Ontario

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MNDM'S LOGISTICS NEWSLETTER

SUCCESS IN EXPORTING TO THE U.S.

Any prospective purchaser of Ontario’s goods and services is interested in two key items. What will the product cost? Can it be delivered on time?

Now that most products under NAFTA are duty free, many Ontario firms looking to expand are targeting the US as a new market. To export successfully to the US or anywhere else for that matter, depends upon several critical factors: product effectiveness, the creation of products which export markets demand and above all, the ease with which prospective customers can place orders and receive delivery.

Firms successful in domestic markets are often confused by the poor reception of the products in the US market, even though their products have been viewed with enthusiasm at various trade shows. The main reason why orders do not materialize can often be traced to the terms of sale under which the products are offered for sale to the prospective US buyers.

Generally, Canadian firms, who sell their products on a "F.O.B. (free on board) delivered basis", have a greater degree of success in selling their goods to potential customers in the United States. American customers, when faced with the choice of purchasing products from a domestic (U.S.) source or buying the same product on a "F.O.B. Canadian origin basis", (freight/customs/duty for buyer's account) will lean strongly toward their own domestic supplier in the majority of cases. It has been our observation that U.S. buyers are just not prepared to invest the extra time required to determine transportation costs from Ontario origins, nor do they want to become involved with U.S. customs procedures and documentation.

Simply stated, the easier that a Canadian seller makes it for a potential U.S. buyer, the greater the degree of success in obtaining an order. By quoting a delivered price in U.S. funds, the seller enables the buyer to know a landed cost. The buyer has no other calculations to make and does not have to fear any unforeseen charges, worry about currency fluctuations or complications with U.S. customs. The buyer then has the opportunity to compare the Ontario product directly with the domestic U.S. product.

The first step in any sale is receiving initial consideration in the selection process. Quoting on a delivered basis allows the Ontario seller to reach this stage without having quotations arbitrarily dismissed because of terms of sale that are perceived to be costly and complicated.

It is vital to make the decision to purchase easy for potential buyers. Eliminate those unnecessary reasons which allow the buyer to say no before the quotation is given due consideration. Ontario firms make quality products and to have the opportunity to be successful in the U.S. markets, they should quote "F.O.B. delivered, freight cost prepaid."

Transit times will also play a key role in whether or not Ontario firms are successful in today’s U.S. market. Selling on a "F.O.B. delivered basis", the seller has taken the responsibility for delivery. Today, many U.S. companies, in an effort to reduce their overall costs, have reduced their inventories and often will demand JIT “just in time” or expedited delivery. To be successful, the seller must commit to a delivery schedule that meets the customer’s demands and it is recommended that transit times be a part of the overall negotiations with the carrier.

Congratulations, you now have an order and you should not overlook the customer service aspect. After sales service is an important element in the initial and ongoing success of Ontario firms when exporting to the U.S. American firms are not prepared to deal with the high cost associated with return shipments and loss of the product for an extended period of time. There are many factors to consider such as replacement shipment, return shipment, repair facility, training etc. to insure an effective after sales service program is in place. Customer service/after sales service will be explored in greater detail in a subsequent Newsletter.