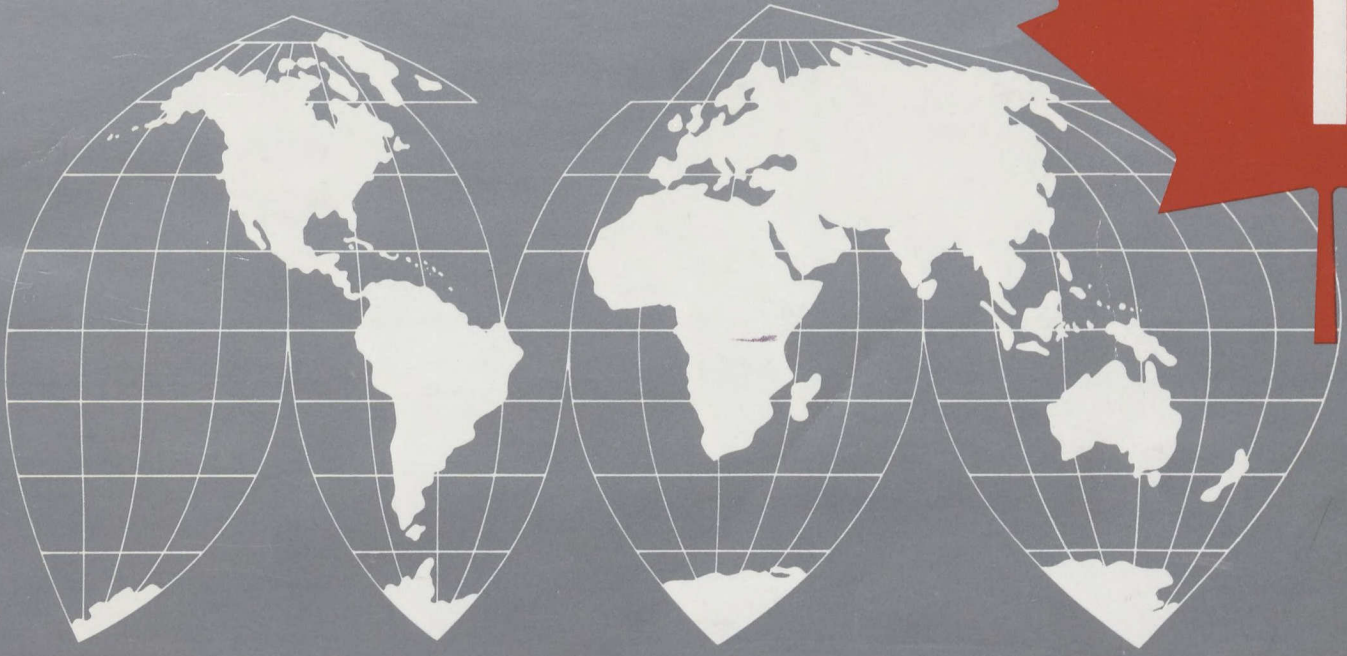


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SO YOU WANT TO EXPORT. . .
MAKING A MARKET SURVEY



 Government of Canada
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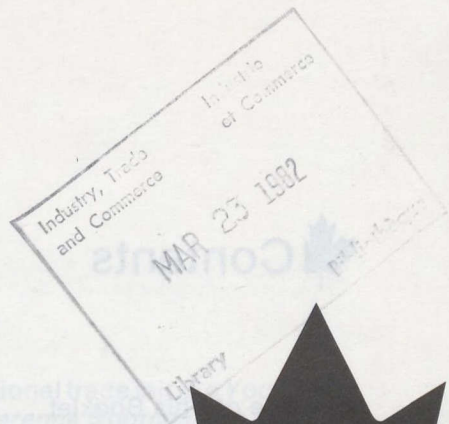
Gouvernement du Canada
Industrie et Commerce

