Questions & Answers

DECIDING TO EXPORT

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The following ten questions and answers provide tips on how to decide whether or not to export.

1. What does it mean to "export" my services?

You "export" your services whenever they are purchased by a foreign customer. Member countries of the World Trade Organization have agreed that this can happen through any one of four "modes of supply":

a) Your *service* crosses the border from your country to another country (e.g., e-mailing or faxing or couriering a report to a client).

b) Your *customer* crosses the border temporarily (e.g., foreign executives attending a training seminar you give in your home market; tourists to your home market).

c) Your service firm establishes a *commercial presence* abroad (e.g., a local or regional office)

d) *You or your staff* cross the border into your customer's market to provide a service (e.g., you deliver a training session at your client's office).

The defining question is are you getting paid by a foreigner, no matter where the service delivery actually takes place? If your answer is "yes," then you are exporting.

2. Why should my service firm export?

There are *reactive* and *proactive* reasons why your service firm should consider exporting.

Reactive reasons come from factors beyond your direct control:

- You receive an unsolicited inquiry from a potential customer or partner abroad.
- Demand for your services in your domestic market is saturated.
- Your competitors are exporting and you need to stay competitive.
- You need to spread your risk across different geographic markets.
- You need to extend the product life cycle of your service offering.
- You have excess staff capacity and need new contracts.

Proactive reasons come from your firm's strategic vision:

- You see a unique opportunity emerging in a foreign market.
- You see an opportunity to exploit a unique competence that your firm has.

- You see an opportunity to increase your firm's profitability.
- You see an opportunity to enhance your firm's competitive advantage.

3. What are the advantages of exporting my services?

There are many advantages or benefits you can gain from exporting. Some of the most common are:

- Increasing sales volume and profitability beyond what is possible in your domestic market.
- Diversifying risk by broadening your market and client base.
- Acquiring customers whose needs are a better match for your services.
- Utilizing your production capacity more continuously.
- Extending the life cycle of a service innovation.
- Keeping current clients who are expanding internationally.
- Acquiring new knowledge or experience that you can use in your domestic market.
- Raising the profile of your firm domestically and abroad.

4. What are the challenges in exporting my services profitably?

a) Lack of credibility in the foreign market

Successful marketing of services is different from the process of marketing goods, mainly because customers have to pay (or promise to pay) in advance before they can inspect the completed service. So, to manage their sense of risk, customers usually seek out recommendations from those they know before trying a new service provider. If your firm is not known in foreign markets, then it is unlikely to get recommended no matter how good your service is.

What you can do to overcome this is:

- Focus on building your firm's credibility in the foreign market before promoting your specific service.
- Make sure that your website and other promotional materials are world-class.
- Make sure that your firm's principals (senior management) are willing to travel to build relationships with potential customers abroad.
- Build a strong base of contacts and "advocates" who would be willing to recommend your services.
- Be visible at international conferences or through presentations — customers prefer to see service providers "in action" as a way to sample the service.
- Be visible and active in key online discussion groups and e-marketplaces.
- Learn about the local culture — there is no room for first bad impressions.
- Form a partnership with a leading local firm to build credibility by association.

b) Difficulties in gaining temporary business entry to a market

To develop business opportunities, deliver services, and maintain good relationships with customers, you will usually need to travel to the export market periodically. Entry may be problematic if there requirements for business visas that include needing a letter of invitation.

What you can do to overcome this is:

- Evaluate travel restrictions carefully before you select a market because you must be able to cross the border when required.
- Acquire multiple-entry visas where possible.

c) Apparent lack of convenient access

You are usually competing with domestic service suppliers that are more accessible than you are in your own market.

What you can do to overcome this is:

- Work with a local partner, or create your own local presence, as most buyers are more comfortable dealing with local service providers.
- Establish strong electronic links with your customers through e-mail and online interaction.

Note: Working with a local partner can also help with language or cultural challenges and with minimizing extra service delivery costs.

5. How can I reduce any risks associated with exporting my services?

In most instances, the degree of risk you will face is directly related to the way that you prepare for exporting and how well you develop relationships with your customer base abroad. The following are the most common strategies used to reduce risk:

Type of Risk	Strategies Used
Not getting paid	Develop good customer relations Do prior due diligence on customers
Legal action for 'non-completion'	Manage customers' expectations well Get professional liability insurance
Loss on foreign exchange rates	Contract for exports in a stable currency (e.g., C$, US$, €, £, ¥)
Reduced domestic quality	Ensure adequate capacity to export and still provide quality service to domestic customers
Creating local competitors	Select local partners with complementary, rather than similar, expertise

6. How do I find out if my service will be competitive abroad?

First ask yourself how you would know if your service would be competitive in another part of your own country. Your competitiveness is probably related to one or more of the following four factors:

a) Your ability to provide quality control that is as good or better than your competitors – competitive based on quality.

b) Your ability to provide better value for money than your competitors – competitive based on price.

c) Your ability to address an unmet customer need – competitive based on uniqueness or innovation.

d) Your ability to provide a culturally appropriate service.

Once you are clear on what makes your service competitive, then compare what you are currently offering with the needs of your target customers abroad – are your current competitiveness factors relevant to them?

You can also assess your competitiveness by finding out what your competitors in the market are offering, how well they are meeting the needs of your target customers, and the cultural differences to which you would need to adapt in order to compete with them.

Alternately, you can team up with a local partner and get their assistance in determining how competitive your service is.

7. What do I need in order to export successfully?

To be "ready" to export successfully, you need six things:

a) Support from senior management for your export objectives and strategy.

b) Adequate resources including finances, delivery capacity, and staff who are sensitive to cultural differences.

c) A competitive service well-matched to the needs and preferences of local customers.

d) An appropriate online presence.

e) Realistic expectations of what it will take to succeed.

f) A flexible and timely export strategy that takes advantage of your network of contacts and that is based on appropriate market research.

Flexibility in your export strategy is critical because the international competitive environment changes rapidly and, with the increase in e-trade, market opportunities often come and go in less than two months.

8. How do I decide when the timing is right to start exporting?

The traditional advice to goods producers has been to grow in a domestic market before exporting. This advice is not relevant for many service firms, especially given the growth in the e-trade of services. Some service firms have *only* export markets if they supply a specialized service for which there is more demand abroad than in the domestic market

9. What are the most common mistakes made by service exporters?

Most service exporting mistakes fall into one of five categories:

a) Approaching a market "cold" rather than getting referrals from satisfied customers and other network contacts.

b) Trying to promote one's service without first spending time establishing one's credibility as a provider of quality services.

c) Poor or rushed preparation, including travelling to foreign markets without spending time on market research and developing local contacts.

d) No attempt to customize the service to cultural values and mores.

e) Not treating online presence as another "market" that needs to be staffed appropriately for global customers.

10. Who in my firm needs to support the decision to export?

Depending on how your firm is organized, there are likely to be five types of persons who need to give your export initiative their full support:

a) *Senior management*

You will need financial resources to fund the plan, an allocation of staff time for export development, and an allocation of senior management time to travel and build credibility abroad.

b) *Service delivery staff*

You will need to have service delivery staff who are interested in customizing services to other cultures and willing to travel as needed.

c) *Front office support staff*

In order to be accessible to foreign customers, you may need front office cooperation to provide coverage during extended hours and in different languages.

d) *Human resource trainers*

You will need to provide staff with training in the differences in cultural values and business practices between your market and your target market.

e) *Market research staff*

You will need to have research staff begin tracking a range of market information for your targeted market.

f) *Management information systems staff*
   You will need IT support for staff who are travelling as well as for culturally appropriate on-line interactions with strategic allies and customers.