

Finding and Keeping International Customers

Do you think there's a potential market for your company's products or services outside Canada? If your research suggests that the answer is "yes," then selling internationally could be a winning strategy for you—even if your firm is a small or medium-sized enterprise (SME) and your new customers are in a very different culture on the far side of the world.

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LAYING THE GROUNDWORK

Given your own knowledge of your company, your industry and your Canadian customers, you can likely identify several markets that should hold a rich trove of new opportunities. Further research will give you a basic understanding of how these markets work, what they can offer you and what will hinder or aid your success within them. That information will help you decide exactly where to look for new customers.

“In effect,” says Allan Place, VP Sales and Marketing at QuickSilk Inc., “when you’re trying to identify new customers abroad, what you’re really doing is identifying promising markets. But while you’re looking outward, you also need to be looking inward. That means engaging in a brutally honest analysis of your own business to decide whether the value proposition of your product will work outside Canada—it may sell well here, but will it be equally compelling in other places? In other words, will you be able to sell your goods within the competitive landscape of these potential markets? If not, you may be well advised to look elsewhere—unless, that is, you can easily modify your products to become more competitive in those markets.”

With that in mind, here are some key areas to examine:

Market suitability, size and growth

- Do your products suit the needs and tastes of the market?
- Will you need to modify them to strengthen their appeal in the market? If so, is the opportunity cost justified?
- How much does the market spend annually on products like yours?
- Is the demand for such products likely to grow or shrink?
- How many potential buyers are there likely to be for your company’s product, and will they generate enough sales to make the market profitable?
- Does your company’s product have long-term potential in the market, or may demand be saturated relatively quickly?

Competitiveness

- If the market already has many suppliers of your type of product, does your merchandise have an important competitive edge (in price, function or quality, for example) that will allow you to gain and keep market share?
- Do you have the capacity to develop new products that will keep you competitive as the market evolves?
- Are there cultural factors that may lower the competitiveness of your product? Can you adapt your product to offset this?
- Are your products subject to high tariff and/or non-tariff barriers that will increase their in-market prices or availability, and thus reduce your ability to compete with local suppliers?

The business environment

- Is the country's economy stable and growing?
- Are governments at the national and sub-national levels friendly to foreign businesses?
- Are there any issues with currency exchange, transfer or convertibility?
- Is the political system stable?
- If you place assets in the country or invest there, are there risks of political upheavals that could threaten these assets and investments?
- How strong are the local legal and governmental institutions?
- Is there widespread corruption?

This analysis should help you decide which market(s) will offer you the best sales opportunities for your merchandise. If the competitive landscape seems as good as or better than the ones where you're already making money, the odds of success should be in your favour.

Once you've decided where to go, you can start considering whom to approach—and how.

WHERE TO GET HELP: **EXPORT DEVELOPMENT CANADA (EDC)**

EDC is Canada's export credit agency. Its job is to support and develop Canada's export trade by helping Canadian companies respond to international business opportunities. At EDC, you'll find insight and experience that can help you do business in more than 170 markets worldwide. To support your customer search, you can access detailed **Country Info**, visit the **Knowledge Centre** for in-depth economic analysis and reports or browse the **events calendar** for upcoming seminars, webinars and trade missions.

WHERE TO GET HELP: **THE CANADIAN TRADE COMMISSIONER SERVICE (TCS)**

The TCS has Trade Commissioners in more than 160 cities worldwide and in regional offices across Canada. If you're already well prepared to do business in a market, the Trade Commissioners there can help you with information about market prospects and local companies, assist with contact searches and provide briefings on current market conditions.

WHERE TO GET HELP: THE **ENTERPRISE CANADA NETWORK (ECN)**

Are you seeking new business, technology or research partners in Canada or abroad? ECN provides one-stop access to services that can help you connect to qualified leads in your industry, find trade events for your sector, identify Canadian and international opportunities that match your products or services and search for Canadian trade and export publications. ECN is a project of **Canadian Manufacturers & Exporters** and **EDC**, and almost all of its core services are free. And it's easy to start using ECN—just **register**, create a profile and you'll discover a world of new opportunities.

