Chapter 1

DEVELOPING A CORPORATE TRADE STRATEGY

It is essential, if a company is to be successful in the export market, to have the following ingredients: a viable product; a strong senior management commitment; and strategic planning.

VIABLE PRODUCT

Prior to making any decision to export, conduct a thorough review of your firm's domestic performance and capabilities. For example, compare sales, profit margins and prices to those of the industry. If your competitors are already exporting, you may be missing a good opportunity.

Another aspect to thoroughly investigate is your firm's resources. For example, do you have the financial and human resources to research export markets? Does the company have the production capacity to ensure prompt deliveries when orders come in? Reliability is one of the most essential requirements for success in selling internationally. Therefore, it is not wise to export simply to unload surplus inventory. Such behaviour can damage Canada's reputation as a trading nation.

In determining the exportability of your product, the following factors should be considered:

- Who will use the product?
- Who will make the purchasing decisions in the foreign country?
- Will the product be purchased throughout the year or on a seasonal basis?
- From whom is the product being purchased now?
- Are there any special assembly skills required?
- Will there be a requirement for product modification in order to adapt to specific market nuances? What will this cost?
- Any special packaging requirements? What about labelling and language requirements?
- Is the product easy to ship? Any special handling costs?
- Is the product competitive on the basis of price, quality and delivery?

MANAGEMENT COMMITMENT

Developing and implementing a strategic international marketing plan requires a substantial investment of corporate resources (financial and human) for a considerable period before any profits are seen. Therefore, it is paramount that senior management be committed to exporting before embarking on such an exercise.

STRATEGIC PLANNING FOR EXPORT

Export strategy should form part of overall corporate strategy. Your company must be clear about its expectations from export business as well as fully aware of its own limitations. For example, if the company is not prepared to increase production to respond to international demand, then it should not be considering the export market. Once management decides to examine the feasibility of exporting, it should begin by scanning possible markets. These countries could be geographically close, similar in language and culture, or simply familiar to company officials. The preliminary scanning would include factors such as market size, political and economic stability, competition, distribution and profit potential. This initial survey would provide management with the information to select the four or five most likely markets for further analysis. For a more detailed investigation, the following checklist suggests many of the important issues to investigate.

1. The Market

- What are the tariff barriers, import quotas and internal taxes for the product? Have they been subject to frequent changes in the past?
- What is the size and the sector of the market purchasing the product?