KEY STEPS TOWARD EXPORTING SUCCESS IN THE U.S.

Trade officers based at the Canadian Embassy in Washington and in 20 Canadian government trade offices in the United States can assist you in identifying potential distributors and agents. They maintain listings of buyers, distributors and agents by sector. The last part of the guide provides the addresses and telephone numbers of the Canadian Embassy in Washington and of the consulates general in the rest of the country.

You may have to prepare a contract with a U.S. distributor of your choice to protect your firm and ensure that there is no misunderstanding regarding the agreement. A written contract is a good protection against future disputes. It should cover the following points:

- *territory covered*
- *exclusivity*
- *duration*
- *pricing, currency and terms of payment*
- *performance requirements*
- *shipment and delivery to customers*
- *promotional efforts*
- *after-sale service*
- *collection of receivables*
- *procedures to terminate the agreement*

To make sure that the contract is enforceable by local courts, have it prepared or reviewed by an attorney familiar with foreign trade.

Key points

- determine your firm's motive for exporting
- investigate which channel your clients and competitors prefer dealing with
- make your decision regarding choice of distribution channel an objective one, uninfluenced by impulse or personal loyalties
- prepare a contract that covers all your concerns and have it prepared or reviewed by an attorney

Determine the Export Price

The factors to consider in pricing your product correctly are costs, market demand, and competition.

Start with your costs. In Canada, you calculate prices by computing manufacturing cost, administration, development cost, overhead, freight forwarding, distributor margins, and profit. The same principles apply when selling to the United States if the decision to export involves product development or new equipment to increase production capacity. The costs of shipping, tariff duties, distribution and service have to be added. In the case of both Canada Belt and Screen Print, these additional costs were not high enough to affect the product's competitiveness.

In certain cases, exporters can use a marginal cost pricing method to arrive at the right export price. This approach is possible when the exported products can be produced without increasing fixed costs for the firm. It considers only direct expenses of producing and selling and uses a lower figure for manufacturing cost than that used for computing the domestic sales price. The marginal cost approach allows exporters to remain competitive despite higher distribution and shipping costs.

For all exported goods, Canadian duty drawbacks are available until January 1, 1994, for most imported components, and the federal sales tax on finished products does not apply. The goods and services tax (GST) implemented in 1991 does not apply to export sales, and the tax paid on raw materials and components will be refunded to exporters.

The next step is to evaluate your product for U.S. customers. How desirable are your product's qualities to them? How much time or money will it help them save?

Canadian and U.S. customers frequently assign a different value to the same product.