Step-by-Step

Guide to Exporting

A TEAM CANADA INC PUBLICATION

Canada

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Additional copies may be obtained by calling 1-888-811-1119 or visit our web site at exportsource.ca/stepbystep to view the online version.

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Table of Contents

Step-by-Step Guide to Exporting

Introduction

About The Step-by-Step Guide to Exporting

The Step-by-Step Guide to Exporting comes to you from Team Canada Inc (TCI). We're a network of more than 20 federal departments and agencies working for the benefit of exporters through our partnerships with provincial, territorial and municipal governments, industry associations, educational institutions and private-sector export service providers. Established to help Canadian businesses prosper in the world market, TCI is your gateway to all these sources of information and assistance.

We've published *The Step-by-Step Guide to Exporting* to help you understand the process of putting your company on the international stage, so it's designed especially for small- and medium-sized Canadian enterprises that are considering their first venture into the export market. Even if you're an experienced exporter, you may find resources here that you've overlooked and that may be very useful to your international operations.

The information provided in *The Step-by-Step Guide to Exporting* is general in nature. To ensure that your particular needs are met, always consult specialists such as the International Trade Centres or TCI's Export Information Service officers at 1 888 811-1119.

Among other things, this guide will help you:

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

You can also get a companion publication, the *RoadMap to Exporting*, from TCI. It's a compact directory of dozens of resources for exporters and is a key supplement to *The Step-by-Step Guide to Exporting*. (We'll tell you in Chapter 1 how to acquire one.)

Preparing for the world of international trade is a complex undertaking. But with the proper preparation, you'll soon be on your way to world-wide success!

Beyond the Border: Getting Started

"First of all, do your homework and know yourself. Realize that it is a commitment for a long, long term. Know your strengths … Do your research on your product or your service and then go for it."

– Exporter

Exporting: What's in it for you

Business has gone global. That's hardly news anymore, but it's remarkable nevertheless – because, for the first time in human history, the world marketplace is open all day and every day, unrestricted by distance, technological barriers or country of origin. The entire world is within our reach in ways that weren't possible before. Like any business venture, of course, entering the arena of global trade presents both opportunities and challenges. At first, you may not even be sure how exporting can help your company, or what the drawbacks of such a project may be.

Experienced exporters, though, have a pretty good idea of both the benefits and problems of international trade. For example, they know a business can gain a lot from a successful exporting venture, including:

- **Increased sales** – if domestic sales are good, exporting is a way to expand your market and take advantage of demand around the world. You may also find foreign niche markets where your product is rare or unique.
- **Higher profits** – if you can cover fixed costs through domestic operations or other types of financing, your export profits can grow very quickly.
- **Economies of scale** – when you have a larger market base, you can produce on a scale that lets you make the most of your resources.
- **Reduced vulnerability** – if you diversify into international markets, you avoid depending on a single marketplace. A domestic downturn, for example, will be less damaging if you have other markets where demand remains high.
- **New knowledge and experience** – the global marketplace abounds with new ideas, approaches and marketing techniques. You may find them very successful in Canada, too.
- **Global competitiveness** – foreign companies are entering Canadian markets and Canadian companies are going foreign. The experience your company gains internationally will help keep you and Canada competitive in the global marketplace.
- **Domestic competitiveness** – if your company succeeds in the global marketplace, it means your product can compete with the best the world can offer. This helps you succeed at home and ensures your resilience when faced with foreign competition in Canada.

Exporting goods versus exporting services

Exporting goods and exporting services present quite different challenges. The former must deal with packaging, customs and physical delivery, for example, while the latter confronts issues such as work permits, communications infrastructure in the target market and travel to and from the market.

Of course, there are also challenges that accompany these benefits. The good news is that you can surmount them with careful preparation and planning. They include:

- **Increased costs** – an exporting venture means you'll have to meet many short-term costs, such as extra travel, production of new marketing materials and perhaps hiring additional sales staff. And you may have to modify packaging, or your products or services, to adapt them to markets abroad.
- **Level of commitment** – it takes time, willingness, effort and resources to establish and maintain yourself in foreign markets.
- **Staying in for the long haul** – while exporting holds great economic promise for most companies, you can expect months or even several years to pass before you see a significant return on your export investment.
- **Cultural differences** – you'll need to familiarize yourself with the differences in language, culture and business practices in your target market. If you don't, you risk inadvertently offending your potential customer and losing a sale.
- **Paperwork** – you'll have to get used to it. Both Canadian and foreign governments require a lot of documentation from exporters of products and services.
- **Accessibility** – you have to be easily available to your foreign clients.
- **Competition** – you must be sure you're thoroughly familiar with the competition in your target market.

Source: Adapted with permission from the Forum for International Trade Training, Going Global.

Are you ready?

What makes an export-ready business? Simply put, the business has a marketable product or service as well as the capacity, resources and management commitment to compete on a global scale. The trick is to figure out whether this is true of your company – and if it isn't, how to make it happen.

Your first step is to think about the resources and knowledge your business already has. To begin, consider:

Your expectations – do you have:

- clear and achievable export objectives;
- a realistic idea of what exporting entails;
- an openness to new ways of doing business; and
- an understanding of what is required to succeed in the international marketplace?

Human resources – do you have:

- the capacity to handle the extra demand associated with exporting;
- a senior management committed to exporting;
- efficient ways of responding quickly to customer inquiries;
- personnel with culturally-sensitive marketing skills; and
- ways of dealing with language barriers?

Financial and legal resources – can you:

- obtain enough capital or lines of credit to produce the product or service;
- find ways to reduce the financial risks of international trade;
- find people to advise you on the legal and tax implications of exporting;
- deal effectively with different monetary systems; and
- ensure protection of your intellectual property?

Competitiveness – do you have:

- the resources to do market research on the exportability of your product or service;
- proven, sophisticated market-entry methods; and
- a product or service that is potentially viable in your target market?

EXPORT MYTH

I'm too small to be an exporter

No, you're not! To succeed in international markets, you don't have to be a big-name firm with lavish resources and an entire department devoted to exporting. More than 30,000 Canadian small and medium-sized companies are currently exporting. Each of those companies accounts for anywhere from $30,000 to $5 million in exported goods and services each year.

Finding help

TCI, its members and partners are your best source for information about exporting. These resources are described in detail in TCI's *RoadMap to Exporting*. Call 1 888 811-1119 to obtain your free copy, or download a copy from **exportsource.ca/roadmap**.

Evaluating your export potential

Can your product or service find a worthwhile market outside Canada? Getting this right is crucial – if there's no demand for what you're offering, you'd obviously be unwise to proceed. But how do you come up with the answer? Here are some factors to consider:

TIP

Becoming involved in local export community events can help you learn the export ropes. Seminars and business breakfasts, for example, can be excellent opportunities to profit from other people's experience with exporting.

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 significant demographic patterns to its use?
- What climatic or geographic factors affect the use of your product or service?

Product modification
- Are modifications required to make it appeal to foreign customers?
- What is its shelf life? Will this be reduced by time in transit?
- Is the packaging expensive? Can it be easily modified to satisfy the 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?

PITFALL

Lack of commitment – when problems arise, the exporter does not have the determination or financial resources to deal with start-up problems.

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 this?

Exporting Services
- If you're 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: in person, 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?

The TCI Export quiz: Are you ready?

Think your business is ready to start exporting? Take the quiz, check your score and be sure.

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

5. Is your 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 your management have experience in export markets?

Yes / No

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

Source: Adapted with permission from the Department of Foreign Affairs and International Trade, Businesswomen in Trade On-line Assessment.

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 are weaknesses 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. Consider getting more help from the sources mentioned in this chapter.

2

Charting Your Route: **Developing Your Export Plan**

"It is critical to understand your market and the major focus of your business before you enter the international marketplace. Align yourself with strategic partners, find your niche in the market-place and localize your products to meet the market demand."

– Canada Export Award Winner

Why plan?

The most important reason to plan is very simple: If you plan your export venture with care and thoroughness, you have a better chance of success in your target market. Conversely, a business that doesn't plan will almost certainly fail. And in the worst case, such a failure can bring down the business's domestic operations as well.

Financial institutions and other lending agencies know this and will not provide funds to a business that lacks a well-developed export plan. At other stages of the export process, potential partners and investors may commit themselves only if your plan clearly sets out your objectives along with the processes and resources you'll use to achieve them.

In other words, you'll get nowhere without an export plan. This chapter will help you create one.

