

Guide to Exporting

An Abbreviated Step-by-Step Guide to Exporting

What will this document help you do?

It will help you:

1. Assess your company's export potential.
2. Build an export plan.
3. Research and select your target market.
4. Develop a sound financial plan.
5. Understand the legal aspects involved in international transactions.

Team Canada Incorporated can assist you with sources of information, programs and services that will help you enter the export world. You can access a full range of TCI services and expertise, by calling 1-888-811-1119 (toll free).

Is Exporting Right For You?

Why Export? Exporting means new business opportunities and increased sales. It also means enhanced domestic competitiveness. Those that export, compete with the best in the world. Those that export have to work hard to keep their product on top. This not only makes them competitive in export markets, but it helps them succeed on the domestic front. Moreover, you will have the benefit of diversified markets. Access to larger markets, to emerging markets, and to niche markets are good reasons to consider exporting. Lastly, exporting allows for greater economies of scale. By having access to a larger market base, companies can start producing on a scale that allows them to make the most of their resources.

Are you Export Ready?

Does your company have a marketable product or service as well as the capacity, resources and management commitment to compete on a global scale? If so, how does one become Aexport-ready?@ Firstly, you should know that two-thirds of the export effort takes place at home, here in Canada, before you venture abroad.

Firstly, evaluate your export potential, resources and knowledge. Consider language and cultural issues, different currency systems, legal and tax implications, sources of financing, modes of transportation to get your product to the desired destination.

Next, do you have the capacity to handle the extra demand associated with exporting? Does your business have internally efficient systems in place to respond to customer inquiries?

Your product has to be competitive in your target market. If your product is unique, proven, sophisticated, and competitive on the domestic front, then your product will most likely be competitive.

There are challenges and demands in exporting. For example, exporting may involve many short term costs, such as extra travel, production of new marketing materials and hiring of additional sales staff. If you are looking to make a quick dollar, you will most likely be disappointed. Please see page 7 of the "Guide to Exporting" booklet titled AThe Benefits and Challenges of Exporting@ for more information.

The next step is to make sure that your company has, or can acquire, the skills and services it needs to successfully carry out an export venture.

Researching your target market is crucial. Once you have researched and selected your target market, and you have accessed the services of Team Canada Incorporated in Canada, you can then begin to access the services of the *Canadian Trade Commissioner Service* abroad. Trade commissioners located in foreign markets can assist you with exporting, international business contracts, foreign business leads, licensing, joint venture development and foreign market access. Please refer to the page 9 of the "Guide to Exporting" called AIdentifying Products or Services with Export Potential@ which will help you assess the potential of your product or service in the target market.

In this package there is a valuable section featured on page 10 of the "Guide to Exporting" called AAssessing your Export-Ability@ which asks you questions so that you know where you stand in regard to your products ability to perform in the export market. This is also available online at <http://www.edc.ca/edcapp/exportable/intro.asp?lang=e> .

Creating a Successful Export Plan

Before you start building an overall export plan, you should have a prepared business plan that you can refer to if necessary. If you do not have a business plan, see page 13 of the "Guide to Exporting" called "Essential Elements of a Business Plan." Much of the information you will need for your export plan can be gathered by working through the remaining pages in this Step-by-Step Guide to Exporting.

Basically, an export plan is a business plan that focuses on international markets. It identifies your target market(s), export goals, activities and objectives, necessary resources and anticipated results.

Researching and Selecting Your Target Market

This takes the form of what is called International Market Research. This is the process of gathering up information that will help you make sound marketing decisions. Well-executed market research will give you an accurate picture of the political, economic and cultural factors that will help you determine how to operate in your target market.

Your market research should include a selection of a process for gathering information. Also, an analysis and interpretation of the data whilst making sure that your decisions are based on the information gathered.

Your first step is to assess which markets you want to target. Next, try to narrow your search down to the most promising ones. There are three market types which will help you better understand what market your product is best suited to.

* Type 1 is competitive economies which are all fast-paced.

* Type 2 is relationship based involving relatively affluent economies (e.g. some countries in South America).

* Type 3 involves the International Financial Institution-funded economies (e.g. Africa). There are several characteristics that distinguish these types from each other.

There is a market profiles checklist to help you better understand your potential market type. Please refer to page 18 of the "Guide to Exporting" called "Market Profiles" which will guide you in the process.

Types of Research

There are two main types of market research: *secondary* and *primary*. Your secondary research begins here in Canada, and consists primarily of using data from other sources, such as periodicals, studies, market reports, books, surveys, and statistical analyses. Many of these are available through Team Canada Inc, as well as through chambers of commerce, economic development organizations, industry and trade associations, and Canadian companies that are already doing business in your target market.

