



# Growing in International Markets

A Guide for  
Entrepreneurs



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### Assess your readiness for international expansion

Entering or expanding your business into new markets is exciting. It's a great way to diversify your revenues and increase profits. However, the realization of these benefits is not a given. The time, effort and resources—organizational, operational and financial—required are often greater than what is initially estimated. To optimize on your market expansion investments, take a step back and make sure the winning conditions are in place inside your business to help you realize success.

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### Choose the best markets

The choice of where to expand internationally is not a simple process. Start with a long list of markets of interest and narrow it down. Market research and consultations with third parties are useful actions to help you narrow the list. Keep an eye out for markets where your current customers already have established relationships, and those in which Canada has free trade agreements.

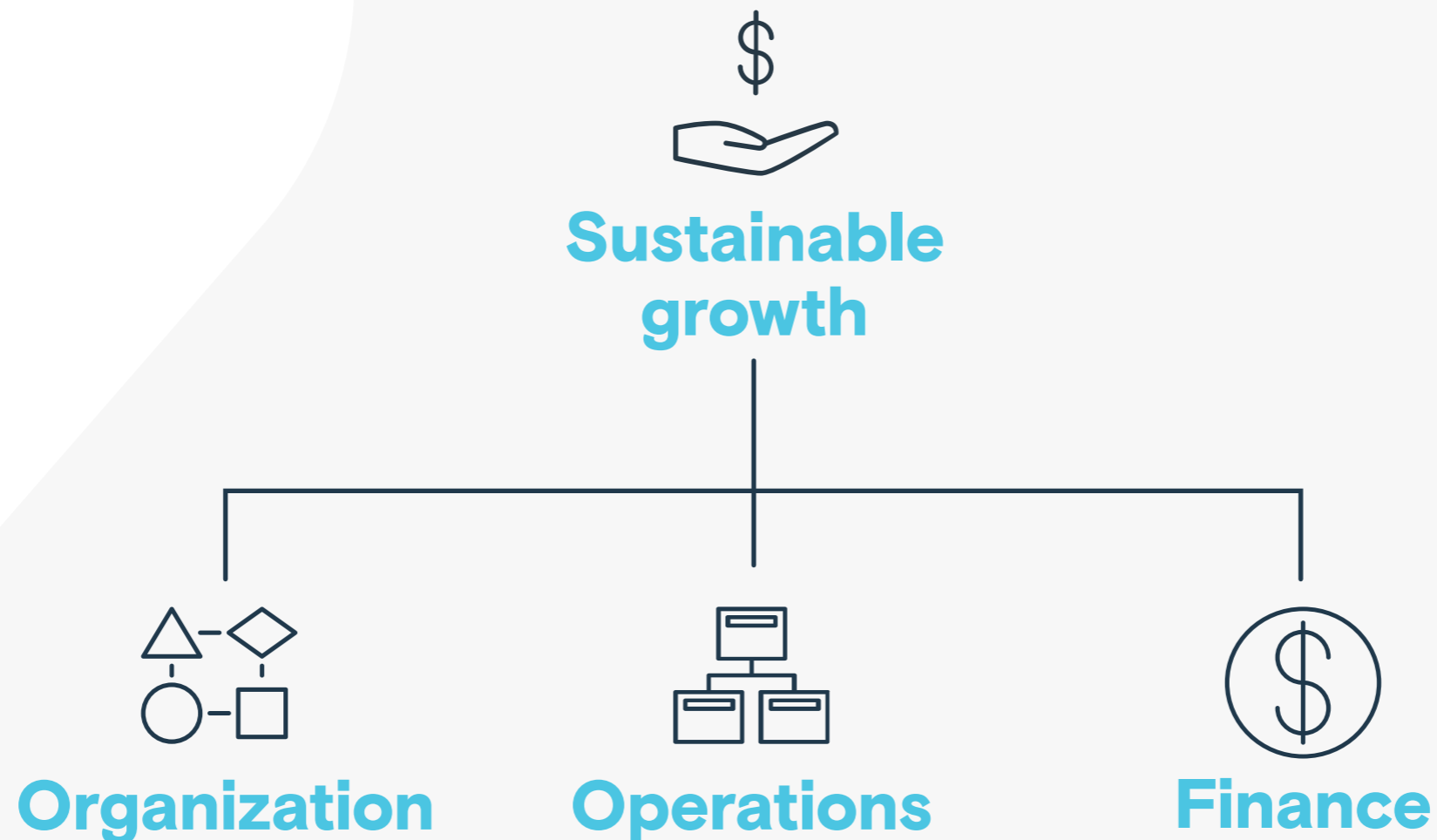
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### Plan for commercial success