The foundation: Your business plan

Before you can develop your export plan, however, you need a current and comprehensive business plan that reflects your domestic operation. If you have one but it's out of date, now is the time to review and renew it. If you don't have one, this is *definitely* the time to create one. If you want comprehensive background on business plans, go to CBSC's Business Start-up assistant at **bsa.cbsc.org**; it will point you to numerous resources of this kind.

TIP

Contact your industry association to find names of successful exporting companies in your sector and target market. You can then set up a network of business contacts who can provide you with practical advice.

Building on the foundation: Your export plan

Once you've polished up your business plan, you can move naturally to creating your export plan. Much of the information you'll need to do this will appear in the remaining chapters of *The Step-by-Step Guide to Exporting*.

Another aid to export planning is an online tool, the Interactive Export Planner. It will guide you through the steps of an export plan and will even prepare financial projections for you. Go to **exportsource.ca/iep**.

An export plan, as will soon be obvious, isn't something you'll finish in a week. Even after you've begun exporting, your plan will need continuous updating.

EXPORT MYTH

Exporting is too complicated

No, it's not, because you don't have to do everything yourself. Instead, you can use outside experts such as export management companies, overseas agents, foreign distributors and freight forwarders. While you're getting established as an exporter, they can represent you, find overseas customers, manage sales orders, handle paperwork and deliver the goods. Later, as you learn more about exporting, you can either hire experts of your own or continue to use intermediaries.

The elements of your export plan

An export plan is really just a business plan that focuses on international markets. It identifies your target market(s), export goals, necessary resources and anticipated results.

Your export plan should contain the following:

1. Introduction

- business history
- vision and mission statement
- purpose of the export plan
- organizational goals and objectives
- international market goals
- short and medium-term objectives for exporting
- location and facilities

2. Organizational issues

- ownership
- management
- staffing
- level of commitment by senior management
- relationship between exporting and other operations
- corporate experience and expertise in exporting
- strategic alliances
- labour market issues

3. Products and services

- description of products and services
- key features
- adaptation and redesign required for exporting
- production of products and services
- future products and services
- comparative advantage in production

TIP

Industry Canada's International Trade Centres, located in every province, offer advice and assistance at no cost, for small and medium sized companies. Call 1 888 811-1119 or visit **itc-cci.gc.ca**.

4. Market overview

- market research
- political environment
- economic environment
- size of market
- key market segments
- purchase process and buying criteria
- description of industry participants
- market share held by imports
- tariff and non-tariff barriers
- industry trends and other market factors
- market outlook

5. Market entry strategy

- target markets
- description of key competitors
- analysis of competitive position
- product positioning
- pricing strategy
- terms of sale
- distribution strategy
- promotion strategy/development of sales leads
- description of intermediaries and partners

6. Regulatory and logistical issues

- intellectual property protection
- other regulatory issues
- modes of transportation and cargo insurance
- trade documentation
- use of trade service providers

7. Risk factors

- market risks
- credit and currency risks
- political and other risks

8. Implementation plan

- key activities
- evaluation criteria and process

9. Financial plan

- revenues or sources of funding
- cost of sales
- marketing and promotion costs
- other expenses or expenditures
- operating budget

TIP

The financial needs of your export venture will affect the complexity and length of your export plan. A financing plan for a multiphase, high-value project will be more complex than for a $10,000 transaction.

3 Setting Out: Identifying Your Target Market

"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

Understanding international market research

After the export plan, market research can be the most important contributor to international success. There are about 190 countries in the world, and you obviously want to pick the right one(s) for your product or service.

To do this, you need information that will provide a clear picture of the political, economic and cultural factors affecting your operations in a given market. For example, you may already be aware of an opportunity in a foreign market, but need specific information to 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 is the key to understanding these opportunities. It can confirm that an opportunity actually exists in a particular market and can help you understand the market's characteristics. It can give you insight into how a new market can be developed. Most important, it helps you discover what's important to your potential customers and what may influence their buying decisions.

Although there's usually a lot of detail involved, the three basic steps of international market research aren't particularly complex. They are:

TIP

Exploring foreign markets can take longer and cost more than expected. Be prepared for additional expenses for market research, product launches and personal visits.

Step 1: Screen potential markets

- Collect statistics related to your sector that show product or service exports to various countries.
- Identify five to 10 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 you. If the market is just beginning to open up, you may not have as many competitors as you would in an established market.
- 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 of products or services like yours and identify the amount imported.
- Study the competition, both domestic and non-domestic. Look at each competitor's Canadian market share.
- Identify what affects the marketing and 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 analyzing the data, you may decide that you should restrict your marketing efforts to 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.
- With these conclusions in hand, you can then begin to develop your marketing plan (see Chapter 4).

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

PITFALL

Going it alone – opportunities are missed when the exporter doesn't investigate potential strategic partnerships, joint ventures and technology exchanges.

Understanding market types

Markets are often categorized into three types. Especially when you're at the screening stage of your research, understanding these classifications can help you focus on one (or several) markets. The types are:

TIP

Some countries have characteristics of both market types 1 and 2.

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.
- If you're not fluent in the language, you can work through a local partner to handle linguistic and cultural differences.

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

- Interpersonal communication skills, cultural sensitivity and linguistic fluency are vital to 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)

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

EXPORT MYTH

I can't compete overseas

That's not necessarily true. Even if your product or service has no obvious foreign market as yet, the world is a big place with many needs and appetites. After all, your business sells domestically, so why shouldn't it find customers abroad? And remember, price isn't the only selling point – other factors such as need, utility, quality, service, credit and consumer taste can make you competitive even if your prices aren't the lowest in the market.

The kinds of market research

The second step of your international market research may take different forms, because there are many ways to study a market. You might sometimes rely on a "gut feeling," and at others use sophisticated statistical techniques. The more detailed your research, however, the less likely you are to overlook something important. There are two main types of market research: secondary and primary.

Secondary research

You do this in Canada, using data 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.

Primary research

After completing your secondary research, you move on to the primary research phase. Here you collect market information through direct contact with potential customers or other sources.

Primary research almost always demands personal involvement through interviews and consultations. Your foreign or domestic contacts will be able to help you better if you state your company's objectives at the outset and present your questions clearly. For example:

- **Company Description** – give a *brief* 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. You'll get a better response if it's clear that you've carefully researched your subject.

Online resources

TCI's ExportSource at **exportsource.ca** is one of the best online 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, trade statistics, trade leads and potential partners.

The Canadian Trade Commissioners Service at **www.infoexport.gc.ca** will give you access to hundreds of market studies and country reports. Another resource to try is the International Business Opportunities Centre's e-Leads® system at **www.e-leads.ca**. After you subscribe, you'll receive regular e-mail information about foreign opportunities that match your subscription profile.

CanadExport at **www.canadexport.gc.ca** is another excellent source of current business news and market studies. It will also keep you informed about upcoming trade conferences and trade shows.

Profiling potential markets

Here's a checklist to help you summarize what you learn about a possible market. After you've created two or three profiles, you can compare them to see which one(s) present the best overall opportunities.

1. Market type

Specify:

- Type 1 (fast-paced, competitive)
- Type 2 (relationship-based)
- Type 3 (IFI-funded)

2. Political highlights

Describe:

- the government
- who's who
- major political themes
- relations with Canada, including agreements

3. Economic highlights

Describe:

- the domestic economy
- economic trends
- general imports and exports
- imports and exports to and from Canada

4. Business information

Specify:

- the currency
- the language
- business practices and regulations
- any differences in legal framework
- government procurement practices
- work relationships
- office hours

5. Partnering options

List:

- Canadian firms doing business in the target market
- major firms from the target market doing business in Canada
- options for local partners

6. Support for market-entry strategies

Identify:

- industry associations
- trade events in the target market
- other networking options
- trade media
- research facilities
- market research sources

7. Cultural considerations

Specify:

- greetings
- forms of address
- do's and don'ts
- cultural differences
- attitude toward Canadians
- general tips

8. Travel tips

Describe:

- visa or other requirements
- work permits needed
- business support services
- suitable hotels
- telecommunications standards
- tipping customs
- electrical voltage
- religious holidays

Reaching the Customer: Developing Your Export Marketing Strategy

"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."

– *Canada Export Award Winner*

Understanding export marketing plans

Long before you fill your first order, you'll need an export marketing plan. While you're developing it, remember not to confuse marketing with advertising, sales or promotion. Marketing is strategy. The other three are the tools your strategy will use to reach your target audience.

A good marketing plan should answer the following questions:

- According to your research, what are the characteristics of your target market?
- How do your competitors approach the market?
- What is the best promotional strategy to use?
- How should you modify your existing marketing materials, or even your product or service?