Once you have completed your secondary research, move on to the primary research phase. This involves collecting market information through direct contact with potential customers or other sources. The Canadian trade commissioners at embassies and consulates can help you assess your potential in your target market and provide lists of qualified contacts.

When doing primary research, be careful, when asking for information from foreign or domestic contacts, to communicate your company's objectives at the outset, and present your questions clearly and concisely. For more information on this, see page 21 of the "Guide to Exporting" titled "A Step-By-Step Approach to Market Research."

Marketing Your Product

Your international customers may have different tastes and needs than your domestic customers. Creating a marketing plan based on these specific needs will help you to become a market-driven global organization. A good marketing plan should answer questions like

- 1) What are the characteristics of your target market?
- 2) What is your competitor's approach to the market?
- 3) What is the best promotional strategy to use?

Please refer to page 22 of the "Guide to Exporting", a page detailing "What Marketing Is." Please feel free to look at it if you are unsure of what marketing is or how to build a marketing plan.

Determining Your Price

In setting a realistic export price, examine production and delivery costs, as well as factors in your target market. Proper pricing takes into account costs, market demand, and competition. Determining the real cost of producing a product or providing a service, then bringing it to market, is probably the most important factor in assessing the financial viability of your export venture.

Here are some specific export related expenses that must be taken into account.

- 1) Market research and credit checks.
- 2) Business travel.
- 3) International postage, cable and telephone rates.
- 4) Commissions, training charges, and other costs involving foreign representatives.
- 5) Consultants and freight forwarders.
- 6) Product or service modification and special packaging.

As in domestic markets, demand in foreign markets can affect your price. In other words, what will the market bear? For most consumer goods, per-capita income is a fairly good way to gauge a market's ability to pay. Per-capita income for most industrialized nations is similar to that of the United States, while it is much lower for the rest of the world. Some products/services may create such a strong demand that even low per-capita income will not affect their selling price. Generally, however, simplifying the products or services to reduce the selling price may be the best option in these types of markets.

Also, remember to keep in mind that currency valuations alter the affordability of goods. Your pricing should try to accommodate currency fluctuations and the comparative value of the Canadian dollar.

There are several pricing strategies that you may want to consider.

- 1) First, there is static pricing which inevitably means charging the same to all customers.
- 2) Next, there is flexible pricing where you can adjust the prices for different types of customers.
- 3) Third, you may want to consider full cost-based pricing which covers both fixed and variable costs of the export sale. Penetration pricing means keeping your price low to attract more customers, discourage competitors and gain quick market share.
- 4) Lastly, perhaps you may want to try market skimming which means pricing the product high to make optimum profit, among high-end consumers, while there is little competition. Please refer to the "Guide to Export Costing" on page 26 of the "Guide to Exporting" so that you can determine your costs and develop your pricing strategy.

Promotion

Promotion refers to all of the communications tools used to let consumers know about your product or service and to convince them to buy it. This is your most visible marketing activity. Be careful that your name or corporate image does not offend the culture in which your product will be disseminated.

With regards to advertising, carefully select the media- television, radio, newspapers and magazines- that have a good circulation within your target audience. Your promotional materials should be eye-catching, but, at the same time, simple and clear (avoid North American fads that foreign buyers may not understand). Pictures can often tell a story much better than words. Be sure to translate your promotional materials into the market's language. That said, English is common in business; but an accurate alternate translation may be necessary.

A targeted direct mail campaign can also be very effective. Research and experience in your target market will allow you to build a base of potential buyers and clients to whom you can direct your company's message. Moreover, publicity is also a good way to establish awareness, profile and credibility. Using the media wisely can be highly economical and profitable. Prepare a media kit that introduces your company, new products/services or newsworthy activities, and include copies of any articles published about your company.

Personal contact with potential clients is perhaps the best means of promotion. Many cultures value personal contact in their business relationships, and attention to cultural issues often impresses foreign business contacts. Lastly, attending or participating in international trade shows is an excellent way to promote your product or service. As well, it allows you to check out the competition and conduct market research. If it is difficult for your company to take part in a trade event, consider teaming up with other Canadian companies.

Entering Your Target Market

Successful exporting depends on many factors. If you are a manufacturer, you need an effective way to deliver your goods to your target market and to distribute them. If you plan to export services, you need a mechanism to help you secure and manage contracts in the market, which usually calls for some form of local presence.

