<u>**SPECIAL REPORT**</u>

TEN MISTAKES

EXPORTERS MAKE

and

WAYS TO AVOID THEM

by

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Successful exporters often earn far more from their export markets than from their products or services sold in Canada. These days, large companies almost invariably have a multinational or global dimension, and even if the company does not trade overseas itself, it is bound to encounter competitors from abroad.

This list of mistakes that exporters make comes from experience with hundreds of exporters and would-be exporters.

There are potentially great profits from exporting, but many companies fall at the first hurdle. If you can avoid the mistakes of others, you will be on the path to achieve the rich successes available in the global market.

MISTAKE #1: Not choosing the most promising foreign market. The best foreign market for your company will usually be the country where your products will be in most demand but may be one where the company has some special 'entrée', for instance, an existing strong personal or commercial connection.

ADVICE: Use a "structured research" approach to identify the best market for you to target. This will mean you do the easy, inexpensive, "secondary" research to short-list the countries, and then limit the more expensive and time-consuming "primary" research to a few markets on your shortlist.

MISTAKE #2: Trying to enter too many new markets at the same time. Entering a new market can be very demanding in terms of time and money. To be successful, it is wise to limit yourself to one new market at a time.

ADVICE: Focus on specific markets and opportunities: don't take the shotgun approach. Successful companies concentrate on one new market at a time. They move on to the next based on their success in the last.

MISTAKE #3: Not doing all the research needed before launching into a new market. Sometimes companies will attempt to enter a foreign market without doing all the necessary research. This can lead to many different problems: regulatory problems at customs, health and safety standards, labelling requirements; marketing problems including offending cultural sensibilities, inappropriate advertising, use of the wrong distribution channels; competition problems including inappropriate pricing, dominant competitors, cartels; cost problems including unexpectedly high transportation, insurance or stocking costs, and many others.

ADVICE: Make sure to do all the necessary research on your proposed market and your product's place in it.

MISTAKE #4: Not finding out how to plan effective research while minimizing research costs. International trade and market research can be very intimidating to a new exporter. It can be expensive if simply handed over to a research company and time consuming if you do it yourself.

However, whether done in-house or with the help of consultants, there are ways to structure a research project to minimize cost and time taken and maximize effectiveness.

ADVICE: Take a course in international trade research and do the research yourself, or contract to a researcher who you have made sure will work with you to minimize research time and costs while maximizing useful information obtained.

MISTAKE #5: Not preparing a clear, written marketing/business plan for their foreign venture. Entering a new market is in many ways like starting a new business. You need to research your market and develop a market entry strategy. You need to relate this to your existing business and develop a business plan for the new endeavour. You can use this for your own on-going guidance and to show to bankers, investors and any alliance partners you may need, adapting it as necessary for each type of recipient.

ADVICE: The plan should not be too long, in fact, it should be kept brief and to the point. For guidance, call **Market Access Worldwide** for our International Business Plan Guidelines.

MISTAKE #6: Not spending enough time and effort searching for a really good agent or distributor. It is unreasonable to expect that you will find the perfect agent for your needs on your ***one and only*** trip to the market.

ADVICE: Choose your export partners with care. Make sure to invest ample time and effort to locate and secure the commitment of *really good* agents, distributors, customs brokers and other local partners in your target country.

MISTAKE #7: Not looking after good agents. A good agent is difficult to find, but once found, can make your fortune in the new market. So once having found a good agent, you certainly won't want to lose them.

ADVICE: Look after a good agent in every way you can. Make sure you rewarded them well both financially and in terms of attention. Meet with them often – at least once a year. Call them frequently. Make sure they know they are valued. Bring them to Canada to see your factory and meet your people. Don't leave them to their own devices – they may soon find another company who will pay them more attention.

MISTAKE #8: Not using the range of assistance that is available. There are many sources of help available to exporters. These include government programs, chambers of commerce, trade associations, foreign embassies and consulates, libraries, websites, freight forwarders, trading houses, customs brokers, consultants and other exporters.

ADVICE: Use expert specialists to help you succeed. Don't try to do everything yourself. Search the internet for the classifications listed above, or call **Market Access Worldwide** for our lists of government and non-government assistance for exporters.