TIP

Successful companies concentrate on one foreign market at a time, moving on to the next only after succeeding in the previous one.

The many P's of international marketing

The *Four P's of Marketing* are commonly referred to as the marketing formula and include:

- **Product** – what is your product or service and how 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?

International trade, being more complicated, adds nine further P's to the list, resulting in the *13 P's of International Marketing*. They are:

- **Payment** – how complex are international transactions?
- **Personnel** – does your staff have the necessary skills?
- **Planning** – have you planned your business, market, account, and sales calls?
- **Paperwork** – have you completed all 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 export marketing plan

Because marketing is an ongoing activity, your marketing plan is a work in progress that you'll modify continuously. As you develop it, consider the following questions:

- What is the nature of your industry?
- Who are your target customers?
- Where are they?
- 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?

As for content, a good marketing plan is closely related to your export plan and should contain the following:

- **Executive summary** – state the purpose of your marketing plan. This provides 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.
- **Market analysis** – describe your target market in terms of size and trends. Include key economic, social, political and cultural characteristics, a profile of your target customer, buying patterns and factors influencing purchasing decisions.
- **Competitive analysis** – analyze the competitiveness of your product or service. This will help you to position it effectively in your target market, and to decide pricing and marketing strategies.
- **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 carry out 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 stages 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 goals, describing how they fit into your overall export plan.

TIP

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.

PITFALL

No translations – the exporter should be prepared to have documents translated into the language of the target market. Current and potential customers will appreciate it.

Setting prices

Strategic pricing is one of the most important factors in achieving financial success in your export business. Part of setting a realistic export price, and therefore an appropriate profit margin, is to examine production, delivery costs, competition and market demand. You should also understand the variables of your target market and other export-related expenses such as:

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

PITFALL

Poor market research – the exporter takes insufficient time to collect background information about the target markets, such as consumer demand, the competitive landscape, local import laws, customs requirements and other important factors.

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 Canada or the United States, while it is much lower for the rest of the world.

It's true that some products or services may create such a strong demand that even low per-capita income will not affect their selling price. Generally, though, simplifying products or services to reduce the selling price may be the best option in less affluent markets.

Remember that currency valuations affect affordability. Your pricing should try to accommodate currency fluctuations and the comparative value of the Canadian dollar.

Competition

In domestic markets, few companies can set prices without considering their competitors' pricing. This is also true in exporting.

If you have many competitors in a foreign market, you may have to match or undercut the going price to win a share of the market. If your product or service is new to a market, though, you may be able to set a higher price.

Pricing strategies

How will each market affect your pricing? To begin with, you have to include things like product modifications, shipping, and insurance in your calculations. And as mentioned above, you can't ignore your competitors' pricing.

Refer to your market objectives when setting your price. For example, are you trying to penetrate a new market? Looking for long-term market growth? Or pursuing an outlet for surplus production?

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 differ from your objectives for high per-capita markets.

This all means that you have several pricing strategies 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.
- **Marginal cost** – covering only the variable costs of production and exporting, while you pay overhead and other fixed costs 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 you've determined your costs and chosen your pricing strategy, establish a competitive price for your product or service that gives you an acceptable profit margin.

Promotion

The outcome of your promotional strategies can make or break your export venture. In this context, promotion refers to all the communications tools you use to convince people to buy your product or service. They are:

- **Advertising** – carefully select the media that have a wide circulation within your target audience. If few people have televisions, is radio a better bet? Or print?
- **Promotional materials** – you may need to redesign your marketing materials and packaging to remove elements that are inappropriate, offensive or meaningless in the target market. You'll also need to translate these materials into the native language, so be prepared to hire a professional translator with experience in commercial and business writing. And before you use the translation, have it double-checked by a native of the country.
- **Direct mail** – a targeted direct mail campaign can be very effective. Research and experience in your target market will help you build a base of potential buyers and clients to whom you can direct your company's message.
- **Media** – publicity via the media is a good way to establish awareness, profile and credibility. Prepare a media kit that introduces a profile of your company, new products/ services or newsworthy activities. 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 such contact in their business relationships. Your attention to it can impress your foreign contacts.
- **Trade shows** – attending or participating in international trade shows is an excellent promotional method. It also allows you to check out the competition and do market research. If it's difficult for your company to take part in a trade event, consider teaming up with other Canadian companies, or joining a federal or provincial delegation.
- **Internet** – it's generally assumed nowadays that a business will have a Web site. A well designed site can help your export venture in many ways, from promotion to customer service. Be prepared to commit time and money to keeping the site up-to-date, though – an outdated site can do your enterprise more harm than good.

TIP

Business people and customers in most foreign markets will appreciate your efforts to learn about their culture. Such efforts will probably result in them becoming more interested in doing business with you.

Marketing tools

Getting your marketing tools right is crucially important. Here's a list of things to remember about them:

Business cards should be:

- high quality and professionally designed;
- easy to read;
- in the appropriate language;
- consistent throughout your firm;
- distinctive and informative; and
- up-to-date and complete, including area codes, country, telephone and fax numbers, postal code, e-mail and Web site addresses.

Brochures should be:

- creative and appealing;
- informative and easy to read, highlighting your uniqueness;
- professionally designed and printed; and
- visually pleasing.

Customer testimonials should:

- show that your company is highly recommended;
- represent your best customers;
- be from top executives; and
- be included in your brochure.

News articles should be:

- clear in stating that your company is a recognized leader;
- quoted in your brochure;
- reproduced on your letterhead;
- displayed in your office; and
- sent to potential clients.

Videos should be:

- sophisticated and interesting;
- professionally produced;
- oriented to the quality and benefits of your product or service;
- clear and concise; and
- easily available.

Web sites must be:

- comprehensive and informative;
- professionally designed;
- visually pleasing;
- up-to-date;
- e-mail enabled; and
- capable of allowing online purchasing (if appropriate).

TIP

Be careful to look into the meanings that your name or corporate image may have in the target market. You don't want to discover, too late, that they are inappropriate in the local language or culture.

Marketing goods or services: How they're different

The following table outlines some of the differences between marketing services and marketing goods in an export environment.

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

Pricing checklist

Use this handy checklist to track your costs and develop your pricing strategy.

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

5 Opening the Door: Entering Your Target Market

"It's very important for new exporters to go to a target market personally and get a feel for local conditions. It's also important to partner with someone who's familiar with the local business culture."

– Exporter

Understanding entry strategies

A market entry strategy is nothing more than finding the best methods of delivering your goods to your market and of distributing them there. Or, if you're exporting services, it means setting up ways to obtain and manage contracts in the foreign country.

You can find help through the International Trade Centres at **itc-cci.gc.ca**. Located in every province in Canada, they can provide you with counselling, market entry support and market intelligence at no cost. And don't forget the Canadian Trade Commissioner Service at **www.infoexport.gc.ca**. It can provide you with lists of qualified contacts in your target market, from potential buyers to patent attorneys.

Market entry support for Canadian exporters

The Program for Export Market Development (PEMD) assists Canadian companies that have $250,000 to $10 million in annual sales. It's intended to increase exports of Canadian goods and services by reducing the burden of the costs associated with penetrating new export markets. You'll find it at **www.dfait-maeci.gc.ca/pemd**. Trade Routes, supports initiatives from organizations in the arts and cultural sector that are linked to the development and implementation of long-term strategies through export preparedness and international business development. See **www.canadianheritage.gc.ca/routes**.

Working out your entry strategy

Based on your market research, you've by now chosen the most promising markets for your product or service. Using what you know about these markets, you next decide which entry method best suits your needs. Some factors to consider are:

- 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 apply to your target market?

Methods of market entry

The traditional means of market entry fall into three broad categories: *direct exports*, *indirect exports* and *partnerships/alliances*. We'll examine each of these in the next three sections and then look at the question of intermediaries – agents, distributors, and other go-betweens.

1. Direct exports

This varies depending on whether you're selling products or services.

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

It has advantages because it can:

- give a higher return on your investment than selling through an agent or distributor;
- allow you to set lower prices and be more competitive; and
- give you close contact with your customers.

It also has disadvantages, because:

- you don't have the services of a foreign intermediary, so you may need longer to become familiar with the market; and
- your customers or clients may take longer to get to know you, and such familiarity is often important when doing business internationally.

2. Indirect exports

Again, it depends on whether you're selling products or services.