Canada

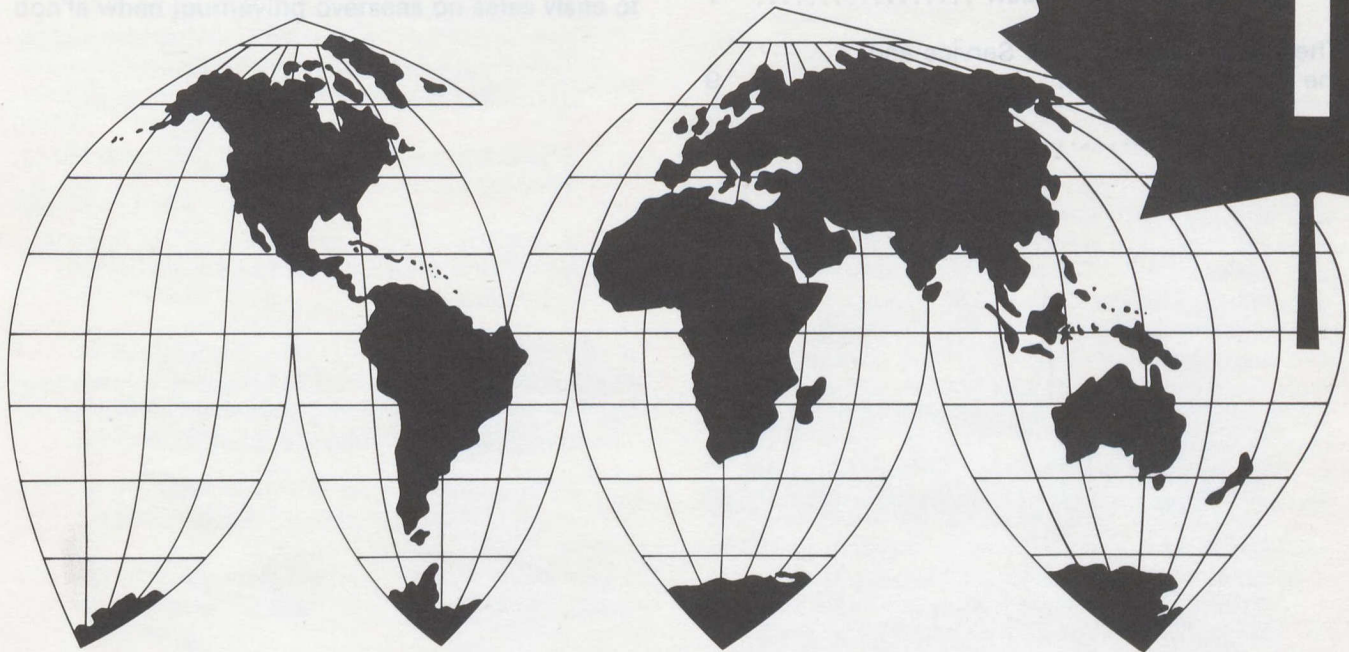
Canada Dept. of Industry, Trade and Commerce

SO YOU WANT TO EXPORT. . .

MAKING A MARKET SURVEY



Canadian firms enter new markets abroad. So you want to export. . . Making a Market Survey provides an in-depth overview on making the decision to export and identifying potential markets. The second booklet *So You Want to Export: Tips for Your Trip* discusses some of the dos and don'ts when journeying overseas on sales visits or





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Purpose of This Booklet

This is the first of a series of three booklets containing information and tips that can help Canadian firms enter new markets abroad. *So You Want to Export. . . Making a Market Survey* provides an informal overview on making the decision to export and identifying potential markets. The second booklet *So You Want to Export. . . Tips for Your Trip* discusses some of the do's and don'ts when journeying overseas on sales visits or

exhibiting at an international trade fair. *So You Want to Export. . . Your Reference Sources*, the last in the series, contains a listing of useful information sources on overseas markets and a brief glossary of terms used in exporting.

2 So, You Want to Export. . .

The best time for a company to consider exporting is after it has established itself successfully in its domestic market and has the capability to cater to new markets. Under these conditions the businessman can assume that he has a good chance of profitably expanding his markets by venturing into new markets outside Canada.

Exporting is for small firms as well as large. Certainly, it is not the preserve of the multinationals. Many smaller firms have made highly successful ventures into foreign markets and their involvement in the international marketplace has had positive effects on their performance at home.

Exporting is not however a casual business that you can profitably walk in and out of. Foreign markets today are both sophisticated and complex and the demands they make on a company are significant. The decision to sell overseas has considerable implications for the products, finances and organizational structure of the company. It requires a great deal of preparatory work and a real commitment to selling a product abroad on a continuing basis.

Before you launch forth into uncharted waters, you should carefully appraise your products

and your company so that you will have some idea of the impact of exporting on your business. Your appraisal should address the following factors:

- An assessment of your company's performance over the last three to five years.
- An evaluation of your present domestic requirements — how they would be affected by export sales and the estimated contribution of exporting to your company's profitability.
- The company resources that are available to support export activities.
- A critique of your different product lines to determine the international saleability of particular items.

If your initial appraisal proves negative, you should postpone your export activities until a more opportune time. Exporting always involves risks. The challenge is to make it profitable.