MISTAKE #9: Going ahead without the full commitment of senior management. Entering a new market is a demanding activity that is unlikely to be successful if not started with the full support and commitment of the company's senior management.

ADVICE: Appoint a "champion" for the new market. This person could be a senior manager who has freed up enough of his/her time to drive the project. Alternatively, an up-and-coming executive who will respond well to a challenging assignment could fill the role. In this case, the CEO should remember that the champion is, in effect, the chief executive of the export endeavour, and needs the necessary level of help and attention to make a success of the project.

MISTAKE #10: Assuming an "accidental export" proves a market really does exist for your product or service. A domestic company may sometimes receive an unexpected export order. This may be from a foreign visitor to a tradeshow in Canada or to the company's website, or a response to an advertisement in a journal read by a foreign purchaser. We refer to foreign orders such as this as "accidental exports" because they do not result from a deliberate export strategy.

Sometimes when this happens, a company will assume that there must be a good market for their product or service in the country where the order originated. This may be the case, but it is not always so.

ADVICE: Before filling the order and dealing with the complexities of transportation, customs, insurance, securing payment, etc, be sure you ***really*** want to export to the country in question. Then, before trying to sell more there, carry out a minimum level of research on export and import regulations, who your customers would be, payment methods applicable in that country, competitors, the size of the potential market and the price you should set.

If it still looks good, you may indeed have a potential market there.

MISTAKE #11: Not visiting the market. The only way to really understand and appreciate a new country and its people is by visiting. It is best to build relationships in foreign markets face-to-face. Emails, faxes and phone calls are good for follow-ups, but distant relationships need at least one face-to-face meeting initially, then on-going, regular, meetings to reinforce them.

ADVICE: The old joke advice to vote early and vote often applies to developing a market in a new country: visit early and visit often. This is the best way to establish and maintain good relationships with the partners you need for success. Make sure also that your agents, distributors, etc, have the opportunity to visit you and your company in Canada.

MISTAKE #12: Expecting "the government" to do everything for them, including providing financial assistance. Governments have always be keen to encourage exports, and traditionally companies have come to expect free export assistance from government. However, it is increasingly against the rules of international agreements such as the World Trade Organization (WTO) to provide such assistance. In many countries, governments no longer provide free assistance to exporters and actually charge for any help they give. This is not the case in Canada yet, but assistance programs are not as fulsome as they once were.

ADVICE: Make sure to use free government assistance where appropriate and available. However, remember that the main driving force for your international business must be the same as it is for your domestic business **– YOU!**

MISTAKE #13: Not studying the culture of the new market and customers. Although it is quite clear that people in foreign countries speak different languages and have different cultures, some would-be exporters ignore this obvious fact and expect foreign customers to accept their product as-is, unmodified and delivered exactly as delivered in North America, with no concession to language or cultural considerations. This may work if your foreign distributor can modify the product and delivery methods to suit local needs and still make a profit. However, a well thought-out approach by the exporter to meeting the reasonable needs of the foreign buyer will always result in more sales, bigger profits and longer-lasting relationships.

ADVICE: Be aware of the differences in culture and language between Canada and your target market. Read a book or two about the country or find a website detailing their cultural differences. Learn a few phrases in their language and use them when you meet. Make a point of celebrating the cultures of the countries you deal with. Visit their country and have your agents and distributors visit you and meet as many of your people as possible. Then, when planning product or packaging changes, or planning any marketing initiative, seek advice from natives of that country. People you meet will appreciate you for the effort you make to learn about their country and culture.

Tip: if you don’t know any nationals from the country, show your ideas to trade officers in their consulates or bi-lateral chambers.

MISTAKE #14: Not adapting their products or services to the needs and tastes of the foreign market. However universal a product may be, there are bound to be differences in the way it is sold in other countries and other cultures. Packaging, labelling, sizes, weights and measures, languages used or required, spelling variations, product names, colours, logos, local tastes, cultural sensitivities, distribution channel structures, will all differ form market to market.

