CONFERENCE NOTES

Concurrent Session: Trade is Complicated! Overcoming the unique challenges of global business

Moderators:
- Peter Kucherepa, CITP
- Clarecia Christie, CITP

Panelists:
- Outpacing the competition – Ed Marsh
- Building an effective global business team – Phil Mondor
- Risk management and mitigation – Jared Burns

Further Resources:
- Ed Marsh
- Phil Mondor

Peter: Trade is complicated so that’s how we get paid, why we have jobs. Twenty-five years ago when FITT was founded, things weren’t as complicated in terms of policy, trade deals, regulations, technology. Now, because things are always changing, consumer expectations are evolving, we must constantly adapt to them in foreign markets. How do we stay competitive in global markets?

Ed Marsh – Using digital marketing to enter new markets

React to consumers’ constantly changing expectations. Use marketing and competitive intelligence to get ahead.

Trade is actually less complicated than it used to be because there are now more mobile-connected devices worldwide than toothbrushes. If you work in emerging markets everyone comes with three devices on different networks, even if one doesn’t have signal another one will – so you have a very connected market.

Used to have to start with theoretical research project with intern or govt. help, analysis of population and harmonized codes, companies would go to densest or most populated markets

The US is big enough that most companies there don’t have to export. When they do, they often go to China or India or other similarly huge countries and don’t understand they are really 10 or 15 markets, not just 1, and that they’re quite advanced. When US companies fail in those countries, they then decide “exporting isn’t for us”
In 2001, he was a partner in a German company exporting to US. The euro was only 85 cents US so was very successful, as euro increased needed a Plan B, did the rudimentary analysis, wanted to go to India and established company there selling used equipment from the US, thought it would be easy but ran into problems

Entering international markets used to be big initial investment, with the hope that after a few years you’d be making progress and coming closer to breaking even

Learned a lot of lessons from that experience – it’s now much easier to now because of digital connectivity, as it helps the right buyers find you so entering new markets through digital methods is much less of a leap of faith, completely changes how you go global, reduces risk and investment

Today every company can use tech for digital marketing, regardless of language or culture, to reach buyers anywhere worldwide. You can use results from digital marketing to start to accumulate your own data on markets, and find where visitors find you from, where you get inquiries, which inquiries lead to deals getting done, and where deals get done more easily, rather than with long negotiations and headaches. You can find markets that may surprise you, and start new sales channels and users you never expected.

95% of consumers and 75% of purchasing power outside US, so when companies begin to really export, they find substantial benefits beyond revenue:

- US has workforce issues, harder to find qualified workers, but millennials like to be globally engaged, so exporting can make it easier to attract millennial employees,
- US allows companies to pay lower tax rate on export profits than domestic ones
- Diversification through exporting is a huge benefit to reduce effects of fluctuation and domestic market cycles
- When you see new customers using products, they may see them used in completely different ways and opens a new market for your products without any R&D, just supplementary marketing message

US companies which go into Latin America and are effective learn the different cultural variations and tailor to them, as well as customers in US from that particular country rather than monolithic group

International digital marketing is misunderstood, not just SEO - companies need to have management mentalities to embrace this approach, overcome hypocrisy and skepticism of digital, old mindset of export horror stories

How can we evolve to adapt to way next generation communicates digitally? Whole business model needs to change – online chats show how traditional divisions between sales, marketing and customer service aren’t always helpful, can be blurred

**Phil Mondor – Hiring and training your team to be ready for global markets**

Are you training a team to communicate and deal with international customers? Tourism is import industry, and makes up most of his background, but also exporting services on labour market issues, his focus over last
3 years has been on work with FITT, also done work in 15 different countries and 20 different sectors overall

Currently very tight labour market, Who trade professionals are has changed drastically even in last 3-5 years, so what will it look like in 3 or 5 years? It’s so hard to project and anticipate, trade as much about economic as social progress, increased globalization will change our workforces

Economic variables: growth of trade agreements, access to new markets, ease of feasibility and risk assessments, all affect who you need and what skills are needed

Political variables: increased regulations on procurement, movement of goods, tax changes, trade agreements changing other factors like climate, labour, etc.