3 Making a Market Survey

Your first concerns as a potential exporter are: product and market. The two are interdependent and are best handled through a market survey. Before you leave on your export trip, you must determine *which* of your products has the greatest export potential and *where* the most promising markets for this product are likely to be. To do this, you will need to critique each of your products within a global framework. Your product critique will identify your most promising products and specify two or three likely market areas that warrant further investigation.

Product Critique

Specifically, your product critique should address the following factors:

- Who are the users of your product? Does it have a wide use, or is its use limited to a particular socio-economic group? This may immediately rule out certain markets.
- Is the use of your product influenced by climatic or geographic factors?
- What is its shelf-life? A product with a very short shelf-life obviously cannot be in transit very long.
- What are the operating costs of your product? What other equipment must a buyer purchase before being able to use it?
- Does your product require assembly, or involve a special skill?
- Will special packaging or “instructional literature” be required? These costs must be taken into account in determining whether or not you can export it at a competitive price.
- Does your product involve technical standards or other regulations that may differ from country to country?

- How much product adaptation would be required before you could export? Are there markets where less or no adaptation is required?
- Does your product require after-sales service and would this pose insuperable problems?
- Does your product ship easily or would shipping costs be exorbitant?
- Are there certain countries where your product would not sell because of traditionally negative attitudes toward that type of product, or a glut in the market, import barriers or political factors?
- Do you have the capability to supply both Canadian and overseas markets?

The way in which you answer the above questions will not only help you decide whether or not you are ready to venture into exporting, but will also help you narrow your market choices to the two or three most promising potential markets. In making your final selection, you should prepare a comprehensive profile for each of these markets. This will allow you to compare, appraise and select the market that offers the greatest likelihood of success.

List of Potential Markets

- 1.
- 2.
- 3.
- 4.

Remember, the first rule of exporting is: Don't go all over the globe in one fell swoop! Establish yourself in one market before spreading your wings any further. As well, focus your efforts on one or two products. Once they are successfully established abroad, others can follow.

Market Profile

In preparing a market profile, you will need up-to-date trade statistics and information for each potential market. To obtain this information is not as great a challenge as may appear at first glance. Utilize readily accessible domestic sources of information (see Sources of Information, page 7, and the booklet *So You Want to Export. . . Your Reference Sources*). Much of the preliminary market research can be done in Canada, and should enable you to identify your best market. Once a market is selected, you should visit it to confirm and supplement your knowledge of it before committing yourself to exporting there. Your market visit will, however, be much more successful if you approach it having made an assessment of what its potential and problems are likely to be.

Background Information

- Size of country, distances, climate, terrain, and other geographical considerations that affect the saleability of your product.
- Size and distribution of population.
- Level and distribution of income.
- Level of purchasing power. Buying power is rising rapidly in many countries and spending patterns are changing drastically as a result. If you export consumer goods, pay special attention to the buying habits in that market.
- Extent and stage of development; plans for future development. This will have a direct bearing on the products that may be in demand over the next decade.
- Present economic situation; trade balance; availability of foreign exchange; credit standing.
- Present political situation.
- Cultural or religious considerations.

Accessibility of Markets

- Restrictions to import of goods through taxes; import duties; quotas; licences; deposits required of importers.
- Market policy and attitude toward imports of products from Canada — preferential or Most Favoured Nation status.
- Currency controls and convertibility to Canadian dollars.
- Bilateral trade agreements favouring imports from other countries over Canadian goods.

Market Potential

- Current demand.
- Potential for long-term growth.
- Import statistics and trends by volume, value and country of origin.
- Domestic production of product and related products. Is present demand due to a temporary shortage?
- Price differential between domestic and imported product.
- Range of quality.
- Product range with the longest current and potential sales.
- Markups at the importer, wholesaler and retailer level.
- Market control. Is market dominated and tightly held by a few established suppliers? How strong and how well-organized is the competition?
- Acceptability of new products.

Market Regulations

- System of measurements used.
- Preferred pricing basis.
- Usual terms of payment.
- Marking, and labelling requirements.
- Health, safety and technical standards which apply.
- Product adaptation necessary to accommodate preferences in taste, quality, colour.
- Special packaging requirements.
- Customary methods of selling.

