



**EVALUATING YOUR EXPORT  
POTENTIAL—KEY CONSIDERATIONS  
FOR ENTERING THE U.S. MARKET**



## INTRODUCTION

The United States and Canada have a unique and symbiotic relationship. Canada's rapport with its largest neighbor to the south has been built on a solid, historic foundation of proximity, accessibility, cultural and language familiarity, and lucrative trade benefits due to flexible borders. Canada is the United States' largest trade partner, and the economic climate between the two countries is robust and expanding. It therefore seems like a natural fit for Canadian manufacturers to look to the U.S. for expanding their revenue growth—beyond Canadian borders.

But how do you know if you are ready to tackle the U.S. marketplace? Is your business export-ready? How do you evaluate your export potential? And, how can you effectively measure your return on investment?

This solution sheet outlines strategies for Canadian manufacturers considering an export strategy to the U.S., that business leaders need to determine before entering a new market, including:

- Key considerations for evaluating if their businesses are export-ready
- Meaningful ways to evaluate export potential
- Insightful methods of calculating ROI on their export investments
- How technology, including ERP, can play a critical role in export readiness

## WHY THE U.S. MARKET IS SO ATTRACTIVE TO CANADIANS



According to the 2016 Manufacturers' Outlook Report, published by PLANT Magazine, a leading publication advancing Canadian manufacturing, which surveyed over 300 manufacturing executives throughout Canada, 37 percent of manufacturers looked to enter the U.S. market in 2016. There are several factors that make exporting to the U.S. an enticing prospect for Canadian manufacturers, including:

- A surging American economy, a weakened Canadian dollar and falling oil prices
- Geographic proximity and accessibility
- A long history of the U.S. consuming exports from Canada
- A large, diverse market—ten times the size of Canada's
- Rich trade agreements such as the AutoPact, the Defense Procurement Agreement, FTA, and NAFTA
- Symbiotic, positive relations between governments and politics
- Cultural and language familiarity between the two markets

With such an obvious expansion opportunity available to pay dividends, Canadian manufacturers who don't currently do any business south of the border, should decide *if and when* to make the move.

The best place to start is by determining your export readiness.

## HOW TO DETERMINE IF YOUR BUSINESS IS EXPORT-READY?



Your decision to enter into new markets may be prompted by a range of factors including—but not limited to, increasing sales and profit, diversifying markets, and growing market potential with strategic planning functions to remain in Canada—while capitalizing on growing markets in the U.S.

Before you commit to implementing an export strategy, you should consider whether your business is export-ready. This evaluation process should identify key areas for improvement to ensure expansion plans into the U.S. market will have every chance of success.

## HOW TO DETERMINE IF YOUR BUSINESS IS EXPORT-READY?

### KEY CONSIDERATIONS

Canadian manufacturers should take the following key factors into account to assess their export capabilities:



#### Capacity

“The most important markets for Canadian companies, both for sales and purchases, is their home province first, and the U.S. second.” — [Manufacturing Our Future: A Manufacturing Action Plan for Canada\\*](#)

When entering into the U.S. market, manufacturers must take into account the larger size and scope of the marketplace, in order to safeguard capacity requirements. It is critical that business leaders consider the increase in market size, so they can plan to meet the growth in market demand, as well as, continue to maintain production levels for their existing domestic market. It's common for organizations looking to expand their businesses, to start testing smaller markets first—in order to ensure they can meet growing production demands. This strategy also has the added benefit of evaluating a test market's appetite for a product—in a controlled manner.



#### Resources

Increased market size requires more raw materials and labor to manage the increased production output. Manufacturers should assess whether their existing supply chain can meet the expected increase in demand for raw materials—with a keen eye on towards increasing flexibility, response times, and delivery performance.



#### Management

Executive leadership must be both available and engaged to drive the expansion process through a focus on innovation. This includes hiring the right talent, and establishing the appropriate processes needed, to make growth efforts a success. Having the right talent in the “right” place is critical for success with any expansion plan. Employee buy-in at every level, from the “top floor” to the shop floor, is also critical in the path to success when entering a new market.

\* <http://www.cme-mec.ca/download.php?file=h8q5gph6.pdf>

## WHY COMPANY SIZE IS NOT AN INDICATOR OF EXPORT READINESS



A common assumption made by manufacturing businesses experiencing rapid growth is that they're ready to expand into international markets—simply because they're growing. This isn't always the case. Growth can be a tenuous thing for any company and if not properly managed, can spell disaster for a company's existing profits and reputation.

A common pitfall for rapidly growing businesses is that they often believe they can easily replicate their existing success in new markets. But it is critical for business leaders to understand that having resources and capability at their disposal, at a certain size of business, does not automatically equate to being export-ready. Very successful businesses can fall prey to failure, if they are not able to scale with caution, when entering into new markets.

Small, nimble businesses can succeed when expanding to the U.S. market. They must work within their means, targeting specific, niche markets or limited geographic regions—and be disciplined in their strategic and tactical planning. If and when, increased demand skyrockets, they must have strategies in place to ensure success, when planning to expand.

## EVALUATING YOUR EXPORT POTENTIAL



In order to mitigate risk and remain competitive when selling into the U.S., adequate preparation for expansion becomes imperative. The path to export readiness entails a great deal of self-evaluation and strategic planning. In addition, there are several factors manufacturing leaders should consider:



**Market appetite:** Has your business performed adequate market research, and does it indicate a strong opportunity for successfully selling into the U.S.?



