

Exporting to the United States

The United States, with a population of 312 million people and a 20 per cent share of the global economy, is the richest market on earth. It is also Canada's largest trading partner, with hundreds of Canadian companies doing a huge volume of business with U.S. customers. This white paper examines why the U.S. market is so attractive, and how you can search for lucrative export opportunities there.

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EXPORTING TO THE UNITED STATES

A huge number of Canadian companies sell to consumers and businesses in the United States, and many are doing very well out of it. In any given year, in fact, U.S. customers buy about three-quarters of Canada's total exports, far outweighing our sales to any other nation.

There are several reasons for this. While doing business in the United States can provide the usual benefits of exporting – more sales, better market diversification and improved competitiveness – it also has three unique advantages. These are:

- **Familiarity:** Of all our foreign markets, the United States is the one that most resembles Canada.
- **Proximity:** Geography makes most U.S. markets easy to access.
- **Size and variety:** The United States consumes a huge range of goods and services, and does so in astounding volumes.

Taken together, these benefits may present your company with a compelling reason to head for the U.S. market. But to which part of that market, exactly?

THE U.S. MARKET MOSAIC

People often refer to the “U.S. market,” as we did above, but this is somewhat inaccurate. The United States is actually a mosaic of regional markets, each with its own economic characteristics and key industrial and service sectors. When you're looking for opportunities, consequently, it's important to find out which regions may offer you the best chances of success.

Fortunately, you don't have to do this entirely on your own. In our context, the overall U.S. market can be divided into 11 regions, and each has at least one Canadian diplomatic post, such as a consulate, located in a major city. Each post includes a Trade Commissioner Service (TCS) team, which provides assistance for Canadian companies that want to do business in its region (more about this later).

These 11 regional markets and some of their chief characteristics are:

- **New England: Maine, Massachusetts, New Hampshire, Rhode Island, Vermont**
Despite its relatively small population, New England is one of Canada's major trading partners. Traditionally importing resource-based commodities, it is developing an emphasis on advanced technology, technology transfer and commercialization.
- **Northeast: New York, Connecticut, New Jersey, Pennsylvania**
Two of the Northeast's most important draws for Canadian exporters are its proximity to Ontario and Quebec, and its huge business and manufacturing base – more than half of all U.S. manufacturing facilities lie within easy reach of upstate New York. As a result, it's an excellent market for many Canadian commodities, products and services.
- **Mid-Atlantic: Delaware, District of Columbia, Maryland, Virginia, West Virginia**
The Greater Washington area is one of the largest metropolitan economies in the United States. The mid-Atlantic is also the country's major defence procurement market and has many federal R&D laboratories.

- **Southeast: Alabama, Georgia, Mississippi, Tennessee, the Carolinas, Florida**

The Southeast imports a wide range of Canadian products, from auto parts to medical supplies. Florida is an entire market on its own, and the Miami area has an enormous sea/air logistics capacity that makes it a gateway to Central America, the Caribbean and Latin America.

- **South Central: Arkansas, Kansas, Louisiana, Oklahoma, Texas**

Most Canadian exports to this region go to Texas, which is the area's largest market by far. It offers a business-friendly environment, low labour costs and low taxes.

- **Southwest: California, Arizona, New Mexico, Nevada, Hawaii**

California is the world's 12th-largest economy. It has huge pools of investment and venture capital at its disposal and contains one of the world's largest concentrations of aerospace and defence industries. It also has the largest biotechnology and life sciences industry in the United States.

- **Northwest: Washington, Oregon, Idaho, Alaska**

Some of the world's biggest companies are headquartered here. Washington State has the largest concentration of aerospace workers in the world, while the Seattle metropolitan area is the largest and wealthiest market in the Northwest.

- **Rocky Mountain: Montana, Wyoming, Colorado, Utah**

The region imports a range of Canadian goods, including mining machinery, fertilizers, live animals, newsprint, softwood lumber and aircraft and aircraft parts.

- **Upper Midwest: Minnesota, Iowa, Nebraska, the Dakotas**

The Upper Midwest and Canada's Prairie provinces are closely integrated. The region has a long history of doing business with Canada and is an excellent place for first-time exporters, especially those based in the Prairie provinces.

- **Midwest: Illinois, Missouri, Wisconsin**

Numerous Fortune 500 companies are located here, as are the headquarters of thousands of other businesses spanning nearly every economic sector. Chicago is the United States' third-largest metropolitan area and the continent's largest intermodal port and rail hub.

- **Great Lakes: Michigan, Ohio, Indiana, Kentucky**

This is the number-one market for Canadian exporters, with about a fifth of our total U.S. exports going there in any given year. About two-thirds of this (by value) is related to transportation, because of the historic position of Michigan as the centre of the U.S. auto industry.