Cultural/social factors: intercultural competence is huge need, even more than ever, increased diversity in who you serve and who works for you leads to broader diversity in what we do, labour costs increased sizably

Tech is huge topic of importance, affects how we operate, but always has been

Trade wasn’t always seen as profession – it is now, but how do you describe it to non-trade professionals? It’s not as well defined to average person. FITT now has international competency framework which defines what people in trade do and why, how, more than entrepreneurs or business owners, needs to be seen as source of trustworthy guidance to help manage international transactions

**Very competitive global environment, so what is key differentiator?**

Human capital – Scandinavian countries figure out how to measure it, but we often struggle to in Canada, trade is more built on relationships, only so much can be automated, FITT has done a major investment in competency framework, new tools on how trade defined

**How do you deal with people who are essentially hired to work themselves out of a job – Netflix model or Uberization of employment?**

People want to have subscription or lot of options, use something for short period of time and move on, in trade companies need to do what they’ve always been doing to hire, recruit, etc. to maintain core competencies, but can use more flexible model to scale up or down, innovate when needed; some people now prefer to use freelance as core business, trade behind curve on that trend, what we want, when we want it

**Many companies say they offer a solution rather than a product or service, so how to communicate that to specific audiences who may see it differently?**

Trade professionals already do it every day, have to communicate narratives within cultural competence, guidelines, ultimately all people dealing with people, learn about culture, language protocols, dos and don’ts, but also dig deeper, enlist help of experts in language, culture, interpretation, tech, how to mitigate misunderstandings and recover when they happen? As you have a more diverse workforce, you increase internal capacity to manage and deal with that on your own too
Jared Burns – Managing currency risks in international transactions

How do transactions happen and meet client expectations? How do customer expectations evolve on back end and how do companies adapt to multi-currency online environment? Many companies are more easily able to penetrate different markets, but to complete a deal, how do you get ready to move money and facilitate payment, manage different revenue streams?

Every business in international markets has exposure to currency fluctuations in international markets - according to EDC 35% of companies have never considered the effects of FX risk to their business.

$1 USD being worth $1.35 CAD has worked well for U.S. exporters but they got too comfortable and now accept it as normal, they anticipate currency benefit. You can’t just simplify your FX management strategy to “buy low, sell high”.

If a client has $1M in receivables, increase in exchange rates or currency FX by 5% has $50K difference on bottom line

Even if you’re paying in your own currency to other markets, you can still be affected by FX risk

You need to identify where your biggest areas of exposure are, how changes would affect your profit margins, what tools to use to protect them, and how do you manage them, see how well they work and then adapt as things change.

Even if you don’t have a team to handle it or a huge amount of exposure, you can still use tools to reduce your risk, hedge on currency FX to stabilize and reduce uncertainty, make a smooth line instead of a jagged one.

Tools include derivatives, spot trading, some contracts can set it and forget it but most will not

How does a company pivot when political decision leads to currency change and entire business needs to change to adapt? Can only predict and hope, guess risks but never see full impact until day of decision, how market reacts can be totally random, up or down, to consistently pivot and hedge, have long-term plan in place so you can take the time to make best possible decision

- Risk is on payables for importers and receivables for exporters
- Volatility has increased since 2008, more liquidity around the world, can move faster
- Many companies set budgeted rate for year, others change constantly

Q&A section

What’s the deal with cryptocurrency?

Jared: Based on rapid tech advancement, banks are starting to realize it’s real. We are still in the early stages but regulatory bodies looking at how to control it, not all about Bitcoin millionaires, will see much more practical applications as it’s regulated and adopted

How has e-marketing changed traditional foreign market entry?
Ed: If you go digital, buyers will find you. The language barriers must be overcome on the ground with an interpreter, but buyers can find you and become leads with American English website and content. You will automatically find people where the language barrier is not there and if you provide solutions to their problems, they will come:

e.g. Missouri Star Quilting Company made a website for pre-cut quilting fabric and had no luck, so they made a few “how to quilt” Youtube videos. Six years later they now have 15 buildings and their own hotel, ship 30K orders a month with just English.