Based on your market research, you should have a good idea of a number of markets that hold promise for your product or service. From what you know about these markets, you should now decide which method of entry best suits your needs.

The traditional means of market entry can be grouped into three broad categories: direct exports, indirect exports and partnering/alliances. However, international trade includes a number of other market-entry mechanisms, such as investments, joint ventures and licensing agreements.

Direct exports: For products, market and sell directly to the client. For services, negotiate, contract and work with the client. Selling directly to foreign customers may give a higher return on investment rather than selling through an agent or distributor. It may also mean lower prices. Direct selling lets you have contact with your customers, but it also has its disadvantages.

Indirect exports: For products, market and sell to an intermediary, (e.g. foreign distributor, domestic trading house). You can also retain a foreign agent or representative who does not directly purchase the goods. For services, negotiate and contract with a foreign intermediary who, in turn, negotiates and contracts on your behalf. For many new exporters, using an intermediary may very well be the best way to enter a market.

Agents and Representatives

Choosing the right market is only the first step. With this in mind, one idea is to seek out a strong local agent or partner in your target market. While many small business owners are tempted to jump on a plane and start knocking on doors, a local agent can save you enormous amounts of money.

An agent secures orders from foreign customers in exchange for a commission. A representative is a specialized agent who generally operates within a specific geographic area and who sells related lines of goods or services.

Both agents and representatives may be authorized to enter into contractual sales agreements with foreign customers on your behalf. They are usually paid a commission only when they sell your product or service. For more information on selecting an agent or representative, please refer to the section in the "Guide to Exporting" on page 32 called A.Selecting a Foreign Agent of Distributor.@

Getting Your Product or Service to Market

To sell your goods and services in Canada, you must comply with a variety of regulations. The same is true in foreign markets- and invariably, the regulations are different. This means that your goods and services may have to meet certain safety and quality standards, health and environmental regulations, and packaging requirements. For service exporters, it may also mean acquiring professional accreditation. More information on exporting services is available by visiting Take a World View at strategis.ic.gc.ca/twv.

Export Declaration

One of the most common forms that exporters of goods should be aware of is the Canada Customs and Revenue Agency form B13A Export Declaration. This form, along with the appropriate permits and licenses, must be prepared by exporters prior to exporting to all non-U.S. destinations. For more details on mandatory reporting of exports, contact your local Canada Customs and Revenue Agency office to obtain guide RC4116- Exporting Goods from Canada. As an alternative to filling out a form B13A, exporters may wish to submit it electronically by using Canadian Automated Export Declaration software available from Statistics Canada website www.statcan.ca

Transporting and Delivering your Product or Service

Getting your product from where you are to your customer's doorstep is often as important as the product itself. Determining the best mode of transportation, delivering on time and setting up customer service are all vital elements of successful exporting.

Delivering Products

There are four options available for getting your goods to foreign customers. Often, more than one mode of transportation is used for any given export shipment.

1) **Truck:** Trucking is popular for shipments within North America. Even when shipping goods overseas, trucking is often used to deliver the product to its final destination. The quality of available trucking services declines, however, once you go beyond the major industrialized countries.

2) **Rail:** This is another common option, especially when shipping to the United States. Rail is also widely used when shipping to seaports for transport abroad, and from seaports to a final destination.

3) **Air:** International air freight is expanding rapidly. Regular service to U.S. and overseas destinations is readily available from major Canadian airports. Not all destinations are covered, however, and special charters may be required for more exotic markets. Shipping by air is more expensive than surface or sea transport, but the higher costs may be offset by faster delivery, lower insurance and warehousing costs, and better inventory control.

4) **Ocean:** Exports of goods to offshore markets is most often transported by ocean carriers. Shipping large items, bulk commodities and goods that do not require fast delivery is more economical by sea.

Packaging, Marking, and Labeling

Take special care in packing, marketing and labeling your products for export. They often travel long distances and are transferred from one mode of transportation to another. They should be protected from damage or theft and clearly marked so they are not lost in transit.

When packing your goods, take into account their final destination and the transportation infrastructure in both transit and target markets. Often, goods shipped overseas are handled roughly due to poor roads and repeated landing and unloading from sea, to rail and road. Ensure that your goods are properly labeled. Markings on containers must identify the buyer, the proof of entry, gross and net weights, the country of origin, and any cautions. A packing list identifying the contents of each container must also be included, and all markings must agree with those on the bill of lading (or other shipment documents).