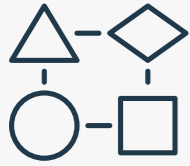
There are many ways to enter or expand into new markets. Developing a market entry plan to align team vision and mobilize internal resources is a key element in laying the foundation for sustainable growth. Your plan will take into consideration competitors, potential partners and distribution methods. Costs, logistics and compliance with local laws are essential to successfully getting your product or service to its international destination.

# The three pillars of sustainable growth

Make sure you're ready before doing business in international markets. Do you have the organizational, operational and financial capacity to embark on a growth journey that typically takes years, not months? If not, where are the gaps and what actions must be taken to optimize on your marketing and sales spending? The goal is to lay the foundation for sustainable growth in your target market(s). If your company has weaknesses, it does not mean that you cannot have commercial success in a foreign market, but the depth and sustainability of that success is uncertain.



## Assess your readiness for international expansion



### Organization

#### Business model

You've done well in Canada, and you're now seeking growth opportunities in new markets. Can you replicate the business model that has been key to your commercial success domestically, or will you need to adapt it to your new markets? You'll be up against global players, so your products and services need to be innovative and differentiated from the competition.

#### Sales and marketing

Do you have the marketing and sales infrastructure, both online and offline, to facilitate lead generation, customer acquisition and brand development? Does your team have knowledge and experience in the target market(s)? Is your website up to date, effective and available in the target market's language?



### Operations

#### Operational capacity

Can you meet additional demand as you expand into new markets? If you are already operating at full capacity, meeting the needs of new customers may not be possible.

#### Operational efficiency

Are you productive enough to offer products or services that are competitive in terms of price and quality?



### Finance

#### Financial capacity and agility

The cost of developing business internationally is invariably higher than what exporters often estimate initially. Can you afford the additional expenses? Do you have the staying power for a multi-year market expansion effort?

#### Financial processes and systems

Will your financial processes and systems allow you to grow effectively and efficiently in foreign markets?

