



56 Sparks Street
Suite 300
Ottawa, ON, Canada
K1P 5A9

Tel: (613)233-3925
Fax: (613)233-7860
E-Mail: tfoc@tfoc.ca

Suggestions for the New Exporter to Canada

When Canadian importers and retailers evaluate a foreign product, price, quality and reliability of supply are of key importance.

When you are preparing your price lists for Canada remember that though Canada is generally a high-cost business environment, competition is very strong among foreign suppliers. This means you have to price as competitively as you can.

Some business people are aware that Canadian retail prices tend to be higher than those in the USA. They therefore assume that they can get higher mark ups in Canada. This is not usually correct. Higher retail prices are the result of Canada's more expensive transportation costs and higher retail mark ups. In Canada only 20% of retail dry good sales are made at list price; 80% are sold at discount. Though the Canadian market is smaller than the American, Canadian buyers expect to receive prices which are as competitive as those offered to buyers in the USA.

Another mistake of some foreign suppliers is the assumption that their American buyers can supply the Canadian market efficiently. This is true in only a few cases. Most exporters supply Canada through Canadian importers and distributors. The prosperity of the Canadian market makes Canada an attractive business opportunity for many foreign suppliers.

Structuring Your Prices for Canada

It is essential that you carefully consider your selling price before beginning to market in Canada. Before presenting your Canadian customer with firm prices, evaluate carefully costs of production and transport, customs duties, insurance, labelling or packaging costs, and freight forwarders' fees.

Price quotes should be given in Canadian (or U.S.) currency, either FOB or preferably CIF (landed in North America).

Pricing Strategy:

Once you know your export costs, you should consider which pricing strategy to use:

- i) Static pricing-consists of offering the same price (perhaps modified by freight cost differences) to all Canadian customers, regardless of volume.
- ii) Flexible pricing involves offering discounts for larger volume. Caution is advised in using this strategy as Canadian law dictates that sellers must offer all customers the same discounts for the same quantity.

- iii) Penetration pricing is an aggressive pricing strategy which involves setting a low price in order to capture market share. If you price below cost, however, you run the risk that a competing Canadian manufacturer may file an anti-dumping complaint. You should also be aware that it is difficult to raise prices in today's market.

Marketing Strategies:

When your research suggests you have a product with market potential in Canada, you may want to consider a Canadian business visit. You should bring descriptive and promotional material about your business and products, and samples if relevant, to pass along to the Canadian companies who have expressed a desire to meet you. To get the most out of your visit it should be timed so that you are able to attend a Canadian trade fair or show. Please note, TFOC does not issue letters of invitation for Visa purposes. These should be supplied by the Canadian firms who wish to meet you.

There are many strategies one might consider in selling into Canada. For example: Should the product be sold by a local agent who can offer warehousing services? Should it be sold to a large retail chain by an agent, or marketed directly to the chain? TFOC can advise you on these questions.

Aim for Long-Term-Business Relationships

Good relationships with Canadian importers are the key to entering the Canadian market successfully. Give first consideration to establishing contacts in one of Canada's major centres. The concentration of more than 60% of the Canadian population in the provinces of Ontario and Quebec makes Toronto and Montreal the preferred cities in which to contact a Canadian agent, importer or wholesaler. Pacific Rim exporters will also be interested in establishing business contacts in Vancouver, Canada's third largest city.

Canada offers tremendous opportunities to exporters willing to make the investment necessary to build long term relationships with importers. Not only is the Canadian consumer market an affluent one, but over time, imports have been meeting a growing proportion of Canada's demand for both consumer and industrial goods. This trend is expected to continue in the future.

Canadian companies dealing with foreign suppliers prefer to develop long-term relationships that allow for the development of mutual trust. Think of your Canadian contact, whether an agent, distributor, importer, wholesaler, or retailer, as a long-term partner. Keep lines of communication open, use fax machines to stay in touch, respond immediately to all communications, and nurture the relationship.

Developing a reputation for reliability is essential. In addition to exporting only quality products, make every effort to effect timely delivery and continuity of supply. Both are vital factors influencing the decisions of Canadian purchasers about who will become their foreign suppliers.

A Guide to Making a Business Offer

Your offer is the first impression your company will make on a potential buyer! A complete export offer may mean the difference between an importer contacting your office or deciding to deal with another company. Therefore, everything you want the importer to know should be mentioned at once. There may not be a second chance!

Correspondence - The offer should be simple, easy to understand and typewritten. It should be delivered by postal mail or fax (A fax number is a necessity when dealing with Canadian businesses).

- The majority of Canadian importers speak either French or English. Therefore, an export offer should be provided in either one of these two languages. If you are writing to a company in the Province of Qu?bec, you should probably write in French. Elsewhere in Canada you should initially write in English.
- Products
- It is not to your advantage to include a large number of products in your offer. Product specialization gives an impression of product expertise.
 - Describe products and relevant information as fully and technically as possible.
 - Include two copies of each photograph and/or brochure representing the product(s) to be offered. Canadian Buyers also appreciate receiving photos of the manufacturing/production plant.
- Prices
- Either in Canadian or US. dollars (Please indicate F.O.B/C.I.F. designated North American port).
 - Price list should correspond to the photographs included in your export offer.
 - In order to avoid confusion, the items on your price list should be grouped logically, (i.e. all the fabrics together, all the gloves, etc.)
 - Provide dates of validity for the prices quoted. This will avoid an importer being dismayed by the fact that your product is no longer offered at the price they were expecting.
- Quantity
- When stipulating the minimum quantity for an order, take into account that although Canada is an affluent market, its population is only 10% of that of the United States. Small trial orders should be accepted if you wish to create a permanent presence in the Canadian market.
- Quotas
- If you are offering, garments, textiles or articles of cloth, and your country has negotiated bilateral textile/apparel restraint agreements with Canada, ensure that you have access to quota for those products included in the offer.

Key Documents Needed for Export to Canada

Bill of Lading	Issued by an ocean carrier, it is a receipt for goods and contract for carriage; gives title to the goods; signed copies are proof of ownership.
Airway Bill	Equivalent to bill of lading; airway bill and title to the goods automatically go to the consignee who can take possession when the goods arrive in Canada.
Pro-Forma Invoice	A delivered cost estimate usually required for a successful sale.
Commercial Invoice	Used by the exporter to charge the goods sold to the Canadian purchaser, exporters use their own forms, but the contents should include standard information (date of issue, name and address of buyer and seller, contract number, description of goods, unit price, number of units/packages, total weight, terms of delivery and payment).

Certificate of Origin	If you are able to claim General Preferential Tariff treatment for your good on entry into Canada, Canada Customs requires a certificate of origin for goods. This should be available from your Chamber of Commerce.
Inspection Certificates	Sanitary and other certificates are required for some types of products entering Canada; examples include plants, seeds, animals, pharmaceuticals, nursery stock, meat, and many other foods.
Packing List	Sometimes required to supplement the commercial invoice.
Export Permits	From your own government (for example, under the Convention on International Trade in Endangered Species).