

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 *Introduction to Export Finance*. 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 Commissioner Service 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.