# Establish clear, measurable and achievable commercial objectives

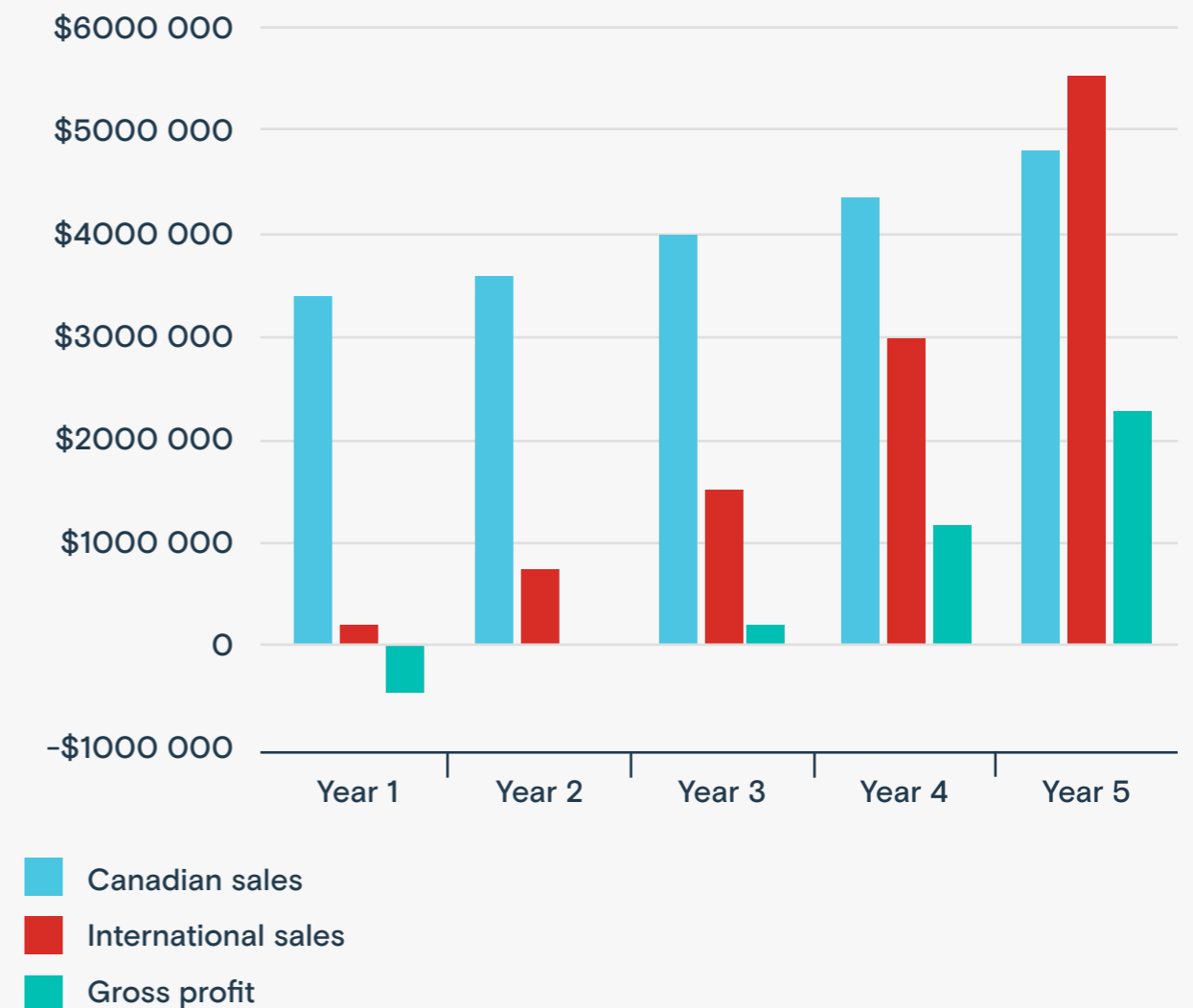
You've made the decision to expand, but how does that fit into your broader growth objectives? Exporting can help you achieve many things. Do you want to increase your sales? Diversify your markets to lower your dependence on a market or group of clients? Extend the life cycle of your products? Improve your competitiveness?

Whatever your goals are, you'll need to establish how international expansion fits in with that vision for the future. Then, you'll want to establish clear sales and gross profit objectives to give you an idea of how international growth will impact your operations.

For example, you'll want to ask whether your sales and marketing infrastructure is up to the task. Are you able to create enough leads to achieve your sales and gross profit goals, and can you track those leads as they move through your pipeline?

If the answer is no, then you may need to invest in technology or change your distribution model. And you may need to hire people on the ground who are fully dedicated to selling your products or services.

### Canadian and international sales objectives



# Are you ready to scale?

## Do you have the production capacity to expand?

You have identified your target customers in your new market, and you are ready to start selling. As the new orders come in, are you in a position to meet the new demand, and if so, to what extent?

For example, if you are already operating at 85% capacity, you don't have a lot of bandwidth to respond to future orders. Setting ambitious sales goals in your new market is one thing. Making sure you can meet the requirements of your new customers without negatively impacting your existing business is another.

Take a deep look at your operations and production capacity to ensure that you can meet an increase in demand over the next 12, 24, 36 months. Consider that you may need to add machines, staff or working hours, which will have a knock-on effect on your financial plan.

## Can your finances sustain a multi-year market expansion effort?

Successful entry or expansion into international markets often takes longer than what we initially estimate. While the potential for increased revenue and profits is there, be ready for longer sales lead times and slower payments from your new customers. Costs incurred, such as hiring new staff, investing in new technology and setting up new supply chains can also increase rapidly.

Be sure you have the financial capacity to stay the course until the cash starts coming in. Insufficient financial resources is a common problem in international expansions and can have a serious impact on your entire company

# Select the right markets to grow your company

With a clear idea of what you can deliver, the next key question to answer is where? You'll want to choose a market that has enough potential to help you reach your sales and profit objectives. But don't just look at the size of the opportunity. The level of risk in expanding to a new market must also be accounted for.

## Weigh the potential benefits and risks

Start with your list of markets under consideration, and then, using measurable, comparable and relevant opportunity and risk criteria, assess which markets provide your company with the greatest, risk-adjusted potential to grow. This same process can be used whether you are selecting a new country, a new state or region in very large markets such as the U.S. or China, or even if you are considering growth across Canada.

