

Access West

Western Economic Diversification Canada

Electronic Commerce and the Cyber-Marketplace

Electronic commerce or e-commerce is an umbrella term used to describe Internet-based business practices and technologies such as:

- using e-mail for communications;
- using electronic funds transfer (EFT) with your bank, suppliers or customers;
- establishing a Web site for your business;
- implementing an Internet-based business or Electronic Data Interchange (EDI) with your suppliers and customers; or
- creating a virtual enterprise that fully integrates the design, manufacture, finance, inventory control, distribution and maintenance systems in your business.

It is growing in giant leaps. World Tourism Organization (WTO) economists estimate that there will be more than 300 million Internet users worldwide by Year 2000, and e-commerce will amount to roughly \$300 billion a year.

As access to the Internet expands, more and more people are entering the cyber-marketplace from home computers. Yet, many are concerned and wary of the safety and reliability of the virtual market as there are still many unanswered questions. Questions such as: What if a product ordered through the Internet never arrives? Is it safe to use a credit card? And what about product liability? Who is using, and for what reason, the information I send electronically?

Cyber-customers need to be assured that steps towards safety and confidentiality of information being sent is maintained. Personal privacy is a central concern for all Internet users and it has particular implications for consumers. Customers should have control of their data to correct inaccuracies, restrict transfer, sale or other unauthorized distribution. In principle, consumer privacy and the use of confidential data should be respected no less through a virtual market than in the physical market.

The economic implications or the growth of e-commerce requires government, industry and consumer groups to work together in finding long-lasting solutions. Technology should be used to empower customers to protect themselves on the Internet.

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- More on E-commerce

JANUARY-MARCH 1999

VOLUME NUMBER 2 ISSUE NUMBER 1



Canada

A Message from Ron J. Duhamel

Secretary of State for Western Economic Diversification

Stimulating job creation and economic growth has been, and will continue to be, a key priority for the Government of Canada. For ten years, Western Economic Diversification (WD) has played a major role in providing western Canadians with the appropriate tools in order to stimulate and encourage the diversification of the western economy.



Recently, WD launched an innovative support program designed to enhance the ability of western, not-for-profit institutions to participate in the Canada Foundation for Innovation (CFI) and help them access a fair share of the funds under that program.

The Canada Foundation for Innovation Support Program (CFI-SP) was launched by WD in recognition that in a knowledge-based society helping people gain the appropriate knowledge and tools is important to diversifying the economy. Western Canadians' future prosperity is tied to our ability to develop, adopt and use new technology, and put it to use in the form of new products and processes.

WD's innovative support program is helping western Canadians by providing access of up to \$20,000, of which WD will reimburse the qualified applicant up to 90 per cent. The funds are provided to prepare a proposal for the CFI and help in accessing a fair share of the capital under that program.

The CFI is an independent corporation established by the federal government to strengthen Canadian universities, colleges, hospitals and other not-for-profit institutions to carry out important world-class scientific and technological development.

The CFI's policies and funding mechanisms will support the strategic development of research at Canadian institutions. They have been designed to:

- build capacity for innovation;
- strengthen research training of Canadians for research and other careers;
- attract and retain able research workers in Canada;
- promote networks and collaboration among researchers; and
- ensure the optimal use of Canadian research infrastructure by promoting sharing within and among institutions.

WD also offers eligible applicants access to professional services such as an extensive business network to help in the preparation of the financing proposal. Eligible applicants for the CFI-SP include any western Canadian college or university, hospital or non-government, not-for-profit organizations doing research in Western Canada, that have the financial and managerial capability to undertake a research infrastructure project as defined by the CFI.

For more information about these or other programs and services offered by Western Economic Diversification, call WD Toll-free at 1-888-338-WEST (9378), or visit our Web site at <http://www.wd.gc.ca>. For CFI information, visit their Web site at <http://www.innovation.ca>.

What's New on the Web

Federal Program Promotes E-commerce for Small Business

Industry Canada's Community Store Fronts initiative is giving Canadian small businesses a special opportunity to begin selling their products and services over the Internet. The initiative is part of Connecting Canadians, the federal government's vision and plan to make Canada the most connected country in the world.

Community Store Fronts provide participating businesses with approximately \$6,000 worth of commercial services, training and support until the end of April 1999. Partners in the promotion include The Royal Bank and Strategic Profits Inc. Participants pay a \$374.50 fee for the promotion period. Training has occurred in numerous centres during the fall of 1998, and newly recruited business will be trained online.