ADVICE: Modify products and services to meet the needs of the offshore market. (This is another reason to have a good marketing plan based on thorough research, starting with a checklist of all the above variables and more).

MISTAKE #15: Not pricing their products appropriately for the new market or for their chosen market entry strategy. There is no general reason that your prices need to be the same in your new market as they are in your home market.

ADVICE: If you have competitors, find out their prices. Determine the total size of the market in the country or region and the percentage of it that you need to succeed. Decide your market entry strategy. Establish the costs of taking your products to the market. Decide the appropriate price for your products or services in view of all the above factors.

MISTAKE #16: Not gearing up for the increased demand that a successful new market will generate. People always worry that their product when launched in a new market will not sell. However, success can also bring problems and these can be significant. If the manufacturing capacity of your company or suppliers fails to meet the demand encountered after launch in the new market, you will have problems with your distributors and end customers. Finding sufficient capacity may then result in increased costs, so that you no longer make a profit. Your difficulties may give your competitors the chance to come in and grab the rich market you have identified but have been unable to exploit.

ADVICE: Research and estimate the potential market size, but make allowances for it being larger than expected. Make sure you have sufficient productive capacity and supplies of components and raw materials. Allow for higher costs if you need to increase your production capacity. Set your prices so that you can still make a profit if costs are higher than expected. Possibly increase your prices to control demand, ie use a price skimming or “cherry picking” strategy.

MISTAKE #17: Treating export customers as "second class citizens." Sometimes, export orders fail to receive the same urgency and consideration as domestic orders. This can happen when a company regards its export business as an "optional extra," not part of the company's core activity.

ADVICE: Consider your export customers of equal importance to your domestic customers and never give them second-class treatment. Make sure they receive the same high quality service offered to your domestic customers.

MISTAKE #18: Trying to sell too wide a range of products or services in a new market. McCain, the famous potato fries maker, always enters new markets around the world first with their fries. They introduce their many other products after they have established the fries. This minimises the cost and complexity of the initial entry to the market, and gives them a base of distributors who can help with market research for other products as they go along. For each different product you introduce to the market you need inventory, promotional materials, training for your marketing and distribution partners, and education for your customers. The fewer products you introduce at the same time, the lower the cost and complexity of the launch will be.

ADVICE: Keep it simple and keep costs low. Introduce just one product or service, or a very limited range. Introduce your other products when the initial one(s) are established.

MISTAKE #19: Exhibiting in a foreign trade show BEFORE establishing that it is the right show for their needs. Companies hurrying to enter a new market sometimes commit to the costs of booth design and construction, space rental, promotional materials, hotels and airfares, without thoroughly researching the appropriateness of the show for their products and needs. This can lead to disappointing results.

ADVICE: If time permits, attend the show as a visitor the year before you enter the market. (Doing this can also provide an excellent research opportunity). If your timeline demands you must get into a show as soon as possible, make sure to research it properly through professionals who know the show and understand your products and needs. Don't just take the advice of the promoters – they want you there come what may, and you may be subject to some hard-sell tactics.

MISTAKE #20: Not protecting themselves against the increased risks of doing business with far away customers or suppliers. Doing business always involves risk: non-payment of receivables, non-delivery of goods, contractual default of partner companies, bankruptcies, loss or damage to goods in storage or in transit, unexpected changes in consumer tastes, new competitors or competing types of products and many others. All of these apply in foreign markets, just as they do in the home market, but the difficulties of dealing with them are exacerbated by distance. In addition, foreign activities can involve new risks such as exchange rate variations, political instability, cultural differences, unexpected costs of setting up and doing business, customs regulations, re-patriation of profits or investment, ownership rules, laws regarding agency agreements, and so on.

ADVICE: Proceed with due caution. Seek advice. Allow for additional costs when budgeting and setting prices. Here is a tip from the owner of a very successful international business: "*estimate your costs and double them; estimate your revenues and halve them. If the project will still be profitable on this basis, proceed!*"

MISTAKE #21: Not committing the time and money needed to be successful. Exploring a foreign market often takes much longer and costs more than expected. Significant expenditure of time and money for personal visits, market research and product launches is nearly always required. It will take time to build your sales in the new market. If you don't commit sufficient cash, human resources and time, you may well give up when you are just about to succeed.