Distribution Channels

- System of buying. Who is the local importer of your type of product and what is the typical mark-up or commission?
- Normal distribution channels. Are imported goods handled through wholesaler-importers for centralized buying or is the distribution characterized by a cumbersome system involving a series of middlemen?
- Agents or representatives required. The market structure and system of buying will determine whether you need a single, exclusive agency for your product or a number of representatives for different locations.
- Extent of sales promotion support expected by importer/agent, and anticipated cost.
- Amount of stock typically carried by importers. Expected frequency and size of shipments.
- Adequacy of carrier services.
- Shipping costs. Are these sufficiently low to allow product to be sold at competitive prices?

- Adequacy and cost of inland transportation to get goods from ports to local markets.
- Possibility of negotiating commodity rates for recurring shipments.

Your market profile should have identified the most promising territory for export of your product as well as the names of potential buyers. However, the best market research includes personal visits. Your first export visit is essentially an exploratory one: to see the marketplace for yourself, to make initial contacts, and to develop your market penetration strategy. You will be able to do this much more successfully if you enter the market with a sound knowledge of how it functions and what its idiosyncracies are.

Sources of Information

The trade statistics and information required for preparing a market profile are readily available. The Department of Industry, Trade and Commerce has a series of booklets called *Markets for Canadian Exporters*. The booklets are comprehensive and contain geographic, climatic, cultural, economic and market data for specific countries or areas. As well, the *World Market Opportunities* series published by the Department provides information on potential export markets. Separate booklets have been prepared for a variety of commodities and industry sectors.

Updated trade statistics are available through the Statistics Canada publication *Exports by Commodity*. This is a monthly publication which lists trade figures by commodity and country. Statistics Canada will prepare, on request, special tabulations of unpublished data to meet specific needs of users. As well, its library has a comprehensive collection of international trade reports and other trade information from overseas sources.

Comprehensive market information is available from the Trade Commissioner Service of the Department of Industry, Trade and Commerce. The focus of these trade offices overseas is Canadian exports and the scope of their services is wide. Some of the assistance available to the exporter through the Trade Commissioner Service is described in the next section of this booklet.

There are numerous other sources of information and assistance available. These include:

Large Experienced Exporters – Be sure to contact particularly those international businesses that export products related to yours, *but not directly competitive*. Ask them about market opportunities and where they believe the promising markets are. You should also talk with other companies that export to the market you are investigating. They can give you a lot of useful information on local business practices, regulations, and cultural considerations in that market.

Organizations Associated with International Trade – These include the Canadian Export Association, Canadian Manufacturers' Association, Canadian Chamber of Commerce or foreign Chambers of Commerce located in Canada and your trade associations. These organizations have excellent resources, both in terms of their membership and their libraries, and one can learn a great deal from their expertise.

Banks – International departments of commercial banks can be a valuable resource on financing, financial documentation, credit information and contacts with overseas banks.

(For additional sources of information see the booklet *So You Want to Export. . . Your Reference Sources.*)



The Trade Commissioner Service and the Exporter

The Trade Commissioner Service of the Department of Industry, Trade and Commerce has an extended network of trade offices in other countries. The primary focus of these offices is to assist Canadian companies seeking export markets. While the scope of services offered by the trade offices abroad is fairly comprehensive, there is a limit to the extent of personal service a trade commissioner or commercial officer can offer to an individual company. It is therefore worthwhile to note what the Trade Commissioner Service can and cannot do.

What the Trade Commissioner Service Can Do

If this is your first venture abroad, or, if you are assessing a new market, the trade commissioner can do some of your preliminary market research for you provided you give him the necessary information about your product.

Having identified your priority markets, obtain the latest list of trade posts around the world from your nearest ITC regional office. Write to the trade posts in your priority markets providing:

- A summary of your company.
- Your previous experience as an exporter.
- Precise descriptions of your product.
- Important selling features.
- Type of distributor you are looking for.
- Tentative travel schedule.
- Request for introductions or appointments with potential agents, buyers, or both.
- 5-10 copies of your sales brochures, preferably in colour with multilingual copy.

The trade commissioner can assist you in determining:

- Whether your product can be imported into the market.

- Whether your type of product is already supplied by local producers, importers, or both.
- Buying practices in the market.
- The quality of support services and infrastructure for the market: banking, shipping, storage and brokerage facilities.
- Import policies and restrictions on imports.
- How to quote in the market.
- Social, cultural, business and market conditions.

Once you have completed your marketing plans in a particular country, inform the trade commissioner of your proposals. He can help you market your product by:

- Contacting local agents to assess their interest in carrying your product.
- Recommending suitable agents.
- Supplying credit and other business information on these local firms or agents.
- Recommending translation firms.
- Advising on advertising modes and preferences in the country.

