INTRODUCTION

Exports form an essential element in Canada's economy. Canadian exports of goods and services are now running in excess of $185 billion per annum, which means that nearly 30 per cent of this country's wealth, and the livelihood of at least 3 million Canadian workers, is directly dependent on trade.

Canadian firms are penetrating the world markets in many sectors – fish, pulp and paper, computers, robotics, transportation equipment, coal, etc. The attraction of a lucrative foreign market cannot be denied. Anyone considering exporting, however, should look at both the advantages and disadvantages of taking such an important step. All too often, companies get into exporting almost accidentally by, for example, filling out an unsolicited order received from someone overseas. Conversely, firms which perhaps should export are reluctant to do so because they lack information or fear the process.

There is also a belief that only large companies can export. This is false, as studies have shown that many small manufacturing firms have succeeded in the international marketplace by taking advantage of niches not serviced by large corporations. Usually, the multinational firms concentrate expansion into those markets that offer the greatest potential profit and knowingly bypass smaller markets. Those bypassed segments can serve as profitable markets for the small exporter. Furthermore, smaller firms are usually able to react more quickly to changing conditions, can handle smaller production runs, and can meet special demands more easily.

Some of the advantages and disadvantages of exporting are listed below.

ADVANTAGES

Increased sales. This is an important factor, particularly where firms find their domestic sales stagnating due to a saturation of the market, strong competition or both. Companies should not consider exporting when times are tough in the domestic market. The best time to start exporting is when domestic operations are doing well.

Higher profits. Profits can rise faster than sales, as the fixed costs are already covered by existing Canadian sales.

Lower unit cost of production. The more products that are created, the cheaper the cost of producing the product. This is true when the existing plant equipment can handle the increased output.

Greater utilization of plant capacity. When the domestic market served by a firm is unable or unwilling to absorb the output the firm is capable of producing or actually is producing, then export markets can serve as outlets for this surplus production.

Offset cyclical downturn. Canadian industry is generally cyclical, and if activity can continue for the export market when the Canadian scene is depressed, employment can continue and manufacturing costs will be reduced. The commitment to export, however, must be long term and non-cyclical.

Reduction of dependence on single traditional market. The more diversified the markets a company has, the safer its future.

Extended life for the product. This applies to a product approaching the mature stage of its life in Canada, but just entering the markets of the less developed countries.

New knowledge and experience. A number of firms have learned new product ideas, together with the use of new competitive approaches and channels of distribution, that have been applicable to their domestic market.

DISADVANTAGES

Exporting costs. The upfront costs of export marketing are expensive. There is additional travel, time and expense involved in developing export markets. Additional (or retrained) staff to handle exports are also needed.

Increased paperwork and shipping costs. Both the country of origin and the country of destination require certain documentation to clear products for importing and exporting.