export customers second class treatment, ensure they receive the same high quality of service offered your domestic customers.*
- 5 *Focus on specific markets and opportunities, don't take the shotgun approach.*
- 6 *Consider the export market of equal importance relative to your domestic markets.*
- 7 *Modify products and services to meet the needs of the offshore market.*
- 8 *Be aware of the differences between Canada and its culture and language and those of your target market.*
- 9 *Use export specialists, such as the banks and freight forwarders, don't try to do everything yourself.*
- 10 *Look for new ways to do things, don't assume the methods tried and true in Canada will work overseas.*

2.0 Assessing Export Potential, A Diagnostic

Experience shows there are seven areas of importance in determining if a firm is ready to tackle the export market. Companies which do not take a careful and objective view of the export readiness of their organization and product or service, and remedy their shortcomings, are unlikely to succeed in the export market. A diagnostic checklist for each of the seven areas appears below:

1 *Management Commitment*

- Does senior management understand the benefits and costs to exporting?*
- Has senior management developed clear goals and objectives for the export drive?*
- Is senior management willing to devote a significant amount of time to the export market?*
- Has senior management clearly identified individuals in the company who will be responsible for export marketing (e.g an export marketing manager)?*
- Is management prepared to allocate sufficient funding to support the export drive?*
- Is management prepared to wait for the benefits of export marketing to be realized?*

2 *The Domestic Track Record*

- Does the firm have a proven, market tested product or service?*
- Can the firm point to reputable domestic customers that will vouch for the quality of their product or service?*
- Is the cash flow produced by domestic operations sufficient to support the company's export operations for the time required to make them profitable?*
- Is the organization's domestic operation well enough established to continue to thrive while management time is directed to the export market?*

3 *Market Planning*

- Does the firm have a written export market plan?*
- Was the export market plan developed with input from all relevant*

staff members?

- Does the market plan include specific, quantifiable objectives?*
- Has provision been made in the plan for contingencies and feedback?*
- Have specific markets been selected?*

4 The Finance Equation

- Is the firm's present financial position sound?*
- Does the firm have a financial plan covering export market development costs?*
- Are sufficient funds available for exporting?*
- Can the firm develop an export costing sheet?*
- Is the firm able to wait for payment?*
- Does the firm have a source of patient capital, i.e. financing that does not require short term returns?*

5 The Right Product /Service

- Does the firm have a proprietary product or service?*
- Does the firm have a unique production process?*
- Does the firm's product have special features that are perceived as valuable?*
- Does the product have special packaging or presentation features?*
- Can the firm offer better delivery than competitors?*
- Does the firm have an advantage in after-sales servicing?*
- Does the firm offer attractive financing?*

6 Gearing Up Production

- Does the firm have established and efficient production for domestic markets?*
- Does the firm have initial excess capacity to serve export markets?*
- Is the company able to handle a sudden rise in demand?*
- Does the firm have a reliable supply system?*
- Can the company handle the logistics of getting product to export markets?*
- Does the firm have plans to handle longer term increased production levels?*

7 Management Knowledge of Export Marketing

- Does the firm have export experience in the management team?*

- Is the firm experienced in the technical aspects of exporting?*
- Have company staff participated in or visited international trade fairs?*
- Are members of the staff familiar with foreign cultures and business practices?*
- Does the company have contacts in the export community?*
- Does the firm know where to get people with the right export skills?*

3.0 Developing an Export Marketing Plan

Market planning is a key ingredient in initial success in the export market. Formulating an export strategy based on good information and proper assessment of both the company and the marketplace increases the chances that the best market options will be chosen. The market plan outline given below can be used by the new to export firm as a guide to preparing their first export plan:

I Introduction: Why Should this company export?

This section should provide the basic rationale for why the company should export. The reasons should be profit oriented and fit with the company's overall business plan.

II Situation and Background Analysis

Describe the company, its internal resources and the structure of their industry. Sections should include descriptions of:

- product or service
- current operations
- proposed export organization
- industry structure

III Marketing Component

In this section the firm identifies how it will select and service target markets. Specific sales and profit targets should also be set. Sections should include:

- identifying, evaluating and selecting target markets
- product selection and pricing
- distribution
- terms and conditions of sales
- internal export procedures
- sales goals

IV Action Steps

In this section the company identifies its primary and secondary target markets and describes how the market will be approached and developed. Information should be developed for each of:

- primary markets
- secondary markets

V Export Budget

In this section the firm should prepare a budget for their export drive including clearly identifying where the money will come from. Sections will include:

- marketing budget
- product or service development budget
- manufacturing budget

VI Implementation Schedule

In this section the company develops firm time lines for its export drive.

- marketing schedule
- production/service schedule
- dates for management reviews

VII Feedback and Evaluation Mechanisms

In this section the firm discusses how it will develop feedback on the export drive and how it will be evaluated.

4.0 Getting Paid

As firms come closer to their first export sale the issue of payment options becomes critical. All the work put into preparing and executing an export plan can be wasted if customers do not pay on time or at all. Canadian firms generally use one of four methods of payment. The following table describes the important aspects of each:

Method of Payment	When Seller is Paid	Risks to Seller	Risks to Buyer
Payment in Advance	Before goods are shipped/ services delivered	No payment risks	Non-performance by seller
Letter of Credit	Normally on shipment of goods or delivery of services	Inability to produce correct documentation to obtain payment from bank	Goods or services not as called for in commercial contract
Bank Collections	Upon payment of the buyer to the collecting bank	Failure of buyer to pay collecting bank and need to dispose of goods already shipped	Goods not as ordered
Open Account	Upon payment by buyer	Failure of buyer to pay for goods or services already delivered	No risks

Shipments to the U.S. and western Europe most commonly use open account terms while more secure payment terms are common in other

parts of the world. Firms should take advantage of the international services provided by the Canadian chartered banks, the Export Development Corporation and the Canadian Commercial Corporation. A list of important telephone numbers follows:

- International Trade Centre, **Royal Bank of Canada**, Tel. (902) 421-6148
- Trade Finance Centre, **Canadian Imperial Bank of Commerce**, Tel. (902) 428-4659
- International Trade Service, **Bank of Nova Scotia**, Tel. (902) 420-3609
- **Export Development Corporation**, Tel. (902) 429-0426
- **Canadian Commercial Corporation**, Tel. (902) 426-3882

5.0 Trade Shows and the New to Export Company

Trade shows are often an excellent tool to assist the new to export company break into new markets. There are literally tens of thousands of shows each year of which perhaps 150 are of international significance. Given the cost in time and money of attending shows in countries such as Germany and Japan it is important for firms to carefully evaluate their participation. Important questions to ask include:

- Why does the company want to attend the show?*
- Who has attended the show in the past?*
- What do previous exhibitors and attendees think of the show?*
- What is the show, or the show manager's, reputation?*
- What does the show manager do to help attendees and exhibitors?*

Many firms question whether they should simply walk a show or actually exhibit. Given the costs and the fact exhibiting sends a signal that the firm is ready to do business in that market (often not the case) most first time trade show attendees are advised to simply walk the show. They should do so in a professional manner, however. Walking the show allows companies to evaluate the competition, see new technology and meet potential customers and agents. Five key guidelines for getting the most out of a show are:

- Decide why you are attending the show.
- Select the right show to attend.
- Set objectives before attending the show.
- Cover the show floor efficiently, don't just wander.
- Get the most out of each exhibit, don't be distracted by giveaways and products you are not interested in.