## Market evaluation criteria

Below is a list of opportunity and risk criteria that could be used to evaluate and compare five international markets of interest.

### Market potential criteria:

- Population
- GDP per capita
- GDP growth
- Size of the import market for your product or service
- Import growth in the last five years for your product or service

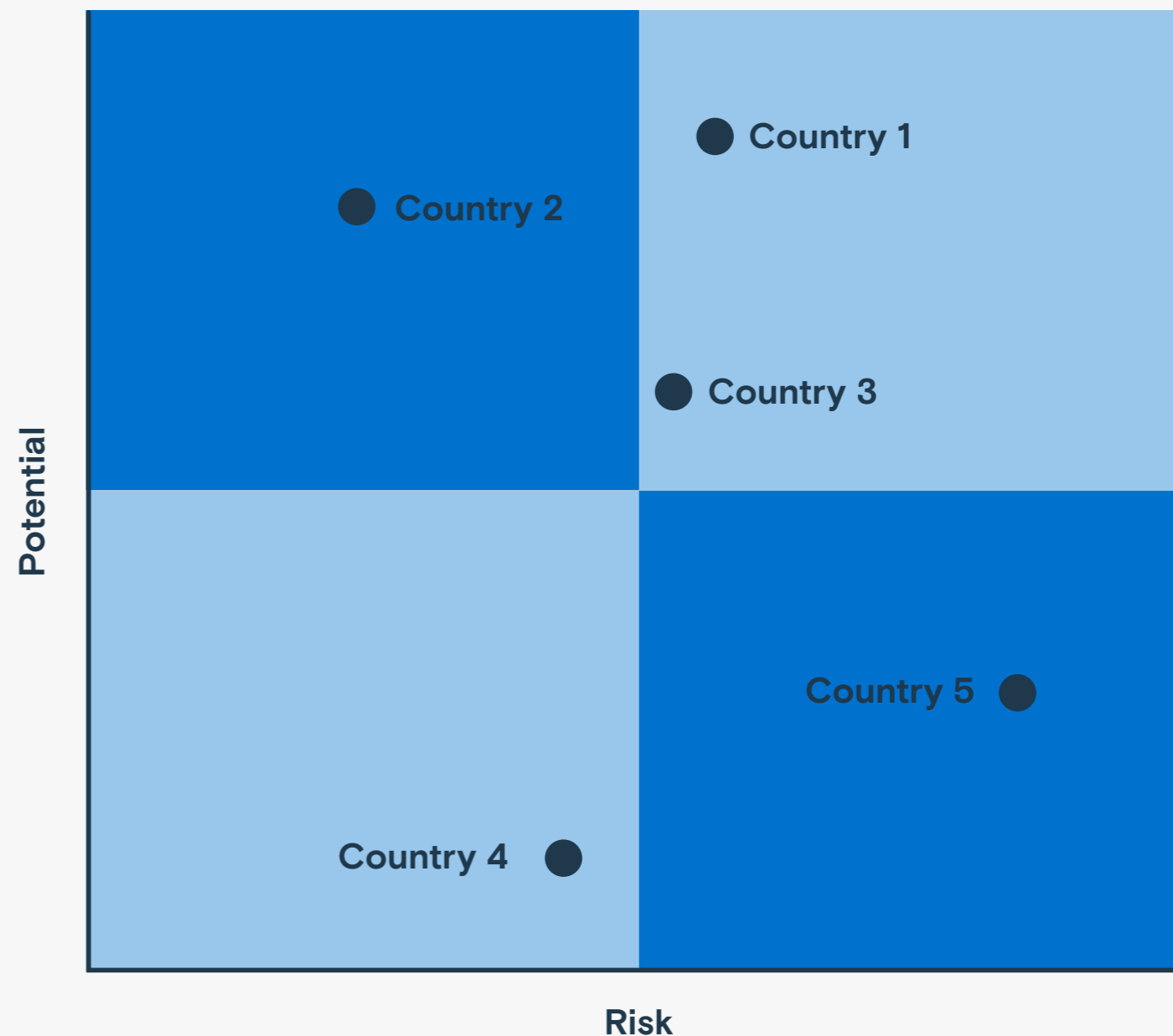
### Market risk criteria:

- Market knowledge and experience
- Product category trade balance
- Tariff/duty rate
- Ease of doing business index
- Cultural proximity to Canada

# Opportunity–risk matrix results

The results of this analysis will allow you to create an opportunity–risk matrix such as the one below.