E-commerce involves customers finding a business's Web site, selecting, then ordering a product or service, and paying online. Interested businesses can find out more about Community Store Fronts at the Web site: <http://communitystorefronts.com/>, and can register for the promotion by clicking on the "Join Us" hypertext link, picking a nearby recruiting centre and following the nine-step procedure.

For more information call Greg Salmers - a recruiter for Community Store Fronts and Chairman of Estevan Community Access Project in Estevan, Saskatchewan. He can be reached at (306) 634-3933 or (306) 634-5830 or e-mail greg@southeast.lib.sk.ca.

Last October, ministers from *Organization for Economic Co-operation and Development (OECD)* countries met in Ottawa to discuss electronic commerce, "*A Borderless World: Realising the Potential of Global Electronic Commerce*". Hosted by the Canadian government, this was the first OECD ministerial level meeting that invited the active participation of international organizations, business, labour, consumer and public interest groups to address together, in an open and transparent effort, important elements of global electronic commerce. Nearly one thousand people attended.

Elements of a "shared vision" for global e-commerce emerged from the conference. One important element is confidence in the virtual marketplace. National regulatory frameworks and safeguards which provide such confidence in the physical marketplace may need to be adjusted to help ensure continued confidence in the virtual marketplace.

There is a need to create and implement trustworthy technologies and policies -- in particular in order to protect privacy -- to develop underlying regulations for e-commerce and to develop codes of practices, standards and technology tools necessary for "self-regulation" and effective user protection. Participants agreed that social dialogue and cooperation among all players represented at the conference will be vital in determining policies that govern electronic commerce, and that the actions of the various sectors should be internationally compatible.

Conference participants acknowledged the leading role of the private sector in stimulating the growth of global electronic commerce through investment and dynamic innovation of products and services. They also recognized that partnership is necessary between governments and the private sector in assuring consumer confidence and acceptance.

Governments should promote a competitive environment for e-commerce and reduce or eliminate unnecessary barriers to trade. Government intervention, when required, should be proportionate, transparent, consistent and predictable, as well as technologically neutral.

Business should play a key role in developing and implementing solutions to a number of the issues essential for the development of electronic commerce, working closely with governments and other players.

Two action plans were considered which outlined ongoing and future activities on electronic commerce from the OECD and from business. OECD ministers agreed on a program of future work in the areas of taxation, privacy, consumer protection, authentication, access to infrastructures and the socio-economic impact of electronic commerce.

The OECD was urged to apply its research and statistical expertise to further analyze and measure the economic and social impact of global electronic commerce. The Organization was requested to report regularly to the global community on progress made nationally and internationally in making global electronic commerce a reality by addressing the policy issues implicit in the conference themes -- building trust, establishing ground rules, building up the information infrastructure. It was also urged to work with other international organizations, regional bodies, the private sector and non-OECD countries to promote coordination among as many groups as possible to advance global electronic commerce.

For more information regarding the OECD conference and electronic commerce, visit their Web site at <http://www.oecd.org/>.

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TURNING THE Y2K TO YOUR ADVANTAGE



Yes, it is possible that there is some good to come of the Millennium Bug. Revamping a single department or system could lead to a tremendous improvement in your businesses. Your company may well have other chances to build beyond these opportunities outlined below.

Disaster Recovery

As you develop your Y2K plan, you can also complete a comprehensive disaster recovery plan for a flood, fire or theft. Most companies never implement such a plan. After all, the odds are that such a disaster will never happen. But, if something does happen, the organization without a plan may never recover from the interruption. And who knows, you may even profit from an immediate benefit such as lower insurance costs.

Operational review

The Year 2000 problem will force you to take a closer look at all your business operations. You already know that the problem will affect all your departments and every staff member. Everyone in your firm will evaluate current processes and be on the look-out for problems and solutions. In fact, this is an operational review.

Look beyond the Millennium Bug and evaluate all your systems and procedures. You can use this opportunity to completely review all your computer procedures. Consider some of the questions below.

1. Can you combine systems, streamline or simplify them?
2. Are there opportunities to change job descriptions?
3. Can you improve efficiencies in any areas with more computers or better training?
4. Are you using your equipment to its maximum efficiency?

Strategic Plans

The Millennium Bug forces everyone to look at the future and judge what the impact will be on their business. So, this is a great time to look at how you can make things work better in the long run. Your Year 2000 operations review will focus on procedures that you use today and how to improve them.

