

# Stepping-stones to Exporting — Continued from page 1

- **Select and research target foreign markets**

If you conclude that exporting makes sense for your business, the next step is to research foreign markets. Don't try to enter several foreign markets at once. Better results will come from concentrating your efforts on one or two specific markets that offer the best potential. An initial screening can help to identify these. Having selected a particular market as worthy of further scrutiny, you must then consider such issues as product potential, tariffs and non-tariff barriers, and local distribution options. You will need information about the size of the market for your product, who supplies it, and key competitors. For most small Canadian companies, especially those new to exporting, the United States is the most accessible and attractive initial export market.

- **Learn the technical and financial elements of exporting**

You need to become familiar with the principal trade terms and techniques relevant to exporting, as well as with the financial aspects of exporting. Overseas shipping, for example, requires selection of an optimal transport mode, proper packing and marking of goods, and preparation of various documents. An international freight forwarder can provide valuable assistance in arranging export documentation, insurance and transport.

- **Assess market entry/distribution alternatives**

Once you have assembled a picture of the target market for your product or service, you are in a position to assess possible entry and distribution options. The main options are direct sale to foreign distributors or end-users using your own sales force; using a foreign agent or representative; relying on a Canadian-based intermediary; or some

form of direct investment or joint venture in the target market. Each option has advantages and disadvantages.

- **Determine your price**

For exporting to make business sense, your price must cover your costs and yield an acceptable profit. The factors you must consider in setting an export price include your domestic costs, costs associated with exporting, market demand, and your desired profit margin. A number of different formulas can be used. In export pricing, you must take into account such factors as tariffs, foreign sales taxes, exchange rates, and insurance and shipping costs.

- **Promote your product**

Well-planned promotion is a key element of success in any new market. In export promotion, it may be necessary to modify your packaging or advertising to account for foreign tastes or climatic factors. The main vehicles for promoting your product or service are trade and business journals, catalogues, direct mail campaigns, and participation in trade shows and fairs.

- **Arrange financing**

Financing your deal may pose special challenges. Options for transacting business with foreign buyers include cash in advance, open account transactions, bills of exchange, and letters of credit. Each has advantages and disadvantages. Normally, revenues from an export sale will take longer to be received than those from a domestic sale. In the meantime, you will be spending to negotiate the deal, produce the goods, and ship them. If your cash-flow cannot withstand such an investment, you should look for alternative sources of financial assistance. Export credits are available from various Canadian and international organizations.

- **Get the product to market**

For manufacturers, shipping goods to foreign destinations involves selecting a mode of transport and assembling and preparing various documents. Exercise some caution in the arrangements you make to ship your goods. Make sure that they will be received by a trustworthy associate at the other end and that storage and transportation will be secure. The uncertainties associated with doing business in some markets are such that goods can easily be lost or stolen if they are not attended to properly. An international freight forwarder can provide valuable assistance.

- **Implement your export plan**

For the novice exporter, making modest initial sales is the best way to proceed, since this will allow you to become familiar with the export process while limiting your risks. As your knowledge and comfort level increase, you may decide that it is worth stepping up your export efforts.

- **Review/revise your strategy**

Successful companies and entrepreneurs learn from their mistakes. Miscalculations, surprises and unanticipated problems are inevitable in any new business venture. After an initial try at exporting, you may find that you need to modify your product, choose a different distribution channel, or alter your price or promotional strategy. It may even be necessary to focus on different target markets. The key is to retain the flexibility and adaptability to respond quickly to what you learn. In exporting patience and tenacity usually pay off.

For a copy of *Exporting for Competitiveness: Ten Steps for Small Business*, write to Entrepreneurship and Small Business Office, Industry, Science and Technology Canada, 5th Floor East, 235 Queen Street, Ottawa K1A 0H5.