Marking distinguishes your goods from those of other shippers. Marks shown on the shipping container must conform to those on the commercial invoice/bill of lading, and may include some or all of the following items:

- The buyer's name or some other forms of agreed identification
- The point/port of entry into the importing country
- The gross and net weight of the product in kilograms and pounds
- Identification of the country of origin, e.g. *Made in Canada*
- Appropriate warning/cautionary markings
- A packing list, plus one copy in each container, itemizing the contents

Export Documentation

Export documentation identifies the goods and the terms of sale, provides title to the goods and evidence of insurance coverage, and certifies that the goods are of a certain quality or standard. A number of documents are required for overseas shipping, which generally fall into two categories.

These two categories are Shipping Documents and Collection Documents.

Shipping Documents

Shipping documents are prepared by you or your freight forwarder, and allow the shipment to pass through customs, to be loaded onto a carrier, and be transported to the destination. Key shipping documents include:

- *commercial invoice
- *special packing or marking list
- *certificate of insurance
- *bill of lading

A *bill of lading* is used for ocean freight; an *air waybill* is used for air freight; and *rail and truck bills of lading* are used for land freight. The ocean bill of lading can be a negotiable instrument that passes the title to goods. This is unlike the other types, which are *straight* bills of lading that pass title to the consignee as soon as the goods are delivered.

An insurance document is also required, particularly for international shipments, given the risks of damage or loss during transit. Goods shipped by sea are typically insured for 110% of their value, to compensate for the extra costs involved in replacing lost goods.

Collection Documents

Probably the most important collection document is the commercial invoice, which describes the goods in detail and lists the amount owing by the foreign buyer. This form is also used for customs records, and must include the date of issue, the names and addresses of the buyer and seller, the contract or invoice number, a description of the goods, the unit price, the total weight and number of packages, shipping marks and

numbers, and terms of delivery and payment. Other collection documents include certificates of origin, certificates of inspection, and import and export licenses, which are supplied, are required. For example, the NAFTA certificate of origin is used to secure duty-free, or lower duty rate, entry into the United States and Mexico for Canadian exports. Also, certificates of inspection are used to ensure that goods are free from defect.

Insurance

Generally, cargo insurance is more important in international transportation than in domestic transportation. International carriers assume only limited liability for goods when shipping by air or sea.

Marine transportation insurance protects both ocean-bound and air-bound cargo, and also covers connecting land transportation, of which there are three main types:

- 1) Free of Particular Average (FPA) is the narrowest type of coverage. Total losses are covered, as well as partial losses at sea if the vessel sinks, burns or is stranded.
- 2) With Average (WA) offers greater protection from partial losses at sea.
- 3) All Risk is the most comprehensive, protecting against all physical loss or damage from external causes.

In international transportation, it is important to remember that once the documents transferring title are delivered to the foreign buyer, you are no longer liable for the goods.

Financing Your Export Venture

Most export success stories involve sustained effort over relatively long periods of time. Maintaining this effort requires financial stability and strength. Successful exporting often calls for the financial stability that comes from established domestic sales or other sources that give you a reliable cash flow.

A secure cash flow or cash budget is absolutely essential to fund your export drive. Exporting can be costly. Remember, even though Canada is one of the least expensive countries in the world in which to do the business, the costs of exporting can add up. A secure cash flow can help to support your export activities during the time it takes to build income and eventually achieve profitability.

Please note the following Key Financial Elements@:

- * Is your current financial position sound?
- * Do you have a financial plan to cover export development costs?
- * Are sufficient funds available for exporting?
- * Have you developed an export costing sheet?
- * Are you able to wait for payment?

Getting Paid

There are four common ways for customers to pay an invoice in international trade: cash in advance, open account, letter of credit, and documentary collection.

Cash In Advance

Cash in advance is the most secure option for an exporter, since it eliminates all risk of non-payment and bolsters working capital. Unfortunately, few foreign buyers are willing to pay cash in advance, although some will pay a portion when goods or services are specially ordered. For services, a retainer might be paid at the start upon signing a contract, after which progress payments are matched to deliverables.

Letters of Credit

Letters of credit provide some measure of security to both the importer and the exporter by relying on banks to receive and check shipping documents and guarantee payment. By specifying particular terms, a letter of credit can allow the costs of financing a transaction to be borne by either the exporter or importer. Both sight and term payment provisions can be arranged.