Creating a Y2K project is an excellent opportunity for you to look at the big picture and prepare to make the tactical decisions that will help improve your marketing, customer service or anything else that will sharpen your competitive edge during the next five to ten years.

New Markets

As you prepare for Year 2000, changing market conditions can provide new opportunities for your business. Consider an organization that fails because it did not become Y2K compliant in time. If this organization had been dominating the market with its product or services, the situation will change radically and may provide new opportunities for you. Your business may be forced to decide which customers it will service. You will need to re-evaluate who your important regular customers are and how many new clients you can realistically serve.

Most opportunities will come to companies that recognize the problem early and take steps to fix it. Your organization may be able to take advantage of a Year 2000 plan to kick-start other kinds of planning that could increase your competitiveness and boost the changes for the long-term success of your business activities. Your company's success in benefiting from the Millennium Bug will depend on the actions you take now in preparing your plan of action.



DEVELOPING A Y2K ACTION PLAN

The Year 2000 problem is a serious challenge and by having solid strategic and operational strategies in place, your small business can meet the challenge and potentially benefit from the preparation.

Your overall strategy should look at the internal systems of your business or activity as you may have to make decisions which will affect the long-term direction of your company. For example, you may have to identify whether the accounting system or the production system is more critical to your immediate operations. You may also consider fundamental issues, such as the importance of various product or service lines or various markets.

Below is an outline of the areas you should consider when developing your business Millennium Bug Action Plan.

Overall strategy - A senior-level strategy is key to making the best decisions. Even if your business only has two or three people, it is critical to reach an agreement about the fundamental purpose of the business.

Management support - The Y2K problem requires a different kind of effort than any other project. It needs top priority which means support from the top of the organization down through all departments.

Inventory - Your next step is to compile an inventory of those things in your organization that could be affected by the Millennium Bug.

Suppliers and customers - Create a list of suppliers and customers. Apply an old rule called Pareto principle or 80/20 Rule - in the case of Y2K, 80 per cent of your risks will come from 20 per cent of your suppliers.

Risk analysis - Now that you have a complete inventory of what could be affected by the Bug, you have to decide if each item has a Year 2000 problem. Your computer store may be able to check some of your computer hardware or software items. You can also download compliance tests from the Internet (one such site is www.gtm.com) or various software programs which can make your job easier. Some sites that may be helpful include: Righttime from www.righttime.com and Ymark2000 from www.nstl.com/html/ymark_2000.html. Consider all advice carefully. It is possible that Internet information on such sites may be outdated or not apply to your particular situation. The other inventory items which need to be checked are suppliers and customers. If you rely on a single distributor and your customers are the general public, the list of things putting you at risk could be short. But, if your suppliers are in other countries, and your customer are all other businesses, you have a bigger job to do.

Priorities and procedures - Now that you have identified the area where there may be a problem, you need to figure out what to do, who can do it and how much it will cost, what to work on first and how much time will be needed. Regarding your computers and other equipment - essentially you have three choices - repair it, replace it or retire it.

Timetables and deadlines - One of the most common misconceptions about the Bug is that you have from now until December 31, 1999 to deal with it. In reality you have far less time than that. You need to consider your fiscal year-end, the seasonality of your business, delivery schedules which depend on other organizations and the availability of people who can help your business' Y2K problem.

Staff - Despite all the media coverage regarding Year 2000 creating huge demands for programmers, this applies to custom written code. Most small businesses use off-the-shelf programs. If you need to find any outside experts, start looking immediately. People with Year 2000 skills are in high demand and that demand will only increase as more and more business people recognize the risk of the Millennium Bug.

Execution and testing - Go back to your inventory list and start assigning people who can be responsible for checking the item for compliance, as well as provide an estimated cost to make them Year 2000-ready. Cost estimates may change as you go through the process of ensuring everything is ready.

Contingency and backup plans - A critical part of your action plan is developing contingency plans in case the project does not work out the way you hoped it would. Make sure you print your records from your computer.

Communications strategies - There are three target audiences you need to contact: customers, suppliers and the people with whom you work. What you tell them, how you tell them and how often will depend on your individual business. The key to success is being credible and consistent. With all three audiences, you want to consider their awareness of the Year 2000 problem, how critical they are to your operations, and your options if they fail to respond or do not respond effectively.