- For products, you market and sell to an intermediary such as a foreign distributor. You can also retain a foreign agent or representative who does not directly purchase the goods.
- For services, you contract with an intermediary who then negotiates and contracts on your behalf. For many new exporters, an intermediary may be the best way to enter a market.

3. Partnerships/alliances

Another option is a partnership at home or abroad. A well-structured partnership can benefit both parties in the following ways:

- Your partner can complement your capabilities and provide the expertise, insights and contacts that may make the difference between success and failure.
- Each company focuses on what it does and knows best.
- Both partners share the risk.
- You can pool ideas and resources to help keep pace with change.
- You can approach several markets simultaneously.
- Your partner may 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 form an alliance with a company that has a product or service that complements your own. Then you can save money by using the other company's distribution and marketing expertise.

PITFALL

Poor alliances – the exporter pays too little attention to the qualifications of a foreign agent or distributor.

TIP

International trade includes a number of other market-entry mechanisms, such as investments, joint ventures and licensing agreements. For guidance on these, visit the International Trade Centres Web site at **itc-cci.gc.ca**.

You develop a partnership strategy in three steps:

- Decide whether or not partnership can work for you. If your needs can be satisfied in-house, a partner may not be necessary. If you need financing, you may be better off looking for investors. But if you require special expertise or a local market presence, then a partnership might work very well.
- Define the form, structure and objectives that a partnership must have to suit your needs. To do this, evaluate your company's goals, its ability to achieve them, and where you need help in doing so. Then identify how the partnership must work in order to fill in those gaps.
- Find a partner who meets these criteria and who will be a good "fit" with your company.

Working abroad

Exporters of services should be aware of the personal and business issues involved if they are actually working outside Canada. The Department of Foreign Affairs and International Trade publishes a guide called *Working Abroad: Unravelling the Maze* to tell service exporters about potential problems and how to deal with them. Refer to **www.voyage.gc.ca/alt/working.asp**.

Intermediaries

While you may be sure that the direct-exporting route is best for your company, don't be too quick to jump on a plane and start knocking on doors. Think first about using a intermediary, because the right one can save you an enormous amount of time and money. They come in several types: agents, representatives, trading houses and distributors.

Agents and representatives

These two aren't exactly the same. An *agent* secures orders from foreign customers in exchange for a commission. A *representative* is a specialized agent who operates within a specific geographic area and who sells related lines of goods or services.

Both may be authorized to enter into contractual sales agreements with foreign customers on your behalf. Normally you pay them 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 usually less costly than setting up your own direct sales operation. Your representative can also make more frequent sales calls than you probably could. Finally, such an arrangement gives you control over the product or service and its price – an important advantage.

Good foreign agents or representatives can help you in many ways. They can research markets, advise on financing and transportation options, clear customs, provide access to potential customers, make collections, and supply information on local business practices, laws and cultural traditions.

TIP

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

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 market research, 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 specialize in specific industry sectors, while others focus on particular foreign markets.

If you prefer not to sell directly to foreign customers or worry about finding a foreign intermediary, you might consider using a trading house.

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.

A 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.

Choosing an intermediary

Canadian Trade Commissioners 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, you should visit the market to meet with them. Talk to several firms and be very sure to 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.

To evaluate a prospective intermediary in detail, use the checklist below. Be sure to tailor it to your company's particular needs and the characteristics of your chosen market.

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 yes, 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?

PITFALL

Poor distributor relations – the exporter treats foreign agents or distributors as minor partners, giving preference to domestic distribution channels.

TIP

The Internet may give you another market entry strategy – online sales and marketing via the Web. Chapter 9 examines this possibility in detail.

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?
- 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?
- Would it be willing to share expenses for sales personnel to attend seminars?

Customer profile

- What types of customers is it currently in contact with?
- Are its interests compatible with your lines?
- Who are its key accounts?
- What percentage of its total gross receipts do these accounts represent?

Principals represented

- How many principals does it currently represent?
- Would you be its primary supplier?
- If not, what percentage of its total business would you represent? How does this percentage compare with other suppliers?

Promotional thrust

- Can it help you research market information?
- What types of media does it use, if any, to promote sales?
- How much of its budget is allocated to advertising? How is it distributed?
- Would you be expected to share promotional costs? If so, how will this amount be determined?
- If it uses direct mail, how many prospects are on its mailing list?
- What printed material does it use to describe its company and the lines it represents?
- If necessary, can it translate your advertising copy?
- Does it have its own web site?

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

6

Delivering the Goods: **Identifying Shippers and Shipping**

"Time spent preparing before shipping your goods overseas means having your product arrive on time and at the right cost. Choosing the right shipping method is vital to your export success."

- Canadian SME Exporter

Rules, rules, rules

Trade and customs regulations abound in Canada and there are just as many abroad. Invariably, it seems that foreign rules are different from Canadian ones. You'll have to make sure you obey the target country's regulations, for example about safety standards and packaging. If you're a service exporter, this may also mean acquiring professional accreditation.

TIP

You can also submit the B13A electronically using the Canadian Automated Export Declaration (CAED) software. The Web page at **www.statcan.ca/english/exports** will get you started.

Export declarations

For details on the mandatory reporting of exports, go to the Canadian Customs and Revenue Agency (CCRA) Web site **www.ccra-adrc.gc.ca** and use the Forms and Publications Search to find Publication RC4116, *Exporting Goods from Canada*.

Speaking of forms, one you'll probably have to deal with is the CCRA 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.

PITFALL

Eyes too big – the exporter tries to enter too many different markets too quickly.

Export permits

Do you need an export permit? You do if the destination country is 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*. For information about export and import controls and permits, refer to **www.dfait-maeci.gc.ca/eicb**.

Delivering products

There are four ways of getting your product to your customer's doorstep. Choosing the right shipping method, or combination of methods, is vital to export success – you want the product to get there on time and at the right cost.

Truck – trucking is popular for shipments within North America. Even when you're shipping goods overseas, trucks often deliver the product to its final destination. The quality of 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 another possibility. 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, cheaper warehousing and better inventory control.

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

Using Incoterms

To provide a common terminology for international shipping and minimize misunderstandings, the International Chamber of Commerce developed a set of terms known as Incoterms. These are listed and described in the Glossary under "International commerce (INCO) terms."

Freight forwarders and brokers

You'll need to deal with a lot of documents when delivering products to foreign countries. However, you don't normally do it all yourself – you use freight forwarders and customs brokers.

Freight forwarders – a freight forwarder will help you improve your delivery times and customer service. Many specialize in arranging shipments to certain countries, while others concentrate on particular types of products. And if you're arranging financing through letters of credit, a good freight forwarder can help you clarify the conditions of the transaction.

These agencies will negotiate rates for you with shipping lines, airlines, trucking companies, customs brokers and insurance firms. If you want them to handle all your logistical requirements, they will. Or you can just have them negotiate a shipping rate; it's up to you.

Customs brokers – brokers clear 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.

Packing your goods

Since you want your products to arrive at your customer's door on time, in one piece and free of legal tangles, you have to take special care in packing, marking and labelling them. Here are some things to consider:

- Assume they'll have a bumpy ride, particularly if you're shipping them overseas with repeated loading and unloading. Pack them to survive rough-and-ready cargo handlers and poor roads.
- During transit, handling and storage, your goods may have to endure bad weather and extreme temperatures. If they need special temperature controls or other protective measures, be sure they get them.
- The type of shipping 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.
- Remember that proper packing can reduce the risk of theft during transit.

Two useful guides are Safe Stowage: *A Guide for Exporters* and Export Packaging: *A Guide for Exporters* are available at **www.infoexport.gc.ca/shipping/menu-e.htm**.

Marks and labels

Be sure 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. You must also include a packing list identifying the contents of each container, and all markings must agree with those on the bill of lading or other shipping documents.

If labelling, packaging or advertising restrictions apply to your goods, take them seriously. Your product may not clear customs if labels don't conform to local requirements for things like product weight or electrical standards.

You should note that the European Community and China have recently adopted legislation that requires 'marking' for many products sold there. For more information about the CE mark (Conformité Européenne) go to **www.delcan.cec.eu.int/english/4A1.cfm**. Information about the CCC mark (China Compulsory Certification) can be found at **www.cnca.gov.cn**.

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

- he buyer's name or some other form of agreed identification;
- he 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 or cautionary markings; and
- a packing list, plus one copy in each container, itemizing the contents.

Transportation insurance

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, you absolutely must have transportation insurance.

Marine transportation insurance protects both ocean- and air-bound cargo. It also covers connecting land transportation. 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.