When you are making a sales visit to a specific market, contact the trade post well in advance. Given sufficient notice, the trade commissioner can:

- Arrange your business appointments.
- Receive your mail and messages.
- Recommend a suitable interpreter.
- Identify sources of legal counsel, banking services and the like.

Even after you are firmly established in the market, the office of the trade commissioner can continue to assist and smooth the way for you, provided you have kept them informed of your activities in that market. Specifically, the trade commissioner can:

- Intercede on your behalf, when problems of duties, taxes or foreign exchange arise.
- Advise you in settling trade disputes.
- Advise you on recovery of overdue accounts.
- Maintain contact with your agent and provide him with support and encouragement.

Generally, the Trade Commissioner Service can be your eyes and ears in the local marketplace. However, in your own interest, you should make sure that the assistance you seek can reasonably be provided by the Service.

The Trade Commissioner Cannot

- Sell your product. He can research the market for you, introduce you to buyers, recommend agents and set up appointments. From that point on, it is up to the exporter to sell.
- Be present at all your negotiations when you are closing a deal. But he can recommend the legal and technical experts to help you.
- Serve as your translator or interpretation service. But he will suggest names of good translators and interpreters you could use.
- Act as your agent. Do not expect the trade commissioner to spend three days a week marketing your product. He won't.
- Train or police your agents. He can maintain a liaison with them and encourage them, but it is up to you to ensure your agents are trained and are working well.

- Be your debt collector. He can advise you on recovery of overdue accounts but cannot do the collection for you.
- Act as your travel agent. Travel and accommodation should be arranged through a commercial travel agent well in advance of your trip.

The extent to which the Trade Commissioner Service can assist a novice exporter depends greatly on the amount of information the trade office has about the exporting firm and its products, and the ongoing contact that is maintained with the post. As well, it is important for the export firm to keep the trade office informed of its activities in that territory, plans for future development, advance notice of proposed exhibits or sales visits to the country and any other product or company information that could have a bearing on export sales. You should ask also that the trade office keep you informed of the conditions and needs of their territory and their assessment of future requirements as they relate to your product.

The production of this booklet has been supported by the Office of the Program for Export Market Development (PEMD), Department of Industry, Trade and Commerce. PEMD provides assistance to Canadian companies to develop new export markets. The Program has a number of sections, each of which is designed to meet different needs for export marketing assistance. Information on the Program and applications for support can be obtained from the Regional Offices of ITC.

Bon Voyage!

Regional Offices

If you have not previously marketed abroad, contact any Regional Office of the Department of Industry, Trade and Commerce at the addresses listed below.

Newfoundland

215 Water Street
St. John's, Newfoundland
A1C 6C9
Tel: (709) 737-5511
Telex: 016-4749

Nova Scotia

Suite 1124, Duke Tower
5251 Duke Street, Scotia Square
Halifax, Nova Scotia
B3J 1P3
Tel: (902) 426-7540
Telex: 019-21829

New Brunswick

Suite 642
440 King Street
Fredericton, New Brunswick
E3B 5H8
Tel: (506) 452-3190
Telex: 014-46140

Prince Edward Island

P.O. Box 2289
Dominion Building
97 Queen Street
Charlottetown, Prince Edward Island
C1A 8C1
Tel: (902) 892-1211
Telex: 014-44129

Quebec

C.P. 1270, Succursale B
Pièce 512
685, rue Cathcart
Montréal (Québec)
H3B 3K9
Tel: (514) 283-6254
Telex: 055-60768

Pièce 620, 2 Place Québec
Québec (Québec)
G1R 2B5
Tel: (418) 694-4726
Telex: 051-3312

Ontario

P.O. Box 98, Suite 4840
No. 1, First Canadian Place
Toronto, Ontario
M5X 1B1
Tel: (416) 369-4951
Telex: 065-24378

Manitoba

507 Manulife House
386 Broadway Avenue
Winnipeg, Manitoba
R3C 3R6
Tel: (204) 949-2381
Telex: 075-7624

Saskatchewan

Room 980
2002 Victoria Avenue
Regina, Saskatchewan
S4P 0R7
Tel: (306) 359-5020
Telex: 071-2745

Alberta/Northwest Territories

500 Macdonald Place
9939 Jasper Avenue
Edmonton, Alberta
T5J 2W8
Tel: (403) 420-2944
Telex: 037-2762

British Columbia/Yukon

P.O. Box 49178
Suite 2743
Bentall Centre, Tower III
595 Burrard Street
Vancouver, British Columbia
V7X 1K8
Tel: (604) 666-1434
Telex: 04-51191

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