If you would like further information on starting a Y2K action plan there are a number of places which can help. Contact SOS•2000 at 1-800-270-8220 or the CAN2K Web site at: <http://www.can2k.com/English/index.htm>.

At the above mentioned site, click on the Virtual Toolkit icon for a more detailed overview of the action plan or download a copy of a 40-page Year 2000 Workbook providing a basic approach to developing a Year 2000 action plan.

PLANNING YOUR EXPORT STRATEGY

Your company's export strategy should be based on good information and proper assessments. A solid foundation of information will increase the chances that the best options have been chosen, resources have been used effectively and everyone's efforts are carried through to completion.

The foundation of the export plan is a clearly-written marketing strategy which will provide the information needed to formulating and polishing an export plan. A written strategy gives management a clear understanding of what will be required and helps to ensure the company's commitment to exporting. By committing to the specifics of a written strategy, top management can make sure the company finishes what it started and the ideas which prompted the exporting plans are fulfilled.

The purposes of the export plan are to assemble facts, constraints and goals, and to create an action statement that takes all of these into account. The action statement includes; specific objectives; it sets forth time schedules for implementation; and it marks milestones so that the degree of success can be measured and help motivate personnel.

The initial planning effort itself gradually generates more information and insight which can be incorporated into more sophisticated planning documents at a later stage. The company should modify the plan throughout the process and make it more specific as new information and experience are gained. A detailed plan is recommended for companies that intend to export directly, whereas companies choosing indirect export methods may require a much simpler plan.

WD offers comprehensive export information and businesses services to entrepreneurs and small business owners interested in entering foreign markets. If you would like further information or would like to speak with a client service officer with export knowledge call WD at 1-888-338-WEST (9378) or visit our Web site at <http://www.wd.gc.ca>.



Considerations for Management Involved in the Export Decision

Objectives

- What are the company's reasons for pursuing export markets?
- Are they solid objectives (e.g., increasing sales volume or developing a broader, more stable customer base)?
- How committed is top management to an export effort?
- Is exporting viewed as a quick fix for a slump in domestic sales?
- Will the company neglect its export customers if domestic sales pick up?
- What are management's expectations for the export effort?
- How quickly does management expect export operations to become self-sustaining?
- What level of return on investment is expected from the export program?

The export plan should address the following questions:

1. What products are selected for export development and what modifications, if any, must be made to adapt them for overseas markets?
2. What countries are targeted for sales development and what is the basic customer profile?
3. What marketing and distribution channels should be used to reach customers?
4. What special challenges pertain to each market (competition, cultural differences, import controls, etc.) and what strategy will be used to address them?
5. How will the product's export sales price be determined?
6. What specific operational steps must be taken and when?
7. What will be the time frame for implementing each element of the plan?
8. What personnel and company resources will be dedicated to exporting?
9. What will be the cost in time and money for each element?
10. How will results be evaluated and used to modify the plan?



Experience

- With which countries has business already been conducted, or have inquiries been received?
- Which product lines are mentioned most often?
- Are any domestic customers buying the product for sale or shipment overseas? If so, to which countries?
- Is the trend of sales and inquiries up or down?
- Who are the main domestic and foreign competitors?
- What general and specific lessons have been learned from past export attempts or experiences?

Personnel

- What in-house international expertise does the firm have (international sales experience, language capabilities, etc.)?
- Who will be responsible for the export department's organization and staff?
- How much senior management time should, and could, be allocated?
- What organizational structure is required to ensure that export sales are adequately serviced?
- Who will follow through after the planning is done?

Production capacity

- How is the present capacity being used?
- Will filling export orders hurt domestic sales?
- What will be the cost of additional production?
- Are there fluctuations in the annual work load? When? Why?
- What minimum order quantity is required?
- What would be required to design and package products specifically for export?

Financial Capacity

- What amount of capital can be committed to export production and marketing?
- What level of export department operating costs can be supported?
- How are the initial expenses of export efforts to be allocated?
- What other new development plans are in the works that may compete with export plans?
- By what date must an export effort pay for itself?