DOS AND DON'TS FROM THE **BUSINESS DEVELOPMENT BANK OF CANADA (BDC)**

“One of the best ways to find international customers,” says Carl Gravel, BDC’s Director of Global Expansion, “is to take advantage of your company’s existing network of buyers, suppliers and contacts. If you have a customer in Canada, for example, and that customer is also involved in foreign markets, leveraging your relationship can be a very effective way to seek new international customers. A second strategy is to rely on your own market research, but that research has to be very thorough in terms of assessing the market, understanding its supply chains, learning about its business environment and identifying the key players in your industry. A third way is to participate in trade shows, which can be an excellent way to meet with potential suppliers, distributors and customers.”

BDC’s consulting and financial services—its **international growth program**, for example—are designed to support Canada’s SMEs when they’re expanding internationally. “We have developed a system to guide companies through the process of finding customers,” says Gravel. “We also help them do research to identify the foreign markets that are right for them, and help them find these markets’ most promising stakeholders. In addition, we can introduce them to suitable industry associations, since these can be good at identifying customers in a particular market. Finally, we can offer working capital financing when a company needs support for its export strategy.”

One of the most common errors companies make when seeking customers, according to Gravel, is to rely too much on unexpected sales requests from unknown businesses abroad. “If you use this opportunistic approach,” he observes, “you may not do enough due diligence, and the new customer may not be a good one. If you want to generate long-term, sustainable growth, you need a clear strategy for identifying the right customers, rather than relying on random opportunities.”

A second mistake is rushing into a market and looking for customers before you understand how the market works. Without a solid background of research and due diligence, it’s all too easy to target the wrong type of customer or partner—again, you’ll be using an opportunistic approach rather than a well-designed export strategy.

Third, companies too often overlook the vital importance of financial planning. “It takes time to penetrate a market and build relationships with potential customers,” says Gravel. “This usually means that you’ll need a supply of working capital to support your export program until it starts making money. This financing aspect should be integrated into your export strategy right from the beginning.”

WHO ARE YOUR CUSTOMERS?

The answer to this question depends on the following two considerations:

- Will you be selling directly to your end users in the market?
- Or will you sell indirectly through a distribution channel that will sell your goods to end users in the market?

This is an important distinction for exporters at the SME level, says Place. “Your approach to sales management, product management and support management will be markedly different depending on whether you sell your own products internationally, or you find other companies to sell them on your behalf. So the first thing to decide is, which of these approaches will work best for you?”

When should you sell directly?

“You’re best advised to sell directly to end users if your products are expensive and may have complicated and lengthy sales cycles,” says Place, “This is because you’ll need to deal not only with the company personnel who will actually use the product, but also with a range of other people who are involved in the decision-making process—various levels of management, the legal and accounting departments, the technical staff and so on. When you need to do this, a direct sales strategy normally works better than an indirect one.”

Complex and/or highly customized products are also best handled by a sales force that can deal directly with the end user. If extensive modifications to the product will be required, for example, or if the customer will need your ongoing support for implementation, training, upgrades, updates and maintenance, there is no real substitute for a direct relationship.

“In general, direct selling is preferable when you, as the original manufacturer, will need a longer-term engagement with the customer in order to complete the sale and provide post-sales service,” says Place. “If you sell these kinds of products, you may have only a few dozen potential customers in your selected market. Often, you can find out who they are through background research using your industry associations, web searches and so on.”

Making a success of direct selling, however, requires a very thorough understanding of the market and how to engage with the people in it. What are their problems? What is their shopping mentality? How will this affect their buying decisions? What features will they be looking for in your product? Will they want it to be localized?

When should you sell indirectly?

A channel is a network made up of one or more local companies (or distributors, in this context) that buy your products and resell them to end users within the market. A German home furnishings company, for example, might purchase your desks and chairs and resell them at the consumer level. Or, depending on what you manufacture, your channel might be a value-added reseller that incorporates your product into its own product and then sells the finished product to its end users.

