



# LAVAL TECHNOPOLE International Business Centre

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## INTERNATIONAL NEWSLETTER



SPRING 2010

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## Canadian hardwood goes to China

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On the occasion of the 100th anniversary of C.A. Spencer's creation, LAVAL TECHNOPOLE published an article in the Summer 2008 issue of its *Economic Newsletter* relating the history of the hardwood producer. At that time, Pierre Cadrin, Vice-President, Sales, pointed out that C.A. Spencer would have to face the enormous challenge of exporting its products to countries in emerging markets during the next few years, explaining "You have to be very well connected in order to make sure you are on the right track, since everything is moving extremely fast." Two years later, while it is safely getting over the recession, the company can report that its efforts in exporting to Asia, in particular to China, have had positive results.

It should be noted from the outset that C.A. Spencer, like the entire local hardwood industry, has not had an easy time during the recent economic crisis, which forced the company to close its Ontario and New York mills, lay off staff and deal with higher supply costs, among other things. However, a set of factors has enabled it to get over this hurdle. "I have to say that we have a loyal customer base," declares Mr. Cadrin. "Plus, the C.A. Spencer name is very well known, such that customers come to us without our having to make any special effort. Finally, we have a diversified market. We have had a presence in the United States and Europe since the early 1980s, and in Asia since the late 1990s."

Furthermore, this is not the first economic crisis the company has had to weather, and so it has implemented various strategies to limit its effects as much as possible, as well as gear up for a recovery. On the one hand, it has made investments in its Lachute and Huntingville plants to improve operations and productivity, while on the other it has redrawn its export map. Since the beginning of the downturn in the economy in 2007, C.A. Spencer has seen its exports to the United States drop from 20% to 10% of its total sales. It has therefore strengthened its visibility in Asia by stepping up its participation in economic missions and specialized trade fairs, as well as its efforts in locating new business opportunities via the Web.

"It is also necessary to stay on top of trends," points out Mr. Cadrin, "because they are constantly changing. When we began to export to Asia, the manufacturers buying our products were mostly located in Taiwan. A few years later, they had moved their facilities to the south of mainland China, where labour costs were cheaper. Today, we can see that those same plants are now moving to Vietnam, which offers more attractive tax advantages."

*Continued on the following page*

### A message from the Director



Spring will soon be upon us all, which means that it is certainly time to start planning for the fall and determining your sales objectives. Furthermore, summer provides a good opportunity for many to review their market development strategy.

In order to give you some food for thought, we are devoting this newsletter to China and Mexico. You are undoubtedly aware that China is now one of the world's top economic players. The company C.A. Spencer's experience in China demonstrates that it is possible to take advantage of that market's growth and that it provides an alternative to traditional markets such as the United States. As for Mexico, we will be going back there in April along with five Laval companies. Furthermore, this issue's Desjardins financial column provides you with information about the various payment methods available if you export to Mexico.

I would also like to suggest that you check our Blogger's Corner, where you will find where EDC forecasts the market opportunities for the coming year will be found.

Enjoy your reading!

Véronique Proulx, MBA



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C.A. Spencer organizes the logistics of shipping its products to Asia.

Mr. Cadrin notes that the Chinese market has its own distinctive cultural characteristics. For example, a Chinese customer wanting to sign a contract with C.A. Spencer will prefer to do business directly with one of the company’s senior executives, such as a vice-president, rather than a middle manager. Moreover, Chinese executives particularly appreciate meeting their suppliers in person, which necessarily means a great deal of travel when developing sales. “The Chinese are also very polite, in the sense that they may appear interested in your products, but this is only to prevent you from losing face. You cannot take anything for granted until a contract is well and truly signed,” he adds.

When asked what advice he would give exporters interested in doing business in China, C.A. Spencer’s Vice-President, Sales, states that patience is needed. “It is crucial to take your time in choosing the people that will act as your representatives on the ground and, most of all, it is advisable to supervise them closely, as they will be much in demand with other companies.” In addition,

even if English is commonly used and understood within the Chinese business community, it may be practical to take on an employee who speaks Mandarin and to have communications tools such as brochures, sales sheets and the like translated. Moreover, it is in the interest of exporters to make sure their transactions are secure by favouring such payment methods as letters of credit and bank transfers.

One final word of advice for future exporters: You have to be available. Given the considerable time difference between Laval and Asia, that will mean making sure you are prepared to be on-call very early in the morning and very late at night, and often during the weekend.

This is how C.A. Spencer has been able to do business in China and establish a strong presence there. The company plans on doing the same during the next few years in South Asia... that is, unless trends see to it that the export map changes once again!



Pierre Cadrin, Vice-President, Sales.



For further information about C.A. Spencer, please contact Pierre Cadrin, Vice-President, Sales, at 450 622-2420, or visit the company’s Web site: [www.caspencer.ca](http://www.caspencer.ca).

Our team of columnists:





## Payment methods abroad

Many opportunities are currently available to you in a number of countries, particularly Mexico. However, it is vital that you be well prepared in order to break into a market.

Are you familiar with the habits and customs of the country you are targeting? How and in what language are negotiations conducted? In what currency will your contract be drawn up? What will the exchange rate be if, for example, you are paid in Mexican pesos or U.S. dollars? Is the banking system well regulated, as well as trustworthy?