SAMPLE OUTLINE FOR AN EXPORT PLAN

Table of Contents

Executive Summary (one or two pages maximum)

Introduction: Why This Company Should Export

Part I - Export Policy Commitment Statement

Part II - Situation/Background Analysis

- Product or Service
- Operations
- Personnel and Export Organization
- Resources of the Firm
- Industry Structure, Competition and Demand

Part III - Marketing Component

- Identifying, Evaluating and Selecting Target Markets
- Product Selection and Pricing
- Distribution Methods
- Terms and Conditions
- Internal Organization and Procedures
- Sales Goals: Profit and Loss Forecasts

Part IV - Tactics: Action Steps

- Primary Target Countries
- Secondary Target Countries
- Indirect Marketing Efforts

Part V - Export Budget

- Proforma Financial Statements

Part VI - Implementation Schedule

- Follow-up
- Periodic Operational and Management Review (measuring results against plan)

Addenda: Background Data on Target Countries and Market

- Basic Market Statistics: Historical and Projected
- Background Facts
- Competitive Environment



If undeliverable, return to:

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WHAT KEEPS YOUR ACCOUNTANT HAPPY?

* By Mae Deans

Amortization, capitalization, prepaid expenses, accrued and deferred revenue are words that often strike fear into the heart of many a stalwart businessperson contemplating the yearly financial review. Year-end work usually requires a visit with a chartered accountant, a certified general accountant or a certified management accountant.

For some business owners a visit to the accountant is a pleasurable experience. The visit is a time to reflect upon business performance, current business practices, new product lines or business expansion. For others, the visit can be a nightmare of questions from an accountant attempting to untangle knots of data muddled by poor data collecting and poor record keeping. While the questions may seem irritating and time consuming, your accountant is merely trying to "get a handle" on the business activities since your last visit. Your accountant needs to ensure that the financial information is useable when preparing the financial statements and income tax returns for your business.

The financial information of any business needs to possess three components: relevance, reliability and comparability. **Relevance** means that the information can be a tool to predict the future, evaluate the past and received in time to affect current decisions. **Reliability** means that users of the financial information can depend upon the financial statements being free from bias and error. Remember that users are most often lending institutions, and they can only depend and act upon the information if it is free from errors. **Comparability** means that users can look for differences and similarities between businesses in the same or similar industries.

Generally Accepted Accounting Principles (GAAP) also bind your accountant. GAAP are guidelines adopted by the accounting profession for measuring the financial health of the business. Larson, Nelson, Zin and Carrol in their book, *Fundamental Accounting Principles*, outline some of these principles. Being aware of several principles that your accountant is thinking about when you are discussing your business together might be helpful.

Business Entity - Every business must be accounted for separately by the owner or owners. This means that owners maintain separate bank accounts and separate bookkeeping records for each business entity.

Objectivity - Financial information must reflect the true nature of the operation. The financial statement preparer must ensure that the information reported is based upon evidence rather than opinion.

Cost - This principle requires that the information must be based on exchanges of economic consideration. This consideration may include sales, purchases, accounts receivable or accounts payable. Cash or cash

equivalents' are also measures. Information that is based upon costs is usually more reliable than cost estimates.

Going-Concern - This principle assumes that the business will continue to operate rather than being sold or the operation closed down.

Revenue Recognition - Owners should acknowledge revenue when they earn it. Revenue does not need to be cash, but can be in cash equivalents such as an account receivable. Revenue derived or received from any other assets should be recorded.

Time Period - With this principle, specific time frames identify the activities of a business, such as monthly, quarterly, or yearly. Financial statements can be prepared for each time period usually called accounting periods. Most businesses report annually, while some firms have interim financial reports prepared.

Matching - This principle suggests that revenues must be reported during the period in which they are earned, and expenses must be reported during the period that they are incurred. Matching revenues and expenses during the period they incur is called the accrual basis of accounting.

Full Disclosure - This is the principle where the financial statements present all relevant information about the business operation. This enables a reader of the financial statements to evaluate the health of the business. This principle does not mean that owners must reveal every intimate detail of the business, but rather that significant information must not be withheld.

Consistency - Consistency means using the same reporting methods year after year so that someone evaluating the business can compare activities from prior periods. This principle also means that someone reading the financial statements can be assured that record keeping and financial statement preparation are consistent with previous years.

Your accountant has a great deal to think about when reviewing and commenting on the financial position of your business. The more care and attention you pay to good bookkeeping, accounting practices and record management, the better the financial information which is relevant, more reliable and more comparable. Then, when you and your accountant have that meeting, you will be able to talk not only about keeping your business in good financial health, but also keeping your dream alive.

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This newsletter is published quarterly by Western Economic Diversification Canada. If you would like to contribute to this publication or have any questions, please contact the editor, Johanna MacDonald at: Tel.: (780) 495-4320

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