

EXPORT THROUGH A GENDER LENS:

SECTION 2

Export for Service Companies

In Canada, service-focused businesses are growing at a phenomenal rate. Canadian women in this sector are starting new ventures with business models offering superior know-how and great ideas. As a business advisor, you may need to clarify the difference for your clients between exporting a service and exporting a product. Exporting a tangible product with obvious utility can be assigned a monetary value, and the way in which it is transported from point A to point B can be identified. Exporting a service requires a somewhat different approach, with a focus on ensuring that the customer can recognize and assess its key value and benefits.

Special efforts must be made to elevate the profile of the services a company wishes to export. Part of this will likely entail in-person travel to the target country for an extended period of time, and/or hiring local workers on the ground for support. Exporting goods requires reliance on a string of resources within the supply chain: banks to help financing and securing payment, freight forwarders to move the goods, local distributors to get products on store shelves, local marketing of the product, etc. Conversely, exporting a service demands a special emphasis on the human interaction required at every stage of the process, both at home and abroad, to convey the specific characteristics of the service that often will need to be tailored to the client's unique in-country circumstances.

In many ways, providing a service is tougher than selling a tangible product, both in Canada and abroad. One of the biggest hurdles for the service exporter, and perhaps the most crucial, is the need to convince a distant customer of the intrinsic benefits of the service. This requires the ability to provide a clear and vivid description of both its features and benefits. It must be clear how the service addresses a client's problem or need in his or her specific circumstances. Case studies are a great tool to convey how a service helps a client and testimonials and/or endorsements can help seal the deal.

A service always requires direct interaction with the customer, not just initially, but for the full duration of the contract. For some services, the quality of the interaction with customers is exactly what they are paying for. This is why people with superior communication skills, diplomacy, and acute cultural awareness are critical assets in exporting a quality service. Marie-Claude Du Cap is the Founder and CEO of Aléas, an international consulting firm helping clients keep their travelers' safe. When Du Cap went to Singapore to attend a conference in search of new customers, she was the only female among the 65 attendees. Du Cap says the situation was intimidating at first, but then realized she could use her years of experience and knowledge to meet new people in her industry. Her communication skills were paramount in her ability to fit in. "I gained credibility and trust from my male counterparts by leading great conversations and forming important relationships," says Du Cap. There are programs and services that can assist in developing or fine tuning those communications skills for the export market.

Generally, if a company is successful in the domestic market, the natural progression is to offer the service in foreign markets. However, before expanding internationally, a full assessment of the export readiness of the company must be made to determine the steps necessary to prepare for launch. Staff, time, financial, and legal resources will factor into a company's export readiness. Management must be committed to export expansion and employees must be included in the discussion as they will obviously be impacted. The business and marketing plans will need to be updated to include the exporting component with clearly defined goals and new strategies and tactics, first of which are the financial implications.

The intangible nature of exporting services can make financing more difficult. The value of services is often more difficult to assess in terms of applicability in foreign markets. Intangible services cannot be used as collateral in financing various aspects of export operations. It is also more challenging to protect intellectual property and to adapt services to specific cultural preferences or different standards and regulations outside Canada. But it can be done.

WHICH SERVICES ARE BEST FOR EXPORT?

As with a product, if your client's service is a success in Canada, it is likely a suitable candidate for export markets, however, research will be required to determine the best fit for the chosen markets. The service will have an advantage if it is relatively unique and difficult to come by in the target market. Highly skilled and specialized services such as trade consultants, intermediary export services, professional services, healthcare, and information management technology offer infinite export opportunities.

Expanding globally will require confirming whether Canada has a **free trade agreement** with the country in question. If an agreement does exist, it is important to examine the market access conditions for the service in the schedule of commitments. Trade agreements may cover trade in services in key sectors and often reduce or even eliminate barriers for exports in those sectors, thereby creating better export conditions. Examples of such key sectors include financial services, telecoms, maritime transport, professional services, and digital trade.

