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*by Mark
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BUSINESSMAN IS SITTING IN HIS OFFICE

one day looking at his profit and loss statements and thinking he needs to expand his customer base to keep growing. He's gotten what he can out of the Canadian market and he's thinking of exporting. Just then his phone rings. The person on the other end says he's an offshore buyer who has heard of his company, knows the quality of his products and wants to place an order for \$10 million. "Black-jack!" the owner thinks. After getting some cursory details and receiving a fax detailing the order and a letter of introduction and credit – on what somewhat surprisingly appears to be government letterhead, the businessman should:

- a) Immediately plan to ramp up production to fill the order;
- b) Go put a down payment on that Porsche he's been eyeing for sometime; or,
- c) Approach this unsolicited order from a company he's never heard of before operating in a country with which he is vaguely familiar with a great deal of caution and take the time to carefully research the buyer, the market it operates in and all the ins and outs of logistics, visit the country and buyer and most importantly, determine and define how he is going to get paid. The answer, obvious to most but not all, is c).

If you answered either a) or b), then you and your company are not ready to export. How can you properly prepare to become an exporter? We talked to leading experts in the field of exporting from the public and private sector and they shared their export tips.

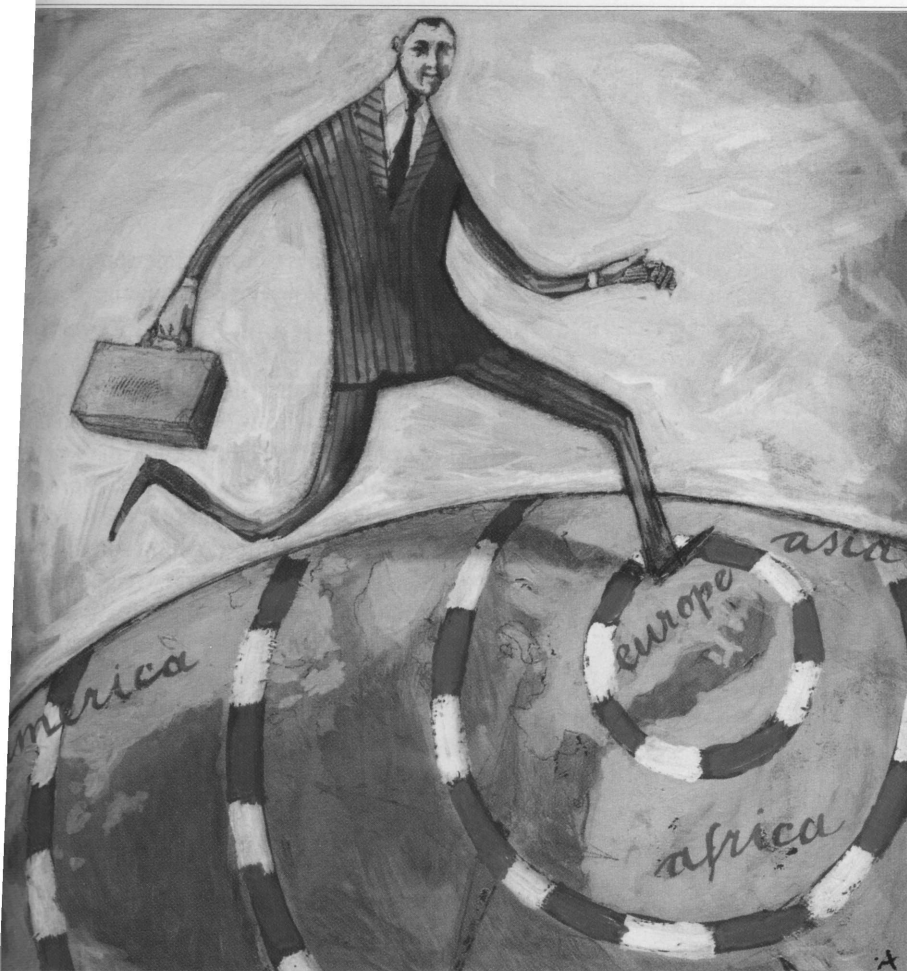
Canada, and moreover Alberta, has become an economy dependent on exporting and many companies from coast to coast have found a pot of gold at the end of the foreign trade rainbow. But, as in the gold rushes of the past, companies, in their haste to strike export "gold," too often fall into a variety of tiger traps and minefields.

"Exporting is generally viewed as a great opportunity for Canadian companies," says Paul Drager, partner and chair of the international section of Calgary-based Macleod Dixon LLP. "But, if not done right, you can ruin your reputation or even lose your business."

In order to avoid the pitfalls and become a successful exporter our experts suggest the following:

1. GET EXPORT READY

The experts say that in the absence of a foreign buyer knocking on your door and handing you a legitimate contract, in general it takes companies about three years to establish an international



presence and start making money. Exporting therefore requires a significant investment in time and money. The first stage of this investment is the determination of whether your product or service is "export-ready."

Experts suggest the best way to determine whether your product or service is exportable is to resolve whether it should be product-driven or market-driven. Being product-driven would mean that your product or service is somehow unique and you would base your strategy on going out and finding sales for it in whatever market. Market-driven involves finding out what foreign markets want and seeing if your product or service meets the demands.

Either way, the experts say this is the best first step in mapping an exporting strategy.

"A company must understand the foreign marketplace and what their competitive advantage may be going in," says Carol Blakey, president of the Exporters and Importers Association of Calgary.