IDENTIFYING YOUR MARKET

The first stage of your research is to find out whether your products will sell in one or more of these regional markets. To do this, you can use resources such as the following:

- EDC has a range of resources on the United States in its [Country Info](#) section. Refer also to the extensive EDC guide to [Doing Business in the United States](#).
- Industry Canada's [Trade Data Online](#) database provides customized statistics about Canadian exports to the United States. You can select for products by state, by Harmonized System code, by industry and by year. This will help you analyze the demand for your kinds of goods in specific states or groups of states.
- For more detailed information, including market studies and reports, you can refer to the [United States](#) section of the TCS web site.
- The [Business](#) section of the [Canadian Embassy](#) web site in Washington, D.C., provides contact information for Canadian trade specialists both in the U.S. capital and in other major U.S. cities. Be sure to look at the [State Trade Fact](#) sheets for a quick overview of Canada's trade relationship with many U.S. states.

ON-THE-GROUND MARKET DEVELOPMENT

Once you know where the opportunities are most promising, it's probably time for an on-the-ground visit. Before you go, you should lay some groundwork by contacting the [TCS team](#) in that region. The Trade Commissioners there can provide you with information about local market prospects and help you set up face-to-face briefings, contact searches and introductions. If you've already identified a potential customer, a Trade Commissioner can help by telling you more about the company and how it fits into the local scene.

If you prefer to develop your own network of U.S. contacts, your Canadian sector association may be able to help. You can also approach the [Canadian Chamber of Commerce](#) and local chambers of commerce in the United States.

KEY OPPORTUNITY SECTORS

The United States offers export opportunities in just about every sector imaginable. As a result, there can be plenty of opportunities no matter what business you're in. Some industries show especially strong potential, though, and the Government of Canada has identified six that promise substantial growth over the next few years. They are:

- aerospace and defence;
- agriculture, food and beverages, including fish and seafood;
- life sciences;
- clean technologies, including clean energy and environmental industries;
- green building and related infrastructures; and
- information and communications technologies.

If your company operates in one of these industries, researching its counterpart sector in the United States could pay off in new customers and new business.

U.S. GOVERNMENT PROCUREMENT

Don't overlook the possibility of selling directly to the U.S. Government. Finding out what the government wants to buy is quite straightforward, since all federal tenders, contracts and awards are listed in the U.S. [FedBizOpps](#) database. If this looks like a feasible direction for your business, you can find out more by going to International Trade Canada's [Sell2USGov](#) web site.

ENTERING THE U.S. MARKET

Once you've settled on your market, you have to decide how to enter it. There are several ways to do this:

- **Direct exporting**

This is the fastest way to get started – you sell directly to customers, either at the consumer level or the business-to-business level. Its advantages are that it excludes middlemen, provides complete control over sales and keeps you close to your customers. The disadvantages can include having to field a U.S. sales force, manage distribution and provide after-sales service.

- **Using representatives**

Alternatively, you can use a representative such as an agent or distributor. A good one will have the knowledge and resources to market your products effectively and manage logistics, inventory, billing and after-sales service in the United States.

- **Partnering with a larger Canadian exporter**

Working with a larger company that already has footholds in the United States can be a very effective way to enter the U.S. market. You might, for example, contribute to your Canadian partner's supply chain or provide a custom product tailored to the needs of its U.S. customers.

- **Follow-your-customer partnering**

If you sell to a Canadian customer that also operates in the United States, you might be able to sell directly to the customer's U.S. affiliates, such as its manufacturing subsidiaries. This can eliminate much of the risk of your market entry. Moreover, doing business with an affiliate will help you learn about the local market, which may help you find your own customers there.

- **Partnering with a U.S. company**

You can also partner with U.S. companies that operate in your market of interest. These partners can provide on-the-ground knowledge and contacts, which is immensely valuable when entering a market as large and complex as that of the United States.

RISKS OF THE U.S. MARKET

Because of our similarities of language, culture and standard of living, it's tempting to see the Canadian and U.S. markets as much the same (except for size, of course). This apparent familiarity can make it seem that doing business in the United States is no more risky than operating in Canada. Sadly, this isn't the case. Like any foreign market, that of the United States comes with the usual hazards such as exchange rate fluctuations, contract disputes, logistics problems and compliance issues.

The major risk to a Canadian exporter, though, is non-payment. While it's far lower in the United States than in many other markets, U.S. firms do go bankrupt, and their Canadian suppliers don't get paid. The financial consequences for the exporter can range from mildly painful to outright catastrophic.

The problem is that U.S. buyers routinely expect their suppliers, including Canadian exporters, to provide open account terms of 30 to 60 days. This is ideal for them, but it's the riskiest kind of transaction for you, since you're extending credit with no security whatsoever. This is a risk that would ring alarm bells in any export market other than the United States.

But there's a way to eliminate your non-payment risk almost completely – you can turn to EDC's [receivables insurance](#), which covers up to 90 per cent of your losses if a customer doesn't pay. By putting one of these policies in place, you can provide the open account terms your U.S. customers expect, without endangering your company's financial health. That can make it much less risky and much more realistic for you to start doing business in the United States – the biggest, richest market on earth.

Ce document est également disponible en français.

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