Documentary Credits and Collections

Exporters can also make use of sight and term documentary credits. A documentary credit calling for a sight draft means that the exporter is entitled to receive payment on sight, i.e. upon presentation of the draft to the bank. A term documentary credit, in contrast, may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

In a collection, the exporter ships goods to an importer and forwards shipping documents to a collecting bank which obtains payment from the importer in exchange for the documents. A collection differs from a letter of credit in that the exporter remains exposed to credit risks associated with the importer because no bank has undertaken in advance to pay the exporter upon presentation of the documents. Under collection terms, the exporter is required to finance the shipment until the importer receives the goods (sight draft) and sometimes longer (term draft).

Open Account

Open account terms require the exporter to ship goods and pass title to the importer before payment is made. In these cases, the exporter is fully exposed to any credit risk associated with the importer until payment is received. In addition, because open account terms usually allow 30, 60, 90 days, or longer, before payment is due, the exporter effectively finances the transaction. Often, this period is extended because the importer pays after the due date.

The Trial Run

Now that your overall export plan is in place, you are likely to close that first export sale. But before you start shipping 100,000 widgets, for example, to the other side of the world, test the waters with a trial run, especially if you are new to exporting.

When beginning the export process, make sure to check the customer's credit rating or talk to other exporters who have had dealings with the customer. Ask the Canadian trade commissioner in your target market to provide you with information on the local companies or organizations that you have identified (local company information).

When finalizing the sale, confirm the following details of the transaction with the buyer:

- 1) quantity
- 2) payment terms
- 3) shipping/trade terms
- 4) transportation method
- 5) price

Be sure that both parties agree on the aforementioned details. You, as the exporter, should also prepare a letter of credit. The buyer will issue an instruction to his or her own bank. Then, the buyer's bank sends your bank the letter of credit (LC). Your bank will then send the LC to you.

Your shipment must be accompanied by all relevant documentation, including: a commercial invoice, packing slip, shipper's instructions, certificate of origin, standards documentation (if necessary) and health/sanitary certificate (if necessary).

With regards to freight forwarding, your freight forwarder prepares the following documents:

- 1) customs invoice
- 2) consular invoices (if required)
- 3) special packing or marking list
- 4) insurance and certificate of insurance
- 5) bill of lading

Your freight forwarder delivers copies of all documents to you, your buyer and your commercial bank.

Shipment

Your freight forwarder sends the goods to the carrier and your customer receives all relevant documentation, allowing the shipment to clear customs. After the shipment has been sent, five things should happen.

- 1) The freight forwarder presents your bank with the LC and all accompanying documentation.
- 2) You present your bank with a sight draft (demand for payment).
- 3) Your bank passes the documentation to the buyer's bank with a demand for payment.
- 4) The buyer's bank accepts the documentation and lets you know when the funds will be transferred.
- 5) Your bank transfers funds to your account.

Reviewing and Revising your Export Plan

You will find this website very helpful in reviewing your export plan:

<http://exportsource.gc.ca>

Here is a list of tips to help you on your exporting way:

TIP 1: Be Prepared to Invest

Time & Money must be invested to Get Started. In Poland lecturing on energy-efficient housing five years ago, architect Jeff Armstrong detected a lot of interest in the way Canadians build houses. "Most of the world builds houses with masonry, which is much more expensive and less energy-efficient than wood-frame housing," he says. After the trip to Poland, Armstrong partnered with entrepreneur James Clugston, a Canadian who speaks Japanese and has business contacts in Japan. He convinced Armstrong to focus DAC International, his small design-build business, on pre-fab housing exports to Japan.

A "dance" in Japanese business culture Armed with a proposal and plans, the pair headed for Japan to meet builders and industry sources. "It took a year to get the first order," Armstrong recalls. "At times we wondered if we'd done the right thing." Why the long start-up? "There's a 'dance' in Japanese business culture," says Armstrong. "They really want to prove to themselves you have the capacity to supply them with what they need. The high-end custom housing market also requires a detailed level of service; exactly what was needed to make an impression in the demanding Japanese market."

Experience opened other foreign markets. Now about 90 per cent of Armstrong's business comes from exports to Japan. The experience has also positioned Armstrong to bid on other building projects in Thailand, Chile, Russia and Germany. The quality-conscious Japanese market has given DAC the expertise and the credibility it needs to crack other foreign markets.

TIP 2: Choose Your Markets Carefully

Geosoft, founded in 1986, creates "earth sciences" software for data processing and analysis. The company's products have applications in mining exploration and pollution measurement. In 1988, 80 per cent of Geosoft sales were in Canada. Now the situation is reversed C exports provide 80 per cent of the firm's business. Annual revenues have increased ten-fold.