According to Place, the fundamental advantage of using channels is that they transfer the sales responsibility to the reseller. Channels tend to work best when the product's sales cycle is short and simple, the dollar value per unit of the product is relatively low and the distributor's decision to buy your product involves a small number of people. They can also be ideal when the overall market for the product consists of a large number of end users, and the distributors within the channel can sell these products in quantity to those users.

Given the right product in the right market, selling via distributors can enable SMEs to sell internationally. This is one of the big advantages of using a channel, but there are others:

- Your distributors will handle the on-the-ground sales process (such as taking orders and processing payment) and may also be willing to handle first-line, after-sales customer service (such as dealing with returns).
- Distributors can help you understand the competitive landscape and provide important information about specific competitors within it.
- They will give you a local presence that provides an immediate contact for end users in their own language and in their own time zone.
- They can help you ensure that your product meets (and continues to meet) the needs and tastes of end users.
- They can help you handle essential in-market tasks such as translating your marketing materials, registering sales contracts and arranging banking facilities.

Be aware, though, that few distributors will spend much money on promoting and marketing your product unless the product represents one of their most important revenue streams. Local marketing campaigns, if you need them, will thus be your responsibility—although a good distributor will happily support them if they will increase sales.

LOCAL REPRESENTATIVES AND DIRECT SELLING

If your products are complex and expensive, you might need to work with a local business even when you're selling directly to the end user. Why? Because, when a sale has a high enough value, the user may want someone nearby who will represent you if things go wrong. This representative could function much like a distributor for that particular sale, by facilitating the delivery, installation and ongoing maintenance of the product. You, being the original manufacturer with in-depth knowledge of the product, would remain engaged with the end user via the representative, and would provide backup and specialized assistance as needed.

CONNECTING WITH CUSTOMERS

Regardless of whether they sell directly or through channels, experienced exporters use a variety of strategies to find and connect with new customers.

Trade shows

“Trade shows can be the best possible way to spend a company’s travel budget,” says Place, “because attending them or participating in them allows you to do a huge range of things. They can help you understand the competitive landscape, since many of the businesses selling against you will be there, and they make it possible to connect with potential end users, partners and distributors, all in one spot. And if it’s a large regional show, then instead of you having to travel to many different countries, the prospects will come to you. So setting up a trade show booth can be an extremely cost-effective way to cover a great deal of ground.”

There are several types of trade shows:

- **Major trade shows for a specialized audience**

These are devoted to a specific industrial sector (such as automobiles) or a market (such as health care). Many are international and draw large numbers of senior executives who can make important sales decisions.

- **Major trade shows for a general audience**

These large shows may be international, national or regional. They showcase all kinds of goods and services for the public and for businesses. Because they attract a general audience, they may be less suitable for your company than more specialized shows.

- **Secondary trade shows**

Less prominent than the major shows, these can still be important to their particular sectors or markets at both the international or national levels. They are often highly specialized and are usually open to business participants only. For companies that aren't quite ready for one of the major shows, these events can be a good investment.

- **Consumer trade shows**

As the name suggests, these shows are for the public at large. Some are general, while others are devoted to particular audience interests, such as home shows or sports shows.

The TCS provides **lists of upcoming trade events** and information about specific trade missions. EDC's **Find Export Opportunities** page offers further resources, including information on trade events that can help identify potential customers.

CHOOSING A DISTRIBUTOR

Always exercise due diligence when choosing a distributor for your channel.

- Be sure they have the marketing knowledge, industry expertise, financial capacity and facilities required to represent you properly.
- Be sure they're motivated to sell your product and that you can be comfortable working with them.
- If they represent products that compete directly with yours, find out how they'll resolve this potential conflict.
- Obtain references and verify them carefully. If at all possible, seek out third-party information about the distributor's reputation in the marketplace.

Recommendations from other businesses

Most company managers agree that third-party recommendations can be very helpful when you're searching for customers, whether these are distributors or end users. Such recommendations suggest that your firm is trustworthy with good potential. When looking for a distributor, for example, you could check with your own suppliers to find out if they are aware of, and can recommend, reputable distribution firms in your target market.