How to get right people for digital transformation?

Phil: There is massive reform happening in the educational system and business, people are finding newr ways to access markets and gain credentials. Younger people access education in a more freelance-based way. How does education and business respond? Change your business practices to support it, make sure the department can operate on its own, has all the tools, training, and supports it needs to succeed.

Ed: You can’t just pick people in middle of bell curve of talent, need people who understand art and science of it, above average, really need to actually hire excellence, artistically apply technical skills.

Phil: FITT’s competency framework is benchmarked at higher end of bell curve, 65% or 80%, articulates what that looks like, CITPs will have it, framework fully answers question of what a trade professional is, now level of coherence and consolidation.

How can we attract more people to international trade and make it easier to understand, apply for programs there and get started?

Phil: FITT provides a clear definition, now we need to move towards it.

How should you build and manage FX strategy?

Jared: No two businesses have exact same strategy, if you have a partner who understands your primary goals, they start to internalize those goals. Each company has different goals, it can be as simple or complex as you want. It all comes down to profit margins or losses – are you OK if FX is even or swayed heavily one way or another? If no to one or more, prepare for what would reduce your risk if it does.

What does being a trade professional really mean?

Phil: Most people think of traditional professions like doctors, teachers, etc. even if it’s not completely accurate or up to date, they have oversight and governance body, certain standards, code of ethics, body addressing any issues with practitioners, another assessing competency, public policy addresses it.

International trade is now just emerging as a profession, with the same trappings as traditional ones. Trade supports political order and social stability, competencies should be unique or more important to the field so lots of new ones e.g. intercultural competence, risk management, have experts in very specific areas and generalist skills. Both are needed to thrive.
**What is the future of blockchain to overcome currency exposure?**

**Jared:** Blockchain is the technology behind cryptocurrency like Bitcoin, we are just at the very birth of it now. The government needs to add regulation which will give it legitimacy.

It doesn’t always have same risks as FX because it’s generally more stable, but you always have home currency, and Bitcoin and other cryptocurrency. Relying on blockchain technology could also have major risks, so you still need the same risk strategies for the most part. We’re still a long way away from widespread use everywhere.

Right now there is no potential for fraud because it’s very transparent. This could have huge implications for customs, issues of origin, regulatory considerations, and counterfeiting.

**How can you reduce compliance risks?**

**Ed:** Compliance needs to be dealt with at board level, not just compliance officials. Keeping top management accountable makes sure they get involved, and can affect market entry strategies to avoid markets with high risk.

**Who can SMEs ask with trade questions?**

**Delegates:** EDC has Trade Advisory Services for just that, Ontario government also has Canada-Ontario Export Forum.

**Clarecia:** You can access lots of info from the Canadian government like apps, databases, phone numbers to call, ITC also has lots of resources, as does TFO.

**How can you connect digital teams working all over the place?**

**Ed:** Differentiate between communication and culture. For communication, email doesn’t always work efficiently. Slack is really easy. Culture needs to be instilled through relationships, everyone is important even working remotely.

**How to gain intercultural competencies?**

**Phil:** You can get help from your own team members, if you can’t, get intermediaries or interpreters. Try to diversify your own workforce.

**What are the best strategies for international ventures?**

**Jared:** From a currency perspective, ensure you can take hard look at exposure. If needed, outsource to get expertise needed to manage properly. Know where to look, how to take a macro look at exposures, and give feedback on what to do.

**Ed:** Go digital, understand that it gives you power to incrementally extend to new markets, which can then grow physically. Digital can give you opportunity for inorganic growth through buying other companies,
getting all of their relationships built in, and it can be option even if you have less than $10M in revenue.

**Phil:** Partnerships and the ability to scale up or down flexibly, look beyond your own doors, and work with many others in the market.

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