

The Internet helps
cross-border business boom

Breaking down barriers



BLINKSTOCK

By Paul Lima

THE UNITED STATES IS Canada's largest trading partner. About 85 per cent of Canadian exports, approximately \$365 billion worth of goods and services, go to the U.S.

Exports are vital to Canada's economy, accounting for more than 40 per cent of GDP, according to Industry Canada. However, tapping into that massive cross-border revenue stream used to be next to impossible for small Canadian companies.

All that has changed. In 1989, the Canada-U.S. Free Trade Agreement opened the border to duty-free trading, and the Internet has bridged the marketing and order-processing gap between the two countries. Advances in communications and logistics technology have shrunk distances between geographic locations, says Peter Hall, vice-president and deputy chief economist with Export Development Canada (EDC). "Few sectors of the economy have benefited more from these radical technical changes than international trade." Since the early 1990s, international trade has grown at twice the pace of world gross domestic product (GDP). Growth in Canadian trade has also been about twice GDP, he adds.

In 2006, Canadian companies recorded their fifth consecutive year of double-digit growth for on-line sales, according to Statistics Canada. While e-commerce represents a small

fraction of the overall economy, many small businesses that sell on-line generate 100 per cent of their sales on-line.

Border business beckons

If not for the Internet, Vancouver-based Eclipse Awards International Inc. (www.eclipseawards.com) would still be selling recognition awards only to clients in British Columbia, as it did initially. Instead, the company conducts business across Canada and the United States, as well as in the United Kingdom and Mexico, says Costco member and Eclipse president Toby Barazzuol.

Founded in 1998, Eclipse Awards set up an on-line catalogue in 1999. Within six months, the company was shipping most of its products south of the border. Eclipse has sold recognition

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awards to NASA, and U.S. clients now account for 80 per cent of the company's sales.

Established in Gananoque, Ontario, ASAP Cheques, Forms & Supplies (www.asap-cheques.com) sells business, computer and personal cheques and several other business products. About 80 per cent of its sales go to U.S. customers, and the company, which was started by Costco Executive Member Les Cseh as a sole proprietorship, now has 12 employees.

Vito Mabrucco, managing director with the research firm IDC Canada, is not surprised that Americans have discovered ASAP Cheques. "In the U.S., both consumers and businesses are more comfortable with doing business on-line. Canada is at half the level of on-line sales that we should be, compared to the U.S.," he says. If Canadian businesses sell products on-line, "they become as much of an option as any other site available to American buyers."

Cross-culture challenges

Once it became apparent that the majority of his clients would be American, Cseh realized he had to deal with concerns about ordering "a sensitive product on-line, let alone from another country."

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petitive advantages is fast delivery, Cseh opened a production facility in Tennessee so he could ship orders to Americans from south of the border and avoid border delays.

When it comes to shipping to the United States, "every shipment is at the mercy of U.S. customs," says Barazzuol. While large enterprises have departments devoted to moving products across the border, small companies tend to complete their own paperwork. Barazzuol spent time researching how to fill out paperwork correctly, and the company "rarely" experiences shipping problems.

E-mail retail

Not all companies sell products on-line. Gordon Graham sells a service. He delivers white papers and other research-intensive documents to clients by e-mail. Graham runs ThatWhitePaperGuy.com and is located in Thessalon, Ontario, on the northwest shore of Lake Huron. Once he set up his Web site in 2004, sales to U.S. clients climbed from minimal to 60 to 80 per cent of business. "The Web gives me a worldwide marketplace," says Graham, who works with a firm in New York City to optimize his Web site—to have it rank as high as possible in search engines.

The fact that Graham is located in Canada is not front and centre on his Web site because he lives "in a town no one has ever heard of." Instead, he tells clients he's in the Eastern Time Zone, which is more important to U.S. customers.

To help close the sale, the ASAP Cheques and Eclipse Awards Web sites are e-commerce

enabled. In fact, Cseh offers a discount for on-line purchases because it saves his staff order-entry and processing time. However, Cseh and Barazzuol know that not everyone is comfortable ordering on-line, so they make it clear that customers can also order by mail, phone and fax. Graham's Web site, on the other hand, is not e-commerce enabled, but he can process credit cards on-line through PayPal, the Web's largest credit-card-transaction company.

E-borders continue to open up

As a rule, Graham finds it faster and easier to close sales with U.S. prospects than with Canadians. Americans seem to get the fact that legitimate companies exist on-line, he says. Cseh concurs. American customers were buying cheques from him before he was set up to export them to the United States. In many ways, they drove the evolution of his business.

Cseh says Canadian companies and consumers are finally beginning to climb on board the on-line ordering bandwagon, which is particularly good for business given the strengthening Canadian dollar. The rise in the value of the Canuck buck has eroded margins for businesses, such as ASAP, that have Canadian-dollar expenses and mostly American-dollar sales. However, American customers remain an important part of ASAP's business, and the Web continues to make it easier for U.S. prospects to find ASAP Cheques—or "Checks"—on-line. ☐

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Web site where "cheques" was spelled "checks" (www.asapchecks.com), obtained a U.S. merchant credit card account, established an American mailing address and set up toll-free numbers so the physical location of his company would not be an issue.

Shipping products to the United States was not an issue until 9/11, Cseh says. Post-9/11, increased border security led to shipping delays for many companies. Because one of his com-

If you want to sell to Americans

- Make sure your product can be legally sold in the United States.
- Set up a Web site specifically for selling to Americans.
- Price products or services in U.S. dollars.
- Determine whether there will be duty or taxes added to your selling price. If so, let prospects know.
- Keep the fluctuating Canadian dollar in mind. You don't want to change prices every time the Canuck buck moves up or down a notch.
- Set up a credit-card payment system. If you do not have a merchant credit-card account, use a reputable third party.
- Give customers payment options—on-line, phone, fax or cheque (or "check" when selling to Americans).
- Source the best shipping option; keep speed and price in mind. Offer customers a choice of shipping methods.
- Goods do not move freely between Canada and the U.S. if paperwork is not in order. To avoid shipping delays, companies need to know their customs codes and fill out all customs paperwork properly, or work with a qualified customs broker. Consider bulk-shipping product to the U.S. and fulfilling orders from an American warehouse.
- Offer money-back guarantees, warranties and customer support. Consider toll-free, e-mail and live on-line chat support.

Many on-line sources contain export information, but the best place to start is with Team Canada Inc. A network of federal departments and agencies, Team Canada Inc. works with the provinces, territories and private-sector partners to help Canadian businesses prepare for the global marketplace: www.export.source.ca.—PL