Conversely, international firms that have a good opinion of your company may be willing to recommend you to others in their local markets. Since buyers often prefer to stick to familiar sources and suppliers, a recommendation can help make your company less of a stranger to a potential customer.

Industry organizations and associations

If there's a single good reason to belong to an industry organization in your sector, it's that membership provides you with high-quality networking opportunities. Many of these organizations have a global reach since they are frequently connected to equivalent associations abroad. Association members are often willing to help each other out since they too may need assistance at some future time. The shared market knowledge within your industry can be a valuable resource when you're trying to create a network of international business relationships.

Visiting potential customers

There is no real substitute for travelling to your market of interest. If you're selling direct, it's by far the best way to meet, qualify and sell to the companies that you've identified as potential long-term, repeat customers. If you're selling through channels, it's the best way to find qualified resellers and then to build strong relationships with them so that they become (and remain) valued business partners.

Before you go, check the list of EDC's **overseas offices** to see if we have on-the-ground representatives in that market. These experts can help you find your way around their markets, introduce you to decision makers and may be able to match you with local business prospects.

You should also contact the **TCS office** in the Canadian diplomatic mission located in the target country. Assuming you're already well prepared to do business in the market, the Trade Commissioners there can give you information about market prospects and local companies, help with contact searches and provide briefings on current market conditions.

Here are some tips that can help make your visit a success:

- Allow enough time in the country to start building relationships with potential customers.
- If you're not already familiar with it, learn the essentials of the local business culture—for example, its attitudes to punctuality, formality and styles of negotiation.
- At least two people from your company should travel to the market. Your party should include senior executives with decision-making powers.
- Make sure you can answer detailed questions about matters such as price, production capacity and delivery times.
- If your product is complex, you may want to bring technical staff to answer questions from potential buyers.
- Follow up with all promising contacts, ideally within 24 to 48 hours.
- Remember that combining a visit to the market with participation in a trade show can be an especially cost-effective strategy when you're looking for new business.

WORKING WITH CANADIAN COMPANIES

You may also be able to find customers by working with one of your existing Canadian buyers, or by setting up a partnership with a Canadian business that's already operating in your market of interest.

Following your customer

If some of your Canadian customers are operating in other countries, this can open a door for yours. If you sell electronic components to a company in Halifax, for example, and that company operates an affiliate in Mexico, you may be able to sell directly to the Mexican affiliate.

Finding such a ready-made international customer, whose parent company is familiar to you and with whom you have an established relationship, can eliminate much of the risk of entering a new market abroad. A second advantage is that your business with the affiliate will help you learn about the local market and give you a presence there, which will make it easier to find other customers.

Partnering with a Canadian exporter

Partnerships can offer important advantages for a first-time exporter. Many smaller companies have become successful abroad by building a strategic partnership with a larger Canadian company that already has footholds in international markets. Such partnerships can take many forms, from contributing to a supply chain to providing a custom product tailored to the larger partner's needs. While there may be some loss of control for the smaller company, this is usually outweighed by the opportunity to achieve sales growth and diversification outside Canada.

Using this approach can provide you with advantages such as the following:

- Tapping into the larger firm's international business expertise, sales force and customer base can lead to larger and more stable deals for your company, while allowing you to maintain your focus on your products and service.
- The partnership can help you address potential market risks such as high entry costs, non-payment by a customer, loss of goods and limited initial demand.
- You can benefit from your association with the larger company's reputation and brand.
- The larger firm may become a source of investment capital.

To persuade a larger company that such a partnership is in its interest, you'll need to attract the attention of the bigger firm's decision makers. This is typically done through networking with industry associations, chambers of commerce and other business contacts. Once at the table, you must demonstrate that you can add significant value to the larger company's business over the long term. The key here is to offer unique contributions such as a tailored service or product, or an ability to add flexibility and value to the larger firm's operations.