According to our panel, an often overlooked yet important part of the initial steps to exporting is committing. Owners and managers must consider those inevitable

years before money starts rolling in and be prepared to stand by their chosen course.

"There has to be a commitment by senior management that this (exporting) is what they really want to do," says Drager. "If there isn't that commitment, when push comes to shove companies sometimes prevaricate and not, for example, follow up on leads."

At the very least, say our experts, uncommitted potential exporters will increase their time and financial investment by delaying, or worse damage their reputation on the international front.

2. GET HELP

Go ahead – ask what your country can do for you. In the case of exporting, the federal and provincial governments and some of their agencies are a rich resource of information and aid – no kidding.

Through the two levels of government, companies can access export product market research, general market information pertaining to particular regions or countries, information on culture, currency and language of business, and many other aspects such as access to financing, insurance and grant funding for foreign

business development. The question is: how do you most effectively access all this information?

"There are so many government departments that have all kinds of information on helping companies export. The problem sometimes is that the company doesn't know where to go or start," says Joyce Conroy, manager of new export initiatives for Alberta Economic Development. "If they can just access this information, that's all they will need to get started."

To start working your way through the maze of government departments our panel suggests starting local. In Alberta, the Business Link Business Service Centre in Edmonton and the Calgary Business Information Centre are good starting points. Each can provide general information such as links and referrals to other government departments or private-sector associations or more specific data such as market research. In some cases there is a cost for this information.

Potential exporters can also contact Alberta Economic Development and obtain guide books or attend workshops put on by the New Export Initiatives department. Western Economic Diversification and Alberta Opportunity Company are also worthy provincial sources.

There is certainly no lack of information on exporting from the federal government. The International Trade Centre is a highly recommended starting point. Information can also be obtained through the Department of Foreign Affairs and International Trade, Export Development Canada or for product-specific information, departments such as Agriculture and Agri-Food Canada are helpful.

Businesses of any size can also take advantage of federal grant money geared towards exporting.

"Many people don't know this but the federal government through agencies like CIDA (Canadian International Development Agency) will fund travel expenses, provide grants to participate in international trade missions and can fund up to 80% of a company's foreign business development




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expenses," says Gordon Anderson, a director with CIBC Global Private Banking.

3. GET ON TARGET

Our experts suggest that it is better for new exporters to throw darts rather than fire a shotgun, that is, select specific markets and commit to their development. Moreover, they say, as in the example at the top of the story, it is better in the long run to go get the market than wait for it to come to you.

"It is important to go out and actively select a market, rather than letting a market come to you. Oftentimes you have pre-selected a market because you researched it and have a good reason for going there," says Blakey. "Not all export opportunities that come to you are as valid as they appear. We are all opportunists and things happen in business, but don't move to Plan B just because it approaches you."

Once a business has selected its markets the experts recommend familiarizing yourself with the markets as much as you can. This involves not only researching the political and economic climate of the country or region but also becoming familiar with its culture and business practices.

Canadian embassies abroad and EDC monitor the trade reliability of countries. New exporters should also visit the market either individually or through provincial or federal trade missions. At the very least the panel speaking with agents or other companies that have done business in the market.

"You have to know your market and just as important you have to respect your market and that means understanding the cultural and language issues as well as legal issues," says Drager.

4. GET PAID

"The biggest issue in exporting is getting paid," states Anderson. And who could argue with that?

Foreign transactions can be very complex and risky even when doing business in western markets. No matter the size or experience of the exporters, the experts suggests taking any and all steps to mitigate your risk – and that doesn't end at simply getting a letter of

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CAROL BLAKEY,

PRESIDENT, EXPORTERS AND IMPORTERS ASSOCIATION OF CALGARY

credit, they say. EDC can be a big aid in not only researching the reliability of a market or in some cases individual companies, but it can also provide insurance services against delinquent buyers. In some cases EDC will guarantee up to 90% of the value of a contract if the purchaser defaults or goes out of business.

"Canadians are generally risk averse and we operate as a risk manager for exporters," says Bruce Stanton, business development manager for EDC in Calgary. "If a company selects a country to do business in, clearly it needs to understand the risks involved."

EDC can also assist exporters in obtaining bonds, which provide a buyer with a guarantee of the exporter's performance. In order to provide this guarantee, exporters are sometimes asked to put up a cash instrument equalling generally 10% of the value of a contract. In some cases foreign customers can exercise the bond without reason, making an offshore transaction unattainable for some smaller companies.

As most chartered banks will not finance foreign receivables, which could prevent some smaller firms from financing the expense of fulfilling an export contract, EDC will also issue credit guarantees against the receivables, which can facilitate lending.

5. GET TAX RELIEF

For companies with long-term export strategies or those in advanced stages of foreign trade, the panel suggests looking at the structure of your company and how it may be changed to take advantage of more friendly tax regimes. Once they reach a certain level of revenue, companies can look at setting up offshore offices to handle their export operations, especially in treasury, finance and sales.

"We help a lot of companies organize themselves to better manage their risk and tax implications," says CIBC's Anderson.

Setting up a foreign office to mitigate your exposure to taxes usually takes place in a country that has a tax treaty with Canada, such as Barbados. These treaties allow for a lower tax hit even when recuperating foreign exporting revenues to the Canadian parent company.

"It's not inexpensive, but for companies at advanced exporting stages it can be financially advisable," says Anderson.

SO DO YOU THINK YOU ARE READY NOW?

Armed with the information here, a company of any size can reap the benefits of the world of exporting and open up new and exciting markets. But, above all else, the experts say to take your time, do your homework and don't go buy that Porsche right away. **AV**

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