STEPS TO CONSIDER WHEN EXPORTING A SERVICE:

Step 1: Your client must understand how to export their service. There are different ways to export a service to a market outside of Canada and these include:

- **Cross-border supply of service** is defined for service flows from Canada into another country. Only the service itself crosses the border. This type of service is often associated with communications advice, such as consulting services or marketing and professional services such as web design, translation, architectural, and accounting services.
- **Consumption of services abroad** refers to situations where a company is supplying a service in Canada to a foreign customer. An example of this would be if a U.S. customer travelled to Canada and used a rental office space temporarily to work during that time.

- **Commercial presence** implies that a Canadian business establish a presence, including through ownership or lease of premises in another country to provide a service. An example would be an entrepreneur expanding into the U.S. opens a local office, an affiliate, or subsidiary in the market. Sectors in which this form of service is common are financial services, healthcare, telecommunication services, and environmental services.
- **Presence of natural persons** abroad is when a Canadian business owner or one of their employees travels to a different country on a temporary basis to fulfil a service contract. In addition, independent professionals who are self-employed fall under the “presence of natural persons” abroad. Sectors which often supply services via employees abroad include ICT services, and engineering or professional services.
- **Foreign direct investment** is the establishment or acquisition of a foreign company abroad. When planning an investment in a foreign market, the country that your client wants to invest in may apply certain limitations and may also offer investment grants. They should contact an investment promotion agency in the country in which they want to invest, a local tax adviser or a lawyer for setting up an investment contract.

Step 2: Your client should select a new export market, assess business potential and the competitiveness of their services. This research should include identifying potential buyers and possibly an agency or partner to support them in the formalities of the export process such as preparing contracts, checking payment conditions, creditworthiness of the buyer, and capital transfer restrictions in the country of the buyer. Partnering or affiliating with a reputable local service supplier can be an effective way to do business in a foreign market and can provide benefits such as: knowledge of market opportunities, key players, challenges, required local qualifications and accreditations, and established contacts that could become potential clients.

Once they have selected one or more target markets, the next step is to identify potential trade partners and business contacts who can be found through attending trade missions/fairs specifically organized for buyers and sellers to meet. For example, conferences focused on supporting diverse suppliers provide opportunities for networking and finding potential in-market partners.

TIPS TO FINDING NEW MARKETS AND POTENTIAL CUSTOMERS:

- Use a strategic approach to exporting and start with a commitment to one or two markets.
- Use a variety of market indicators to evaluate market potential. Research various industries and products where your client’s service can be used. Has Canada concluded a free trade agreement with the country your client is considering?
- Consider countries where your prospective clients are selling their own goods or services?
- If your client receives an unsolicited inquiry from a potential foreign partner or franchisee, take the time to understand if the market is right for your business.

Step 3: Marketing is critical. It's important that your client establishes their company's profile/brand so that foreign clients will appreciate the expertise, value, and reliability they offer. Some methods to boost their profile include:

- Speaking at conferences and international trade events.
- Creating trade show displays that use video, are interactive, and eye-catching.
- Partnering with local companies or business organizations in foreign markets.
- Being featured and cited in business and industry magazines and journals.
- Showing a portfolio of projects with testimonials that demonstrate a solid track record.
- Optimizing their company website for foreign clients to clearly explain their service and convey an understanding of their culture and unique needs.

Step 4: Assess the entry requirements in an export market. If your client wants to supply their services across borders, check which licensing requirements or restrictions may apply. For example, additional tax regulations may apply when services are provided outside Canada. Some services may be subject to exceptions depending on the country in which it will be delivered. Encourage clients to seek the advice of an immigration lawyer if they are unsure of the regulations. Authorization and licensing requirements must be considered. A company may need to obtain certain licences in order to provide that service in the export market. Other considerations that may need to be addressed include the following:

- Recognition of diplomas and qualifications by the country to which your client intends to export before they can deliver selling services abroad. This is true for exports of some professional services.
- Restrictions on some sectors may apply, including insurance services. The export of some financial services requires an 'equivalence' certification by the target country.

Often, a service may not be well understood in a target market due to linguistic and cultural challenges. When the benefits of those services overcome these challenges, then and only then, will a client be able to determine if the service benefits their business model in that country. Furthermore, providing services often requires much more personal attention, communication, and nurturing, even adaptation, to convey the value-added benefits to the client. The extra 'hand-holding' that is needed for a service will bring many returns!