The *Safe Stowage* guide, mentioned in the "Packing your goods" section above, has a full chapter on ocean cargo insurance.

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. Several documents are required for overseas shipping and fall into two categories.

1. Shipping documents

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

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

An ocean *bill of lading* is a negotiable instrument and as such can actually be bought and sold among parties. Who ever possesses the ocean bill of lading owns the goods. The other bills of lading, including the airway bill, are not negotiable. They are contracts of carriage whereby the carrier identifies terms, conditions and responsibilities to deliver the goods to the consignee without implications for ownership of the shipment.

Your shipment also needs an insurance document. Goods shipped by sea are typically insured for 110% of their value, to compensate for the extra costs involved in replacing lost goods.

2. 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 and 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, used to ensure that goods are free from defect, and
- import and export licences as required (for example, a NAFTA certificate of origin).

You can check **exportsource.ca** for resources on documents and other shipping needs.

Delivering services: How it's different

The challenges of delivering services to a foreign market are just as complex as those of delivering products. They're different challenges, though, and often depend on factors in your target market such as the:

- 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; and
- ability to satisfy legal regulations governing work permits or professional certification.

You'll most likely be delivering your services by one of the following methods, or a combination of them:

- **Provider visits client** – this is the method most commonly seen as an export activity. You will probably need to meet the client repeatedly, often at the site.

- **Client visits provider** – the classic example is tourism. Every year, thousands of Canadians earn good income by meeting the needs of foreign visitors.

- **Establishment in the market** – large firms are most likely to use this method, but it's an important possibility if you want to become a major player in a market. Legal and accounting firms and major banks are examples of businesses that establish their presence abroad.

- **Electronic delivery** – electronic delivery has expanded dramatically with the availability of modern communications technology such as the Internet. An obvious example is the increasing global importance of e-business.

You can get more information about the exporting of services by visiting "Take a World View" at **exportsource.ca/worldview**.

7 Paying Your Way: Planning Your Export Financing

"It's important to be diplomatic, especially when 'securing payment' for overseas sales. Demanding payment up front can be a terrible insult in some cultures."

– Exporter

TIP

Be prepared to meet increased demand from a successful foreign sale. Don't forget to plan how you'll adapt your product or service to the needs and tastes of your target market.

Understanding the risks of export financing

Imagine that you've just received your first international order for your product or service, and to your astonishment it's far, far larger than you expected. Suddenly you realize you're going to need more production capacity to fill it – but how are you going to finance the expansion you need? You can't do it from the export sale, because your buyer will likely want a 30-, 60-, 90-day, or even longer payment plan, and possibly will ask for financing assistance as well. And what if the company defaults or goes out of business before paying you?

Such risks mean that self-financing a growing export business can be very risky, especially for new or smaller exporters. Fortunately, however, financing options exist that can minimize your risks and even give you a competitive edge. For example, many new exporters may be able to offer their foreign customers competitive loans or financing terms through Export Development Canada (EDC).

A resource that will also help you here is TCI's *Export Finance Guide*. You can obtain it at **exportsource.ca/finance**.

EXPORT MYTH

I can't afford to export

Yes, you can! It's true that you'll need to market your product or service abroad and that you may have to expand capacity to fill foreign orders, but this won't necessarily demand large capital outlays and a lot of new staff. Sources such as TCI, EDC, BDC and the Canadian Trade Commissioners will be happy to furnish all kinds of inexpensive help, from market entry support to the provision of working capital.

Planning your export finances

There are lots of stories about small firms finding overnight success in the export market. Most profitable export ventures, however, are built with sustained effort over relatively long periods of time.

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. Because of this, your export drive will need the financial stability and strength that comes from a reliable cash flow. You will also need a comprehensive financial plan for the export venture. If you don't have one, it will be very difficult to arrange the financing the venture may need.

The most important objective of your plan, however, is ensuring that your company always has sufficient cash or operating lines of credit. To do this, the plan must include:

- **A cash budget** – this highlights your financing requirements over the next two or three years, so you can determine the timing and amount of your cash expenditures.
- **A capital budget** – this is a longer-term cost-benefit assessment of your export objectives. It provides an overview of the funds you'll need to complete your export project and provides an operating plan against which you can measure actual expenditures and revenues. It also tells you when the project will start generating positive cash flows.

With respect to cash, you'll need to know the timing of both inflows and outflows. Cash flow planning can help you defend against such problems as:

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

These segments of your financial plan relate mainly to your company's current financial situation, and accurate details are important to the overall effectiveness of your export plan.

TIP

Remember that international trade payments usually take longer to arrive than domestic ones, so allow for this in your cash flow planning.

Where to get financial help

There are at several major sources of financial aid for exporters: Export Development Canada, the Business Development Bank of Canada, the Canadian Commercial Corporation and the Program for Export Market Development (PEMD).

Export Development Canada's working capital solutions

EDC's Pre-shipment Financing Program is designed to help you finance work-in-progress needs related to a product that will ultimately be exported. You may also be able to obtain additional working capital by applying for the Master Accounts Receivable Guarantee (MARG). MARG uses the security of an EDC guarantee to increase the availability of operating-line financing secured by foreign accounts receivable. If your foreign buyer needs financing, EDC may provide a direct loan for this purpose. Alternatively, EDC can arrange such financing through lines of credit or promissory note purchases.

Finally, if your buyer requires you to post a bond, EDC can help you obtain surety bonds or bank letters of guarantee, and can also insure you against the risk of wrongful call on the bond.

To find out more about these services, go to EDC's Small Business Services at **www.edc.ca/smallbusiness**. You'll also find EDC's online services useful; they're at **www.edc.ca/online**. Finally, for personalized help, you can call EDC at 1 866 260-4446.

Business Development Bank of Canada (BDC)

BDC can help you meet your working capital needs through long-term financing and flexible repayment options. Call a representative at 1 877 232-2269 or visit them at **www.bdc.ca**.

CCC (the Canadian Commercial Corporation)

CCC is an export contracting agency established by the Canadian government. It offers the Progress Payment Program (PPP), which can provide financial resources for your export contract through commercial lenders. For more information, visit **www.ccc.ca/services/eng** and scroll down to the PPP section.

Program for Export Market Development (PEMD) and Trade Routes

Don't forget that you may get financial assistance from the two market entry support programs mentioned in Chapter 5: PEMD and Trade Routes. Refer to **www.dfait-maeci.gc.ca/pemd** and **www.canadianheritage.gc.ca/routes** respectively for more information.

TIP

When you're researching your export financing, don't forget to investigate TCI's ExportSource Web portal at **exportsource.ca**. It has links to international, federal and provincial bodies that offer financial information and assistance to both new and experienced exporters.

Finally, it's payday

There are several common ways for customers to pay an invoice in international trade: cash in advance, letter of credit, documentary credit, documentary collection, and open account. We'll examine them in order of increasing risk to your company.

Cash in advance

Cash in advance is your most secure option, since it eliminates all risk of non-payment and adds to 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 upon signing a contract, after which progress payments are matched to deliverables.

Letter of credit

Letters of credit (LCs) provide some security to both the importer and exporter because they rely on banks to receive and check shipping documents, and to guarantee payment. An LC 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.

Letters of credit can be *confirmed* or *unconfirmed*. For example, a Canadian bank can *confirm* an LC issued by a foreign bank, thus guaranteeing that the Canadian bank will pay the exporter even if the foreign bank doesn't. This kind of LC is obviously much better for you than the unconfirmed one.

LCs can also be *irrevocable*. This means it can't be cancelled or amended without your approval. The most secure form of an LC is one that is both confirmed and irrevocable.

However, letters of credit aren't foolproof – you should examine them carefully before accepting one. Check them as follows:

- 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?
- Are 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.

PITFALL

Low priority – the exporter uses foreign markets as a backup to the domestic market and abandons exporting when the local economy booms.

Documentary credit

Exporters can also use *sight* and *term* documentary credits, as follows:

- 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.

Documentary collection

In a collection, you ship goods to an importer (your customer) and forward the shipping documents to a collecting bank. Next, the customer pays the collecting bank in exchange for the documents. You then obtain the money from the bank.

With a collection, you're exposed to the credit risks associated with the importer until you actually get the money. In other words, no bank has guaranteed that you'll get paid, and you're required to finance the shipment until your customer receives the goods and pays through a sight or term draft.

Open account

Open accounts require you to ship goods and pass title to the customer before payment is made. In these cases, you're fully exposed to any credit risk associated with the customer until payment is received. In addition, because open account terms usually allow 30, 60, 90 days (or even longer) before payment is due, you effectively finance the transaction.