ADVICE: Commit dedicated resources to your target market. Plan to visit the market several times, attend several tradeshows (more than once each), follow up on all leads, and follow up again. Don't reduce your efforts because you suddenly become busy in your domestic market, and thus waste all your marketing effort to date. It is wise to allow for at least two years before expecting the new market to be profitable.

MISTAKE #22: Not obtaining adequate training for themselves and their people in international business. Most managers have training in a technical area or in business studies. They may have had minor studies in international trade but this may have been a long time ago. Before you start to export, you need at least a refresher course to update you, and furthermore, your staff members who will have responsibility for the details of exporting and export marketing may need even more training.

ADVICE: Get some training. Attend seminars or FITT courses. Go on the Ontario Exports NEBS program. (Call **Market Access Worldwide** for a list of current courses and seminars).

MISTAKE #23: Not learning from successful exporting companies. There are many, many successful exporting companies out there (as well as many unsuccessful ones). As in all things, it is a good idea to learn from the success stories.

ADVICE: Identify companies who export to the markets you are interested in and arrange to meet with them. Ask **Market Access Worldwide** to introduce you to clients who export to the same part of the world or who have overcome exporting challenges similar to your own.

MISTAKE #24: Being unwilling to learn to work with people from other cultures. To succeed in a foreign market you need four things. These are:

- the perfect local partner
- lots of patience
- respect for local experience
- an understanding of local business conditions affecting you as a vendor and local companies as your prospective clients and customers.

ADVICE: To achieve these, you must clearly learn to work with people from the local culture. Don't assume the methods you have always used in Canada will work in a new country and culture.

MISTAKE #25: Not developing a group of (international) partners to help exploit the new market. Some sophisticated product/service combinations require partnering with other internationally active companies, each of which will provide part of the total customer solution.

ADVICE: Develop partnerships with other Canadian companies, or with American, European, Japanese or companies of other nationalities – whoever and wherever there are people you can combine with to provide a total solution to your prospective clients.

MISTAKE #26: Not exploiting fully the rich sources of business leads that are available. There are many databases listing contracts and opportunities available around the world. Some are free; others are available by subscription only. For some service providers, the prime-contractors bidding for the contracts available are their potential clients. Often this information is available from the same databases.

ADVICE: Research the sources that have the types of lead that you need. Make sure to regularly check the free sites, and carefully evaluate the advantages of subscribing to any paid-for services that address your main areas of interest.

MISTAKE #27: Not including financing in the deal. In some markets, customers expect financing to be an integral part of the deal. Failure to meet this expectation can lose the order.

ADVICE: Where this is the case, make sure to have a suitable financial partner with the right tools available. This may be a Canadian company or government agency, or may be from another country but with experience of operating in the target market.

MISTAKE #28: Not internationalizing their website appropriately. Often, unintentional or 'accidental' export sales can occur through a company's website. This can turn out well but can result in undesirable complications if the website was not designed for transactions with customers in foreign countries.

ADVICE: If you **do not want** foreign orders, make it clear in the text of the website that it is for Canadian residents only. If you **do want** foreign customers, review the site to make sure foreign nationals will know how to order, what payment will be required, and in what currency. For a checklist of suggestions, please call **Market Access Worldwide.**

MISTAKE #29: Giving up too soon. Many companies hope for a new market that will provide them with instant profits. However, developing a foreign market requires a long-term commitment of time and money. Many companies don't stick it out long enough. Often, after months of effort, they lose impetus, for instance, if their domestic market suddenly makes an upturn.

ADVICE: Be prepared for the long haul. Allow ***at least*** two years before you expect consistent profits.

MISTAKE #30: Finally, not understanding how the company's core competencies fit into the realities of the global market. This is often the root cause of many other problems arising when a company makes its first steps into the global market.

ADVICE: Undertake a thorough review of what the company is, how it operates in the real world, and what it wants to achieve. Follow a systematic procedure to see how the company can transform itself into a successful operator in the global market of today. For a guide to this process, please call **Market Access Worldwide.**