A physical presence "The company's growth strategy has been to take Geosoft where its customers are," says president Tim Dobush. The company picked its markets carefully, doing its homework and waiting until cash flow was good enough to justify expansion.

Now Geosoft has a physical presence in many of its strongest markets, managed by local talent. England and Brazil are two examples where Geosoft partnered with local distributors to create subsidiaries.

Get a feel for the market:

Dobush claims it's important for new exporters to go to a target market personally and get a feel for local conditions. It's equally important to partner with someone who's familiar with the local business culture.

TIP 3: Market, Market, Market

In 1991, Jeff McNair realized there were limits to the growth of a top landscape architecture firm in Canada. Forrec Ltd., the design company he ran with partner Steve Moorhead, had designed such notable amusement parks and entertainment facilities as Paramount Canada's Wonderland and the West Edmonton Mall.

They decided to "re-tool" and go after big amusement park projects overseas, offering a broader-based "entertainment planning and design" consulting service.

Raise the company profile:

Forrec's chief strategy in exporting its know-how was to raise the company profile. They made themselves prominent enough to be short-listed for big projects, and then work at getting selected. The company marketed hard by going to trade shows, lecturing at industry gatherings and placing articles in trade magazines. They even cut prices the first few times to get that precious international experience and reputation.

Informal network of foreign contacts:

Now, Forrec's portfolio includes over 40 completed projects all over the world, including major theme parks, water parks, retail entertainment centres and family entertainment centres. They have worked in Egypt, Thailand, Brazil, Argentina, China, Malaysia and Korea, among others.

To help find new projects, Forrec also uses an informal network of foreign contacts or agents. Agents have to be knowledgeable & not mere salespeople with a pitch. It also means giving those agents on-site support when they need it. "The people who do these projects want to deal face-to-face with the lead guy, so the chief executive must be prepared to travel & it's critically important," says McNair.

TIP 4: Seek out Strategic Alliances

Salem E. Masry, president of Universal Systems Ltd. has a blunt message for would-be exporters: "It's a lot of work & you can't take it lightly if you're going to do it." Masry sells systems integration consulting services all over the world. His high-end geographical information systems software, CARIS, is used in more than 40 countries.

Strategic partnerships:

Masry didn't have the capital to open many offices, so he formed 27 "strategic partnerships" with companies already in foreign markets. Universal's first customer in a foreign country is often the government itself, and Masry uses that opportunity to ask officials to identify the good local companies. Not only does he get a good contact, but he usually gets a reference as well.

A "local" company can help get local business. Conferences also provide opportunities to meet local companies. Says Masry: "We may meet one or two customers at a conference, but there are probably many more out there that we can't get. A local company familiar with the language and culture can." Sixty to seventy per cent of Universal's business is now driven by exports, with revenues between \$5 and 10 million annually.

TIP 5: Customize to Local Markets

Take a traditional jigsaw puzzle, glue it onto thick polyethylene foam, and instead of a flat picture of Ottawa's Parliament Buildings, create a three-dimensional model. That original idea for "Puzz-3D," coupled with an early focus on export markets, has driven the growth of Montreal's Wrebbit Inc. exponentially. Sales in 1996 were \$35 million, 85 per cent from exports.

Reflecting the local architecture:

Fortunately, the quirky product seems to sell itself & albeit thanks to president Paul-E. Gallant's knack for customizing to local markets. For example, Wrebbit created a Parisian street scene long before it entered the European market. When the company forged distributor relationships, there was immediate excitement over a just-right product reflecting the local architecture. There are also puzzles of local landmarks and well-known government buildings for other countries.

This kind of marketing innovation has won Wrebbit a host of awards, including Canadian Exporter of the Year in 1995, and the Canada-U.S. Business Achievement Award in 1996.

TIP 6: Exporting is Not a Sideline

From the first day Naya brand mineral water hit store shelves in May, 1986, exporting was part of the strategy of Nora Beverages. The Laval, Quebec-based company was founded on the premise that most of its sales would come from thirsty foreign markets.

More than a decade later, Naya reaches consumers in 35 countries. Sales are now \$120 million annually, 90 per cent export-driven. A major and serious commitment Vice-President Naji Barsoum, whose job is to handle all Nora's export initiatives, believes many Canadian companies drift into exporting. But successful exporting "requires a major and serious commitment by management," says Barsoum. "It really can't be done as a sideline."

Exporting must also involve some serious market research before a company makes the jump offshore. When starting up, Nora hit markets in New York and Florida, and then methodically moved on through Chicago, the Caribbean and Japan.