Insuring against non-payment

Imagine this: you assumed your foreign purchaser was reliable, but something has gone seriously wrong at his end and now he can't, or won't, pay. If the future of your company hangs on the deal, this is a nightmare scenario. Even if it wasn't, the impact of non-payment can be severe and lasting.

You can protect your company from such a disaster through Export Development Canada's Accounts Receivable Insurance. It covers up to 90 per cent of the value of a sale when the customer doesn't pay. For details on this, and also for information about insurance against political risks, go to **www.edc.ca/insurance**.

The Fine Print: **The Legal Side of International Trade**

"It takes years to build a market, but only days to lose it."

– Canada Export Award Winner

Understanding international contracts

Once you and your client have agreed to the deal, you'll need to draw up a contract to cover the transaction. In essence, this means that one party makes an offer and the other accepts it. The arrangements governing this exchange constitute the contract and can be legally enforced.

In international trade, however, contractual arrangements can be much more prone to complications than domestic ones. You and your customer are usually from different countries. Language barriers may cause misunderstandings. Cultural and geographical impediments may crop up. Words may have different meanings in different places.

Most important, you both may be used to different laws and business practices. This is why international business contracts must be precise, specific and all-encompassing. This will go a long way toward reducing misunderstandings, misconceptions and disputes.

For further protection, it would be a *very* good idea to find a legal professional who specializes in international trade. This will help you sidestep pitfalls of regulation and law and, if necessary, resolve disputes. You, yourself should try to acquire some knowledge of international conventions, the business laws governing your target market, and trade agreements that may exist between this market and Canada.

EXPORT MYTH

Exporting is too risky

It doesn't have to be, because you can reduce risk to a safe level. Letters of credit will ensure that you get paid. Export credit insurance programs can protect you against customers who default on their loans. Reference checks through banks and international credit reporting agencies can detect a potential for fraud. Trade laws tend to be straightforward and legal advice about them is easily available. Exporting doesn't need to be more risky than doing business at home – it's just different.

Understanding the "proper law"

Certain basic issues are common to all international contracts, but the most fundamental principle is that of the "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 certain rights, whereas under another law they may have no rights. You absolutely must, therefore, establish from the outset which law is the "proper law."

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; and
- enforcing foreign judgments.

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

TIP

The Corruption of Foreign Public Officials Act, adopted by Parliament in 1999 makes it a criminal offence to bribe a foreign public official in the course of business. For more information visit the Department of Justice website at **http://canada.justice.gc.ca/en/dept/pub/cfpoa/guide5.html**

Meeting international standards

There are standards for almost everything, from the ingredients in food to the certification of electrical equipment. If you're an exporter, you need to ensure that the standards you use in your export product or service are in compliance with those of your intended target market.

Adopting international standards will bring you at least three major benefits. First, it will increase your competitiveness in the global marketplace, which translates into faster, easier access to foreign markets. Second, compliance with standards will make it simpler for you to exchange technical information with experts in other countries. Third, you'll avoid the cost and bother of testing and recertification when you move into a new market.

The best place to learn about standards is the Standards Council of Canada (SCC) at **www.scc.ca**. The SCC manages Canadian contributions to the two chief international standards forums, the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), which publish standards in a wide variety of fields.

Standards are constantly changing and exporters need to be up-to-date on these changes. The SCC can help you through its Export Alert! program, which provides you with automatic email notification of proposed regulatory changes in global markets. Two other SCC tools that you may find useful are RegWatch, a database of standards referenced in federal legislation, and Standards Alert!, which allows you to monitor Canadian, ISO and IEC standards and get automatic notification of changes. For more information, refer to **www.scc.ca/online/index_e.html**.

Contracts for the sale of goods

A contract covering the sale of goods involves you (the seller) transferring or agreeing to transfer goods to the buyer, in return 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. Furthermore, the fact that money changes hands distinguishes a sale of goods from other transactions, such as barter or counter-trade.

Transfer of title and the effects of transfer

Several things hinge on the exact legal moment when the buyer takes ownership of the goods (in formal terms, when title passes or is transferred from you 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 your buyer from rejecting the goods, despite valid complaints regarding quality, quantity or description.

Price – once your buyer takes title, you can sue him or her 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 the goods

You must deliver the goods to your 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.

Your 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).

Note that if the contract does not specify the place of delivery, then the place of delivery is understood to be your place of business. In this case, the delivery is considered complete when you deliver the goods to a carrier.

Acceptance or refusal of goods

If you meet all the conditions of the contract, your buyer must accept the goods. Refusal to accept them without justification gives you the right to sue for damages. But if you breach a condition of the sale, the buyer can legally reject the goods.

Upon request, you must allow your buyer to examine the goods. The buyer can accept or reject them by:

- conveying his/her acceptance to the seller;
- 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 you have breached a condition of the contract.

PITFALL

Rigid practices – the exporter balks at modifying products in compliance with foreign regulations and cultural preferences.

Unpaid seller's rights

Your best protection as seller is payment in advance or upon delivery. Next is payment by confirmed letter of credit (preferably irrevocable). If neither is possible, then you should take out security for the unpaid purchase price. This can take several forms, 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.

Contracts for the sale of 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 facilities to be made available to the client;
- the date on which the provision of service is to begin and end;
- the payments to be made;
- the benchmarks or dates when payments are to be made;
- the 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 provide the agreed personnel, information or facilities;
- conditions for holdbacks;
- conditions for the return of bid or performance bonds or guarantee; and
- procedures for resolving disputes.

Protecting intellectual property rights

Intellectual property (IP) is a collective term used to refer to laws that protect new, inventions, designs, writings, films, and so on, which are protected by copyrights, patents, industrial designs, trade-marks or integrated circuit topographies.

Always protect your creations. Even if you already have secured protection for your intellectual property in Canada, you should consider seeking similar protection in your target market or where you will find manufacturing competition. Intellectual property laws, however, can be complex, so you should obtain the advice of professional legal counsels and/or IP agents.

If selling or using your IP outside of Canada, learn about the laws in the countries of interest. To protect your IP rights in Canada, you should establish ownership with the Canadian Intellectual Property Office (CIPO) at **www.cipo.gc.ca**. Links to foreign IP Offices can also be found on the site.

The cost of securing and maintaining foreign patents is high. However, because Canada is a member of the Patent Cooperation Treaty (PCT), you can use just one patent application, filed in Canada, to file applications in over 100 member countries.

Here's how you can protect key elements of your intellectual property:

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

- **Copyrights** – literary, dramatic, music, artistic, performer's performance, communication signals, and sound recordings are protected for, in most cases, the life of the author plus 50 years. Copyright is automatic and acquired upon creation, so registration is not mandatory. However, registration of copyright provides presumption of rights if there's a court dispute.

TIP

If you export intellectual property, be aware of those countries that don't uphold intellectual property laws. Taking legal action against violators in such countries can be very difficult. For details, consult CIPO at **www.cipo.gc.ca**, or a professional specializing in IP issues.

- **Trademarks** – these are words, designs, or a combination of them that you use to distinguish your wares and/or services from those of others. A trade-mark 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 should ensure that no one else has registered, is awaiting registration, or is using a trade-mark or trade name similar to yours.
- **Industrial designs** – protection is for the visual features of shape, configuration, pattern, ornamentation, or a combination of these, of a finished manufactured product. Unless you have a registered industrial design, you cannot make a claim of ownership or protect the design against imitations. Registration gives you exclusive rights for up to 10 years.
- **Integrated circuit topographies** – protection is for the three-dimensional configuration of the electronic circuits used in microchips and semiconductor chips. Registration offers exclusive rights for up to 10 years on original circuit designs. Protection can extend to the layout design as well as to the finished product.

Online intellectual property information

In addition to CIPO, several Web sites offer information on intellectual property issues. Check the CIPO web site for links to other informative IP sites. Three of them are:

- the World Intellectual Property Organization at **www.wipo.org**;
- the Intellectual Property Institute of Canada at **www.ipic.ca**; and
- the World Trade Organization at **www.wto.org**.

TIP

When you set up a Web site, you first have to register its URL (such as **exportsource.ca**) which you can do if nobody else has registered it. However, simply registering the URL doesn't necessarily give you secure ownership. To make sure your use of the URL isn't challenged by another party, the best thing to do is file for a trademark as soon as you've made your choice.