**Competitiveness:** Does your product have direct competitors in the U.S. market, and how do you compare?



**Customization:** Does your product need to be customized for the U.S. market? If so, do you have the ability to do so, without incurring prohibitive costs?



**Financial resources:** Has your business assessed the operational costs of expanding to new markets, and do you have sufficient capital available?



**Legal and accounting resources:** Does your business have access to the appropriate subject matter expert advice on tariffs, cross-border considerations, taxation, regulatory considerations, and protection of intellectual property (IP)?



**Transportation:** Has your business considered how transportation costs will affect the pricing of your product?



**Marketing:** Has your business evaluated if a dedicated marketing campaign is needed in the U.S., to promote your product? If so, will you require the services of a U.S.-based marketing firm?

## HOW TO CALCULATE YOUR EXPORT INVESTMENT ROI



Entering a new market, especially one the size of the United States, can be a very costly venture that won't realize a positive return without significant initial investment. The first step to calculate ROI on your expansion strategy is to set realistic Key Performance Indicators (KPIs) that you can measure for performance expectations.

Pick achievable targets based on the scope of the expansion strategy and the anticipated costs. Disbursing a significant cash investment for increased production and raw materials to meet the larger U.S. market demand, entering into agreements with resellers or retailers, and hiring a marketing firm to launch a branding campaign—should all factor into a ROI calculation timeframe. It may be more than one year before seeing positive returns, and during that time, it's imperative to monitor all monetary progress.

### The Basic Formula for Calculating ROI is:\*

$$\text{ROI} = \frac{\text{Investment Revenue} - \text{Investment Cost}}{\text{Investment Cost}}$$

For example, if a U.S. expansion plan over a 12-month period results in a total investment cost of \$1 million, and revenue from the U.S. market during that time was \$1.5 million:

$$\frac{\$1.5 \text{ million} - \$1 \text{ million}}{\$1 \text{ million}} = 0.5 \text{ (or 50\%)}$$

The ROI in this example would be 50 percent

\* <http://www.myaccountingcourse.com/financial-ratios/return-on-investment>

## HOW TO CALCULATE YOUR EXPORT INVESTMENT ROI



### ESTABLISH GOALS, MEASURE RESULTS

While calculating ROI is fairly simple using this basic equation, the actual steps of determining ROI are far more complex—and involve establishing goals and measuring results.

Monitoring the progress of your export growth strategy is absolutely critical to building a sustainable and successful expansion process. Specific steps should include:

- **Establish baselines, in order to boost evidence-based decision-making processes.** In doing so, you will be able to better understand the potential risks and manage them proactively.
- **Identify clear goals for your company's expansion goals.** This should include determining critical success factors, and a measurement process against these factors.
- **Create an honest feedback loop to encourage continuous improvement.** Build in the flexibility to pivot, as needed, in order to ensure success.
- **Use results to learn from and apply lessons.** This should extend to customers, goals, markets, and further expansion opportunities.

## TECHNOLOGY AND ERP FOR EXPORT READINESS



Embrace technology to build the appropriate, scalable business processes. This should include a focus on driving success when it comes to supply chain and inventory management; manufacturing and distribution; customer sales and services; and financial and taxation analysis.

Leverage sophisticated Enterprise Resource Planning (ERP) solutions to implement standard processes across the company, to prepare for expansion into new markets.

ERP solutions can help streamline and manage the following critical business operations, to help ensure your business is export-ready:



**Inventory Management**



**Finance Planning**



**Order Fulfillment**



**Sales Management**



**Supply Chain Management**



**Human Resources Management**



**Distribution and Logistics Planning**



**Compliance Management**

## CONCLUSION



Manufacturers are looking to expand into different markets like never before. For Canadian manufacturers in particular, the U.S. market holds the greatest potential for financial reward, when implemented correctly. Developing a holistic and focused expansion strategy is critical for increasing business growth. This begins with evaluating (and quantifying) your export readiness potential. Determining a strategic approach to your people, processes and technology must be a first priority.

There are certain critical factors to be made aware of before entering the U.S. market. Evaluating your capacity to meet the large U.S. market demand, ensuring adequate access to resources, and securing executive sponsorship—at every level, is the key to success.

The United States is a highly-competitive, but vastly profitable market for Canadian manufacturers. Those that are seeking to increase revenue growth and a competitive—and lasting brand. While there are many business benefits to entering the U.S. market, it can be detrimental to your business, if undertaken without adequate strategic planning.

Being informed and prepared can help save you time and money.

## ABOUT SYSPRO



### **SYSPRO software is an award-winning, best-of-breed Enterprise Resource Planning (ERP) software solution for cost-effective on-premise and cloud-based utilization.**

Industry analysts rank SYSPRO software among the finest, best-in-class enterprise resource planning solutions in the world. SYSPRO software's powerful features, simplicity of use, scalability, information visibility, analytic/reporting capabilities, business process and rapid deployment methodology are unmatched in its sector.

SYSPRO, formed in 1978, has earned the trust of thousands of companies globally. SYSPRO's ability to grow with its customers and its adherence to developing technology, based on the needs of customers, is why SYSPRO enjoys one of the highest customer retention rates in the industry.

### **NEXT STEPS:**

If you want to learn how SYSPRO can help manage your business operations if you plan to expand to the U.S. market, contact us today at [info@ca.syspro.com](mailto:info@ca.syspro.com) or +1 (888) 259-6666.