KEEPING YOUR CUSTOMERS

Ideally, making your first direct sale to an international customer, or signing a distribution agreement to establish a sales channel, is just the beginning of a fruitful long-term relationship. Like every relationship, though, these connections need regular attention if they're going to last. Following up, providing service, solving problems and working together are all part of the process.

Building and maintaining relationships

People in many cultures place great importance on personal relationships, and this can extend to business practices that are less familiar in Canada. This means, for example, that your counterparts in such cultures will likely want to get to know you before they'll do business with you. For them, establishing a personal side to your business relationship is part of building mutual trust and understanding. Canadian companies that don't form such connections, beginning with their entry into the market, are unlikely to succeed there in the longer term.

If your customers or distributors feel that personal, face-to-face communications are highly valuable, you should be prepared to accommodate them by travelling regularly to the market to spend time with them. How often you do this will depend on individual circumstances, but it should be often enough to show your commitment to the business relationship.

You can also consider arranging reciprocal visits. You can invite your customers or distributors to Canada to see your company in operation, or arrange to meet them at trade fairs in Canada or elsewhere.

Service and support

Providing after-market service for your products is part of maintaining a good relationship with your international customers and maintaining your firm's reputation. If you provide poor or slow service, word will eventually get around.

You have two basic options for providing after-market service:

- You can send your service personnel to the overseas market as needed. This option is often the best for products of considerable value and complexity.
- You can use distributors who already have an organized service network and can use it to service your products on your behalf. You'll usually need to train your distributor's support personnel to deal with your products, either in Canada or in the local market.

Responding to problems

No matter how promising at the outset, your business relationship won't survive if your company doesn't respond quickly and effectively when something goes awry. Get back to your customer immediately, indicate that you are working on the issue and promise an answer within a specific time frame. Follow up within that period, even if it's to say that you need more time to correct the problem.

Once the problem is resolved, check back to make sure the customer is satisfied with your response and explain how you'll prevent it from happening again. If the situation was serious, you might want to visit the market for a face-to-face meeting with the customer. This will help demonstrate your commitment to the business relationship.

Working together

If you're selling via a channel, you may find it useful to arrange joint promotions with your distributor(s). Your company could mount co-operative exhibits at trade shows or participate in promotional events that your reseller is hosting in the local market. It can be very fruitful to work with distributors in this way, not just to increase sales but also to strengthen the relationship.

You can also keep your end users or distributors aware of your company by telling them regularly what you're doing in Canada and elsewhere, using both traditional hard-copy methods and social media such as Facebook and Twitter. This will remind them that although you're far away in Canada, they remain top of mind.

Summing it up

"Ultimately, people will find reasons to do business with people they like and trust," says Place. "To keep your customers, you have to mean what you say and do what you promise—never disappoint them. The most important thing is that their engagement with you has to delight them. They need to know that you'll take care of them, that you understand their problems, and that you'll help them go from where they are now to where they need to be. If you do that, they'll be your loyal customers."

GET CONNECTED NOW—BUILD YOUR PROFILE ON **ECN**

ECN is an online matchmaking tool that connects businesses with opportunities around the globe. Your ECN **registration** helps you find out about other businesses—what they do, what they need and who they want to work with. But that's just half the story. What about telling those other businesses about your company and what it can do for them?

It's simple. Just log onto your account, write a profile for your company and submit it. ECN can then promote your profile to Canadian and international players and connect you to qualified, interested parties. You can choose to have broad exposure for your profile or restrict it to specific countries or types of partners. Your ECN profile can be a great tool for promoting your firm in Canada or around the world.

**FINANCING. ASSET PROTECTION.
MARKET EXPERTISE. RISK MANAGEMENT.**

EDC can help.

- Need financing to grow your international business? We can help you **find it**.
- Want to protect your foreign receivables? We can help you **secure them**.
- Looking for trade and market expertise to guide you? We can **provide it**.
- Need to manage risks abroad? We can help you **mitigate them**.

To find out more, call our Solutions toll-free number at 1-800-229-0575, or go online and **submit a question**. We'll answer your inquiries within one business day, weekdays between 9 am and 5 pm EST.

For more information, please visit edc.ca

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