9

Networking the World: **E-Business for Exporters**

> "Since adopting our new e-business strategy, our company's success at home and abroad has significantly increased.
>
> *- Canadian SME Exporter*

Understanding e-business

According to the definition of the Canadian Business Service Centres, "e-business means conducting business on the Internet, including buying and selling products and services, providing customer service and collaborating with business partners."

You can also think of e-business as falling into two broad categories: "business to business" (B2B) and "business to customer" (B2C). In B2B, as the name suggests, the electronic transactions flow mostly between companies. In B2C, the electronic transactions connect a business to its retail customers.

This chapter assumes that your business already has a Web presence that makes you a potential exporter of goods or services through the Internet. If you don't have a Web presence yet, there are many sources of information about establishing one. A good place to learn the basics is Industry Canada's ebiz.enable Web site at **www.strategis.gc.ca/ebizenable**.

E-business or e-commerce?

A distinction has also evolved between e-business and e-commerce. *E-commerce* generally refers only to online financial transactions. *E-business* includes online financial transactions along with many other types of information exchange, such as online servicing of customers or communication with business partners.

E-business applications and benefits

E-business has many applications, including sales, customer relations, finance, market research, market intelligence and procurement. Some of the benefits these applications can bring to exporters are:

- reduction of the time needed to deliver and update information about products or services;
- flexibility and adaptability of online marketing and advertising;
- customer access to your products or services 24 hours a day, every day of the year;
- faster responses to customers' needs;
- more efficient ordering and order processing;
- easier access to intelligence about export essentials such as demographics, market characteristics and competitors;
- electronic rather than physical delivery of certain products and services; and
- access to world markets, leading to more export opportunities.

Of course, using an e-business model to support an export venture doesn't do away with the traditional side of exporting. You'll still have to deal with matters like shipping, customs regulations and work permits, just as you would if you were doing business without the Internet. Seen from this angle, e-business hasn't changed exporting all that much. What it has done is make all kinds of export-related communication and connection much easier.

TIP

Export regulations apply to e-business just as they do to traditional business. If you currently need an export permit to sell your product outside Canada, using the Internet won't change the requirement.

Assessing your e-business potential

If you're going to succeed in e-business, you have to start with a clear-sighted evaluation of your company's e-business potential. You could try to work this out from scratch, but it's easier to use Industry Canada's *e-Business Readiness Diagnostic Tool*. You can access this feature through the Industry Canada Web site referred to on page 41, via the link labelled Assesing Your Business. The questions encourage you to think about issues such as:

- **Your company** – what current structure, customer base, and partnership networks do you have? Do you have a Web presence? Who are your target customers? Do they use the Internet?
- **Your strategic context** – your e-business strategy needs to be developed in the context of your overall corporate objectives. For example, do you want to increase profits, increase market share, expand your customer base or enhance customer service?
- **Accessing online resources** – do you use online resources to track competitive trends, identify technologies you might use in your operations and identify potential new customers?
- **Online procurement** – does your company contract for online support services such as credit card payments and customer service? Do you obtain materials, supplies and equipment through online sources?
- **Your online presence** – what information does your Web site provide? How do you use it? How can your customers use it? How do you maintain the site?
- **Online interactivity** – how do your customers primarily interact with your business? How do you acquire new customers? How well has the Internet penetrated your target markets? How do you collect customer feedback?
- **Operational preparedness** – has your company mapped its core processes and documented its design and production functions? Are your operating policies and procedures documented in electronic format? Do you have an intranet?
- **Integrated operations** – can your internal operations support integrated customer service? Do you have a documented quality assurance plan in place? Can your production processes be expanded quickly?
- **Integrated service delivery** – how effectively can you provide seamless, one-stop customer service that is personalized and customized?
- **Extended boundaries** – how easily can you include external partners to help you meet customers' needs? Do you work with customers in the U.S. and Canada, or in developed or developing countries? Do you use electronic tools and resources such as extranets or e-marketplaces to work with your partners?

At the end of the diagnostic, you'll get a detailed analysis of how ready you are to adopt e-business for your export operations. The tool will also give you recommendations for improving your competitiveness in this venture.

TIP

The Business Development Bank of Canada (BDC) has two more diagnostics you may find useful. Go to **www.bdc.ca**, click the E-Business link and then choose either the E-Business Readiness Diagnostic or the E-Business Relevancy Diagnostic from the menu. BDC also offers its E-Strat service to help companies develop their e-business strategies.

Web site suitability

Depending on your product or service, your needs and your objectives, your company's Web site might do any or all of the following:

- provide information that will attract potential customers to your product or service;
- provide an online catalogue and a secure electronic means for your customers to order and pay for your goods or services;
- provide your customers with access to their invoices and records of orders; and
- serve as a marketing tool for your products or services.

Doing this properly, if you're an exporter, means that you have to adapt your Web site to suit your target market. This is called *localization*.

Language is probably the most important issue in localization. If you want to sell to someone, you'll more likely succeed if you use his or her native tongue – even if that person is also fluent in English. This means that an exporter's Web site, or at least part of it, has to speak the same language as its target market.

Completely translating a Web site can be expensive, so you may prefer to begin by localizing only the most important pages. But be sure to use professional translators familiar with the target market and the target language.

Other suitability issues to consider are branding, currency denomination and payment methods. Branding that reflects the market's customs, laws and traditions, as well as language, will make a potential buyer feel more at home. Using local currency for pricing, shipping and tax calculations will do the same and will allow customers to compare prices more easily. Related to this is the ability to accept payment in local or U.S. funds, and to do so efficiently and simply.

TIP

To be truly international, a Web site should be accessible in English, French, German, Japanese and Spanish. A possible exception is sites that deal primarily in technical information, which is commonly written in English and is understood by buyers in most countries.

The technical issues of e-business

You may have already set up your Web site yourself, using your own hardware and staff to develop and maintain it. However, because of the demands that international e-business can place on a system, this may not be the best solution for your move into Internet-based exporting.

Security, for example, is very important in persuading other companies or retail customers to do business with you. This means that your e-business systems must have some or all of the following security mechanisms:

- Secure Sockets Layer (SSL) technology;
- software and hardware firewalls;
- physical site security;
- secure payment systems;
- data encryption;
- server certificates;
- digital certificates for authenticating the parties to an online transaction; and
- personal certificates to authenticate secure email.

If you are a small- or medium-sized enterprise, it may be much more effective to outsource your e-business needs to a hosting company. These Application Service Providers (ASPs) are professionally equipped to set up hardware, software and security systems that can provide many online tools, including those for:

- customer transactions;
- trade negotiations;
- foreign exchange services;
- credit protection; and
- financial operations such as accounts receivable.

Finding e-leads

Your potential e-customers may be out there, but how do you connect to them? There are several mechanisms for tracking down business leads and opportunities. The major ones are:

- **Trade lead services** – these services match buyers to sellers. One example is the International Business Opportunities Centre's e-Leads® service at **www.e-leads.ca**. When you subscribe, the system matches export leads with your export interests and sends you a notification by email.
- **International marketplaces** – these are Internet-based electronic marketplaces where buyers and sellers can find each other. Many are industry-focused and have the backing of major companies in the industry. They offer you a variety of tools, such as posting requests for quotations or displaying online catalogues. You'll find one example at **www.sourcecan.gc.ca**.
- **Search engines** – be sure your Web site is listed with major international search engines such as Google and Yahoo. Your hosting service or Web developer will do this for you.
- **B2B exchanges** – most of these exchanges specialize in sectors like metals, apparel and forest products. They are a source of e-trade leads and may give you a more secure e-business environment than the online international marketplaces can provide.

Checking e-leads

The precautions you use in traditional exporting, in verifying the trustworthiness and stability of a potential export customer, for example, also apply to the world of e-business. Some guidelines are:

- Be sure you know who you're dealing with. Always verify addresses and avoid doing business in countries that are known for fraud. If you can't identify a potential customer or the country of origin of an order, don't proceed with the deal.
- Other characteristics of the potential customer's country are also important. How good is its communications infrastructure? How stable are its financial systems? What level of political risk does it represent? As in all export operations, due diligence is an essential precondition of success.
- Market research is a key component of evaluating e-leads. The principles of market research are the same for e-business exporting as they are for traditional exporting.
- Credit assessments are as important in e-business as anywhere else. Credit card fraud is on the rise, especially in certain parts of the world, so be doubly careful when dealing with credit card purchases from these regions.

Shipping and documentation

The Internet hasn't done away with the physical movement of goods or the documentation that goes along with them. It can, however, let you transmit documents electronically, which is much faster than moving the information around on paper and is just as secure. Internet tools and systems can also give you better control of your shipping logistics.