The "big one":

Only then did the company tackle California, the biggest bottled water market in the Americas. Last year, though, Nora went after the "big one" & Europe. Asia is next, including China with 700 million people who are able to buy luxury products.

Useful Terms for Exporters

Agent: A representative in a foreign market who attempts to sell your good or service through his or her network. Agents may be exclusive or represent many companies. They usually do not take responsibility for delivery or servicing of your product and are paid on a commission basis.

Bid Bond: When an exporter is bidding on a foreign contract, a bid bond guarantees that the exporter will take the contract if it is awarded. If the exporter fails to take the contract, it will have to pay a penalty in the amount of the bond. A bid bond is usually requested by a foreign

organization to screen out weak contenders. Your financial institution or the Export Development Corporation can assist in financing and issuing these bonds.

Bill of Lading: A document prepared by a carrier or freight forwarder that acts as a receipt for the goods, as evidence of a contract between the carrier and the exporter and as a document of title. A foreign buyer needs this document to take possession of the goods.

C&F (cost and freight): You pay the costs and freight to get your goods to the specified destination, but your responsibility ends there. The foreign buyer assumes the risk of loss or damage once the goods are loaded at the port of departure.

CIF (cost, insurance and freight): As an exporter, you pay the cost of freight and insurance to get the goods to a named port of destination.

Certificate of Origin: This certifies the country or countries where a product is made. Many markets require this, including Canada, when shipping tariff-free or tariff-reduced goods, such as under the North American Free Trade Agreement.

Commercial Invoice: Supplied by the exporter, this summarizes the commercial transaction. It includes details about product, quantity, specifications, price, delivery and payment terms, plus the addresses of all parties involved.

Consular Invoice: Some foreign governments with controls over what may be imported may require exporters to obtain consular invoices from their consulate offices within Canada. The foreign consul issues the document describing the goods and a fee is usually charged.

Countertrade: This refers to transactions involving the reciprocal sale or barter of goods of equal value.

Customs Invoice: This helps clear goods through customs points in an importing country by verifying the value of goods.

Delivered at Frontier: An exporter agrees to safely transport the goods to the "frontier," which is a point before the actual customs border of the importing country. Commonly used when goods are shipped by road or rail.

Delivered Duty Paid: The exporter has responsibility to not only deliver the goods, but also assumes any risk of damage, loss and the payment of any duty.

Documentary Collections: A payment method where all the documents, including the bill of lading and bill of exchange (request for payment) are sent to the exporter's bank. All the documents are checked and sent to the importer's bank. Once the importer's bank has been paid by the importer, that bank releases the document of title (usually the bill of lading) to allow the importer to collect the goods.

Document of Title: Evidence of ownership of goods, such as a carrier's bill of lading.

Draft (bill of exchange): An unconditional order signed by the exporter requiring the importer to pay, on demand or at a determined future time, a certain amount of money to a specified individual. A "sight draft," for instance, requires immediate payment. A "time draft" requires payment over a certain period (from 30 to 180 days).

Ex Works: This is the minimum level of responsibility for an exporter. You agree only to make the goods available to the buyer at your plant or office. The buyer may even be responsible for loading the goods on a vehicle. The buyer bears all responsibility for taking the goods from that point.

Export License: Required under Canadian law to sell certain products abroad, such as protected birds or military equipment.

FAS (free along side): The exporter agrees to place goods on the dock, alongside a vessel. At this point, a seller's obligations are met.

FOB (free on board): The exporter agrees to place goods on board a vessel at the port of shipment specified in the sales contract. At this point, the risk of damage is transferred to the buyer at precisely the moment the goods pass over the ship's rail.

Free Carrier (Port): With multi-modal transport taking the same goods by sea, air and other modes, FOB principles (as above) again come into play. This time though, an exporter's obligations are met when the goods are handed over to the carrier named by the buyer and cleared for export at the specified place or port.

Freight Forwarder: A company handling all aspects of export shipping, including customs and export documentation. Sometimes, they can save you money by combining your shipment with others or using pre-booked carrier space.

Import Tariff: A tax on imported goods by foreign governments.

INCO Terms: The International Chamber of Commerce sets out the international rules for the interpretation of common trade terms, such as FOB.

Insurance Certificate: Supplied by an exporter or freight forwarder to prove the goods to be exported are insured for transport.

Landed Cost: The cost of the exported good at the foreign market's port or point of entry, excluding foreign tariffs, taxes and other local costs.

Letter of Credit: A common document in exporting. An instrument issued by a bank on behalf of an importer that guarantees an exporter payment for goods or services, provided the terms of the credit are met.