In this example, countries one and two stand out as the likely candidates for targeted entry or expansion. Further reflection is required prior to making that final “where” decision, but this process can help you identify the most appropriate markets in which to grow your business internationally (or across Canada) using a structured, unbiased and systematic approach.



# Create your market entry plan

What is the most effective way to enter and grow into your target market? Your market entry strategy will help answer that question by defining your objectives and providing you with a roadmap to achieve them. A typical market entry plan can take six to 18 months to implement and will ensure you have the best distribution channels in place, launch the right product or services and align your goals with those of your stakeholders.

[Learn more](#)

Creating your market entry plan.

## The plan should spell out the following information:

- industry and market analysis, including a competitor analysis
- a budget outlining how much money you'll need to finance your project
- the internal changes and investments you need to make
- how you will market and distribute your products and services
- how you may have to adapt or customize your offering to keep with regulatory requirements, consumer tastes and cultural preferences
- required staffing levels and recruitment needs
- goals and a timeframe in which to achieve them

Once you've worked out the details of your strategy, you'll be ready to write it out. This document will be your blueprint going forward, detailing your goals, research findings, contacts, budgets, action items and timelines, and how you'll monitor and evaluate your success on an ongoing basis.

# Getting your products to market

Often known as logistics, the details of distribution can have a big impact on the success of your international expansion. A solid international distribution plan outlines compliance, transport and costs associated with getting your product to market efficiently.

## Complying with local rules and regulation

### Local certification

Many products need to be tested for conformity with local standards by accredited agencies. Every member country in the World Trade Organization (WTO) has an Enquiry Point to help businesses understand standards in their country. Click here for the full [list of agencies across the world](#).

### Product classification

Use [Canada's Tariff Finder](#) to determine how your product is classified, and what tariffs and rules apply, depending on where your buyer is located in the world.

### Rules of origin

Depending on your product, its country of origin may not be Canada, even if you're the exporter. [Rules of origin](#) vary depending on where the components or ingredients come from and if the product will be altered on its way to its final destination. Rules governing a product's origin are often subject to free trade and preferential trade agreements between Canada and other countries.

## Shipping out your goods

### Transport

How will your products get to their destination? Most Canadian exporters work with freight forwarders who can take care of all or part of the shipping process, depending on your needs.

### The size of shipments

If your buyers tend to be concentrated in a single location, it may be worth having a local warehouse facility so you can do bulk cross-border shipments and minimize customs and administrative fees. If your product goes directly to a single buyer, be clear on who's responsible for paying duty and delivery fees.

### Custom brokers

Custom brokers are locally licenced professionals who have a good knowledge of the country's laws, tariff classifications, shipping procedures and trade documentation. They can often be helpful in making sure all your documentation is in order and that your exports clear through customs. If you work with a freight forwarder, they'll likely be able to introduce you to a broker at your port of entry.

## Plan for commercial success

### Preparing your product for export

#### Packaging

Certain products, such as food, may need to be packaged in a specified way for export. How you package your products can also affect price of shipping as well as how your product is protected during transit.

#### Labelling

Different countries will require that certain information be included on your label. Products coming into Canada, for example, must be labelled in both official languages. Typical requirements include:

- the name of the manufacturer
- the country of origin
- the product's weight and volume
- a product description or a list of ingredients



Plan for commercial success

# Identifying the right international partners

As you enter or expand into new markets, you may have to rethink how you get your products or services to market. Do you sell directly to the end-user, or do you work with intermediaries such as wholesalers or distributors? And even if you sell directly to a target clientele, do you require the assistance of an in-country sales agent to “open the doors” and facilitate sales.

The identification and onboarding of potential partners in your selected market(s) is a key consideration in a market entry strategy. The type of partner will vary by market and industry. Insights gathered from your industry and market analysis will help you determine which is the appropriate choice. Ultimately, choosing who to work with depends on your overall growth strategy and the availability of an effective partner who can complement your skills and on-the-ground capabilities.



# How to select and onboard the right partners

## ① Define

- Define the profile of your ideal partner(s).
- Determine your criteria for selecting your potential partner(s).
- Clarify your value proposition or pitch to convince a potential partner to work with you.