Rather than trying to deal with document transmission or logistics management yourself, you'd likely be better off to obtain the service of an ASP specializing in this area. These companies can help you with the online implementation of processes like freight forwarding, securing insurance and clearing customs.

Getting paid

An e-business exporter can, of course, receive payment by any of the traditional methods. Retail customers, though, tend to pay by credit card.

However, sometimes credit card payment is not possible or advisable. In this situation, you might consider using the services of a company that, for a transaction fee, obtains the customer's payment and then remits it to you. These specialized businesses often integrate their payment systems with services such as:

- creation of online storefronts including catalogues, stock control and order processing;
- fraud protection;
- multilingual and multicurrency support;
- letters of credit; and
- online, real-time transaction processing.

Providing customer support

Support for your customers is crucial to ensuring repeat business. You can do this, of course, through traditional methods such as telephones, faxes and the postal system. However, fast response to customer concerns is so important that you might be wise to invest in *electronic customer relations management* (eCRM). Several ASPs specialize in this area and may provide the services you need more economically and effectively than an in-house solution.

E-business solutions can give you a competitive edge in the export market through more efficient communications, cheaper ways of marketing your product or service, better customer relations, lower distribution costs and more effective ways of finding business opportunities. E-business has great potential, and you owe it to yourself and your company to look into it. It may be exactly the export strategy you've been looking for.

Protecting privacy and personal information

Canada's Personal Information Protection and Electronic Documents Act (PIPEDA) sets the rules that a business must abide by when it collects, uses or discloses personal information in the course of commercial activity. These rules will be fully in force as of January 1, 2004 and Canadian companies must comply with them from then on. Organizations subject to a provincial law that has been deemed substantially similar to the PIPEDA will be exempt from its requirements for all intra-provincial transactions. You can obtain more information about privacy issues from the Web site of the Privacy Commissioner of Canada at **www.privcom.gc.ca**.

Appendix A: **Your Exporting Checklist**

Here's a checklist you can use to track the general progress of your exporting venture, or simply to get an overview of the whole process.

1. Planning and preparing

Whether you export goods or services, many of the following preparatory steps will be similar:

- Research the market using techniques and resources such as described in this guide.
- Visit or call the International Trade Centre in your province for information on trade opportunities and market intelligence from around the world.
- Ask the Canadian Trade Commissioner in your target market for help in assessing your market prospects and to provide you with a list of qualified contacts.
- Visit cities in the region and talk to potential buyers and intermediaries.
- Request a face-to-face briefing with the Canadian Trade Commissioner in the region to discuss the latest developments in the market.
- 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.

TIP

If you've decided to mount your trial run in the U.S., choose a specific regional market as your focus.

2. Making the deal

The following summarizes the way you arrange a deal and ship goods to your buyers. If you're a service exporter, of course, you won't have to deal with documentation, freight forwarding, shipping or customs clearance.

Check references of prospective customers

Whether you're dealing with end users, retailers or intermediaries, check their references. Using other Canadian exporters, commercial banks, people in the industry, or your Canadian Trade Commissioner, do the following:

- verify the prospect's credit rating;
- talk to other exporters who have had dealings with the prospect;
- ask the Canadian Trade Commissioner in your target market to provide you with information on the prospect; and
- verify the prospect's business profile.

Visit prospects

Visits to important prospects in your market(s) are strongly recommended because they let you gather insight into the prospects' needs. Before leaving Canada, though, ask the Canadian Trade Commissioner in the market you're visiting to provide you with advice on timing and organizing your trip.

Finalize the sale

Finalization normally begins when your sales department receives a purchase order from the buyer. You should respond with an acknowledgment of the order or a sales confirmation. Be sure to confirm the following details:

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

Prepare a letter of credit (LC)

This works as follows:

- 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, in company 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, and that 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 forwarder involvement

Your freight forwarder prepares the following documents and delivers copies to you, your buyer and your commercial bank:

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

Shipment

The shipment process works like this:

- Your freight forwarder sends the goods to the carrier.
- Your customer receives all relevant documentation, allowing the shipment to clear customs.
- The goods clear customs at the destination entry point.

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.

B

Appendix B:
Team Canada Inc Members and Partners

About Team Canada Inc

The mandate of Team Canada Inc is to help Canadian businesses succeed in world markets, no matter whether they're potential, beginning or experienced exporters. Building on the cooperation of all levels of government, we're your gateway to a host of services, resources and tools that deal with every aspect of exporting.

Do you need export counselling? We can direct you to advisers who know the international potential of your particular industry or service.

How about financing? Our members and partners can deal with all your needs, whether it's an innovation loan or accounts receivable insurance.

Looking for market intelligence? We know where you'll find the latest facts and figures for every economy and country on the planet.

In other words, Team Canada Inc and its member organizations can help you with just about anything your export venture requires. Call us at 1 888 811-1119 or visit our Web site at **exportsource.ca**.

Wondering about the difference between Team Canada Inc and Team Canada? The former provides resources to help Canadian businesses export successfully. The latter organizes the Prime Minister's trade missions abroad.

Team Canada Inc Members

Agriculture and Agri-Food Canada
ats.agr.ca

Atlantic Canada Opportunities Agency
www.acoa.ca

Business Development Bank of Canada
www.bdc.ca

Canada Customs and Revenue Agency
www.ccra-adrc.gc.ca

Canada Economic Development
www.dec-ced.gc.ca

Canada Mortgage & Housing Corporation
www.cmhc-schl.gc.ca

CCC (the Canadian Commercial Corporation)
www.ccc.ca

Canadian Heritage
www.canadianheritage.gc.ca

Canadian International Development Agency
www.acdi-cida.gc.ca

Department of Foreign Affairs and International Trade
www.dfait-maeci.gc.ca

Environment Canada
www.ec.gc.ca

Export Development Canada
www.edc.ca

Fisheries and Oceans Canada
www.dfo-mpo.gc.ca

Indian and Northern Affairs Canada
www.ainc-inac.gc.ca

Industry Canada
www.strategis.gc.ca

National Research Council
www.nrc-cnrc.gc.ca

Natural Resources Canada
www.nrcan.gc.ca

Public Works and Government Services Canada
www.pwgsc.gc.ca

Statistics Canada
www.statcan.ca

Transport Canada
www.tc.gc.ca

Western Economic Diversification Canada
www.wd.gc.ca

Provincial/Territorial Partners

British Columbia Ministry of Competition, Science and Enterprise
www.gov.bc.ca/cse

Alberta Economic Development
www.alberta-canada.com/export

Saskatchewan Trade & Export Partnership
www.sasktrade.sk.ca

Manitoba Trade & Investment Corporation
www.manitoba-canada.com

Ontario Exports Inc.
www.ontarioexportsinc.com

Québec : ministère du Développement économique et régional
www.mic.gouv.qc.ca
1 866 INFOMIC

Business New Brunswick
www.gnb.ca/0398

Nova Scotia Business Inc.
www.novascotiabusiness.com

Prince Edward Island Business Development
www.peibusinessdevelopment.com

Newfoundland & Labrador: Industry, Trade & Rural Development
www.success.nfld.net

Nunavut: Department of Sustainable Development
www.gov.nu.ca/sd.htm

North West Territories - Investment and Economic Analysis
www.gov.nt.ca/RWED/iea/index.htm

Yukon Economic Development
www.economicdevelopment.gov.yk.ca

Other Key Partners

Regional Trade Networks

Municipal governments

Business and trade associations

Educational institutions

Private sector export service providers

Appendix C: Glossary of International Trade Terms

Exporting is more complex than selling in a domestic market. You'll know better what's going on if you understand some key trade expressions, techniques and requirements. Among these are:

- 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; and
- 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.)

Counter-Trade: 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 at **www.iccwbo.org/index_incoterms.asp**.

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 (CIF): 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 : 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 53) 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 53).

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.

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.

Bid Bond: When an exporter is bidding on a foreign contract, a bid bond guarantees that the exporter will take the contract if the bid succeeds. An exporter who refuses the contract must pay a penalty equal to the amount of the bond.

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.

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.

Letter of Credit: An instrument issued by a bank on behalf of an importer that guarantees an exporter payment for goods or services, provided the terms of the credit are met.

Letter of Credit (Confirmed): 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 letters of credit as a form of payment.

Letter of Credit (Irrevocable): A financial institution agrees to pay an exporter once all terms and conditions of the transaction are met. No terms or conditions can be modified without consent of all parties.

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.

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.

1 888 811-1119 exportsource.ca

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