Letter of Credit (Confirmed): In cases where the financial strength of the issuing bank or country is in doubt, the exporter may ask their own bank in Canada to provide an undertaking (i.e. to confirm) that the credit will be paid. The exporter is assured that the letter of credit will be paid by the confirming bank, even if the issuing bank cannot pay, provided the terms and conditions of the credit have been met.

Letter of Credit (Irrevocable): A financial institution agrees to pay an exporter once all terms and conditions of the transaction are met. Since it is irrevocable, no terms or conditions can be modified without consent of all parties, including the exporter. Revocable letters of credit are not common and should not be accepted by an exporter.

Open Account: Goods are shipped to a buyer before the Canadian exporter receives payment. This is most common for Canadian exporters selling into the U.S. To reduce the risk in this, some banks will buy accounts receivable from exporters.

Packing List: An important document in exporting, which shows the quantity and type of merchandise being shipped.

Performance Bond: If a foreign contract is awarded, a performance bond may be required of an exporter. Your financial institution or the Export Development Corporation can often assist in financing these bonds.

Pro Forma Invoice: An advance invoice prepared by an exporter before shipping, setting out the goods to be sent, their value and other details.

Trading House: A company specializing in exporting and importing goods of other companies. A trading house can act as an agent to find foreign buyers on a commission basis or can act as a reseller.

Warehouse Receipt: Document identifying goods shipped to a warehouse. A "non-negotiable warehouse receipt" sets out specifically who may take the goods, while a "negotiable receipt" allows goods to be released to the bearer of the document.

Contact Addresses for your Exporting Needs

The following organizations offer information and advice that can be useful to both new and existing exporters:

[<http://ats.agr.ca/>] offers useful information on how to export agricultural products.

[www.palantir.ca/the-alliance/] is an organization designed to assist Canadian companies improve their competitiveness and expand export business. Includes Canadian Trade Index publication.

[www.acoa.ca/e/business/trade/toolkit/index.shtml] offers a "Trade Tool Kit" specific to the Atlantic provinces.

[www.infoexport.gc.ca] ACIS lets you access general import and export customs information 24 hours a day. You can also call toll-free from other locations in Canada by dialing 1-800-461-9999. Halifax (902) 426-2911. It also offers suggestions on how to start exporting, gives advice on export programs and services, helps find fast answers to export problems, acts as the entry point to the trade information network and distributes copies of specialized export publications. Contact: 1-800-267-8376

[www.canadianembassy.org/splash/] provides links to other export resources.

[www.ciffa.com] has a directory of members and information on the Association's mandate of supporting members of the Canadian international freight forwarding industry to help them provide the highest level of quality and professional service to their clients.

[www.dfait-maeci.gc.ca] offers news and information on current DFAIT activities, international trade programs, information for travelers abroad, cultural activities, international policy issues and Canada's relations with foreign governments.

DFAIT, through its federal centers offers an excellent first contact for novice exporters; these centers can help prepare your company to export, assist with research in various countries and steer you to government export promotion programs. Halifax (902) 426-7540

[exportsource.gc.ca/dindex2_e.html] is an excellent site that provides information on how to export, trade show preparation, business trip planning plus links to other sources of government information useful to exporters.

Top 10 Export Errors: Common Mistakes & Pitfalls

Industry Canada says unsuccessful or struggling exporters often make common mistakes:

1) No Market Research

The business takes insufficient time to collect background information about the target markets, such as consumer demand, the competitive landscape, local import laws, customs requirements and other important factors.

2) Lack of Commitment

When problems arise, the exporter does not have the determination or financial resources to deal with start-up problems.

3) Poor Alliances

The exporter pays too little attention to the qualifications of a foreign agent or distributor.

4) Eyes Too Big

The exporter tries to enter too many different markets too quickly.

5) Low Priority

The exporter uses foreign markets as a back-up to the domestic market and abandons exporting when the local economy booms.

6) Poor Distributor Relations

The exporter treats foreign agents or distributors as minor partners, giving preference to domestic distribution channels.

7) Rigid practices

The exporter balks at modifying products in compliance with foreign regulations and cultural preferences.

8) English Only

Producing documents in one language, the exporter wins few friends in foreign markets.

9) No Export Expertise

A novice exporter should not attempt to do everything without help and should hire freight forwarders, customs brokers and other specialists to ensure technical details are correct.

10) Going Into It Alone

Opportunities are missed when the exporter doesn't investigate potential strategic partnerships, joint ventures and technology exchanges.