## ② Identify and Select

- Based on your selection criteria, research and identify a list of potential partners.
- Verify the financial viability, technical abilities, marketing strategy and market reputation of your potential partners.
- Reach out to your target partners and “interview” them by phone to get a feel for how the relationship could work.
- Finalize an agreement with those potential partners who are both interested in working with you and who possess the best capabilities-fit balance with your company.

## ③ Onboard

- With your team, define how you want to onboard your new partner. Itemize legal responsibilities, such as who’s responsible for customs, insurance and marketing costs.
- It will take time, effort and resources for your partner to become efficient at selling your products or services. The first 3-6 months are critical, but the full onboarding process generally takes one year.

## ④ Manage

- Maintain regular touchpoints with your partner to ensure you can smooth over issues as they arise.
- Keep track of your partner’s performance to assure they are meeting expected results.
- Survey your partners on a regular basis to see how you can improve your own activities when dealing with them.

# Selling online: A potential path to international markets

Selling online can be a great way to begin exporting or to complement existing sales channels. Whether you operate in the B2C or B2B space, the Internet is a proven and growing channel for reaching international customers. That said, the same business fundamentals that traditional “brick and mortar” exporters have to follow also apply to online exporters. Are you ready to export? Have you selected the market(s) which will help you reach your sales and profit objectives? Do you have a market entry plan?

Fulfillment of online exports also need to be carefully considered. By selling directly to customers, you are taking full responsibility for delivering your goods to market. That includes freight and logistics, tariffs, customs and last-mile delivery. Not every company is able to provide a sufficient level of service to compete online.

Many businesses get around part of that problem by selling their goods through online marketplaces (Amazon, eBay, Wayfair, Zalando, etc.) that take care of shipping to the final client. Online

marketplaces also have the advantage of generating much more traffic.

However, working with marketplaces doesn't remove your cross-border logistics responsibilities. You still must manage agreed upon supply and delivery terms and conditions. These large companies will also take a cut of your sales and you will have no control over product placement. Managing your website, on the other hand, gives you full control over the client experience without having to go through an intermediary.

Many entrepreneurs have opted to sell certain popular items in a marketplace setting to increase their visibility while offering their full range of products on their own site.

We advise you to take the time to analyze your situation to decide how much of the transaction you want to bring online. At the very least, your market entry strategy will need to consider online competition and include the creation of an informational website for your target market.

# 5 steps to start exporting with online marketplaces



## ① Decide on your objectives

Before you start selling on online marketplaces, you need to determine what you are trying to achieve. Exporting through online marketplaces is often used to:

- test a new market or product with a low upfront cost before you add other channels or build your own e-commerce site
- sell private label items that you can't sell through your own channels
- create a complementary sales channel in a new or existing foreign market
- clear out old inventory

## ② Choose the right marketplace

The next step is to choose the right marketplace. The giants include Amazon, Alibaba and eBay, but there are hundreds of other marketplaces, including some that target specific regions, countries and sectors. While the larger marketplaces are a good choice for many businesses, keep in mind that you will likely be competing there against a vast number of products. Depending on your offering, a more specialized site may help you stand out better.

## Plan for commercial success

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### Choose the right products

It's crucial for the products you choose to sell on marketplaces to be the ones you can offer at a competitive price. Shoppers on marketplaces are highly focused on the best price. Having competitive prices is also key for ranking higher in search results when shoppers look for products.

④

### Create your financial model

E-commerce is often more expensive than expected, which is why it's important to create a financial model before you start selling online. Be sure to factor in all your costs, including:

- advertising
- monthly fees and sales commissions
- storage and fulfillment fees
- order processing, inventory management, shipping and returns

This analysis will let you know if you can be competitive in your pricing and the volume of sales you need to reach to achieve profitability.

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### Choose your fulfillment process

Quick fulfillment is a critical component of ranking highly in marketplace search results. You can generally choose between using the marketplace's fulfillment process or doing it on your own. Opting for the marketplace's process is often simplest for smaller businesses and those testing a new foreign market. The DIY option can save you fees that marketplaces charge for storage and fulfillment. The downside is you have to do the leg work of order processing, inventory management, shipping and returns.



**BDC is here to help.**

**We provide financing and advice to help entrepreneurs create companies that can compete with the best across the world.**

**To ensure Canadian entrepreneurs are supported at every step of their international expansion projects, BDC works in close collaboration with:**

- **Export Development Canada**
- **Canadian Trade Commissioner Service**

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**For more information, contact us or visit your nearest BDC Business Centre.**

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