Furthermore, what payment method will you give preference to, given your tolerance for risk? Five different payment methods are generally in use in Mexico:

- advance payment
- standby letters of credit
- documentary credit
- documentary credit collection
- open terms

Are you aware of the risks associated with each?

Let's take a brief, but closer look at all five:

**Advance payment:** The buyer's payment is received before goods are shipped or services are provided.

**Standby letter of credit:** This is a type of documentary credit through which an issuing bank pledges to pay an exporter for a debt contracted by a foreign buyer (the sold-to party). The issuing bank's pledge is usually related to a failure on the part of the buyer to fulfil its obligation to pay the exporter.

**Documentary credit:** This enables an exporter to benefit from the commitment given by a bank to pay it on behalf of a buyer (the sold-to party), provided that credit terms are respected. Documentary credit is a unique payment method that is honoured worldwide in order to manage commercially acceptable transactions.

**Credit collection (ordinary or documentary):** It should simply be mentioned that this payment method provides no guarantee.

**Open terms:** This comprises an arrangement in which both the exporter and foreign buyer agree that goods will be manufactured and delivered before payment is due.

We are here to help when you are ready to go out and conquer new markets! Our experts at the Desjardins Business Centre of Laval, backed by those at the Caisse centrale Desjardins, are available to provide you with the advice and financial tools that will enable you to safely negotiate contracts abroad by properly controlling the risks associated with each country.

And, as always, feel free to contact us!



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## Blogger's corner

### 2010 forecasts for exporters

During the fall, Export Development Canada (EDC) released its global export forecast for 2010. The following table provides a good summary of what this publication's authors perceive to be the outlook for the coming year.

#### GROWTH IN GLOBAL GDP BY MARKET (in %)

Top Markets	Share of World Economy in 2008	Global Outlook (% Growth) in 2008	Global Outlook (% Growth) in 2009 (f)	Global Outlook (% Growth) in 2010 (f)
<b>NAFTA</b>	<b>24.9</b>	<b>0.5</b>	<b>-2.8</b>	<b>2.1</b>
U.S.	20.8	0.4	-2.5	2.1
Canada	1.9	0.4	-2.3	1.9
Mexico	2.2	1.4	-6.5	2.5
<b>Western Europe</b>	<b>20.2</b>	<b>1.0</b>	<b>-4.1</b>	<b>0.8</b>
U.K.	3.2	0.7	-4.5	1.9
EMU	15.3	1.0	-4.2	0.6
Other Western European countries	1.7	0.8	-3.3	0.2
<b>Japan</b>	<b>6.3</b>	<b>-0.7</b>	<b>-6.0</b>	<b>0.7</b>
<b>Australia and New Zealand</b>	<b>1.3</b>	<b>2.1</b>	<b>0.2</b>	<b>1.8</b>
<b>Asia and Pacific total</b>	<b>24.5</b>	<b>6.8</b>	<b>4.7</b>	<b>6.5</b>
P.R. China (Mainland)	11.4	9.0	8.0	8.3
India	4.7	7.3	5.8	6.2
Asian newly industrialized economies	3.7	2.3	-2.6	4.1
ASEAN-4 (Malaysia, Thailand, Indonesia, Philippines)	3.1	4.8	0.4	4.5
Other East Asian and Pacific countries	0.5	6.6	4.0	4.98
Other South Asian countries	1.1	3.7	2.7	3.6
<b>Eastern Europe and Central Asia</b>	<b>8.4</b>	<b>4.4</b>	<b>-7.2</b>	<b>1.0</b>
Russia	3.3	5.6	-8.8	1.4
<b>South America</b>	<b>5.8</b>	<b>5.3</b>	<b>-0.2</b>	<b>2.5</b>
Argentina	0.8	6.8	1.3	2.0
Brazil	2.9	5.1	-0.3	1.4
<b>Central America</b>	<b>0.6</b>	<b>3.3</b>	<b>-1.2</b>	<b>1.4</b>
<b>Middle East and North Africa</b>	<b>4.8</b>	<b>5.9</b>	<b>1.7</b>	<b>3.7</b>
<b>Sub-Saharan Africa</b>	<b>2.0</b>	<b>5.5</b>	<b>0.3</b>	<b>3.9</b>
<b>Industrialized countries</b>	<b>54.2</b>	<b>0.6</b>	<b>-3.4</b>	<b>1.6</b>
<b>Developing countries</b>	<b>45.8</b>	<b>6.0</b>	<b>1.2</b>	<b>4.4</b>
<b>Total global economy</b>	<b>100.0</b>	<b>3.0</b>	<b>-1.3</b>	<b>2.9</b>

Data from *The Race to Recovery: Global Export Forecast, Fall 2009*. Economic Services, EDC, p. 12. Available at: [http://www.edc.ca/english/docs/ereports/gef/country\\_information\\_efindex.htm](http://www.edc.ca/english/docs/ereports/gef/country_information_efindex.htm)

I always consult this forecast, which is issued annually by the EDC, and I take the information contained in it into consideration when planning the International Business Centre's activities. Our clients' needs are also very important in deciding which new markets we will bring to your attention.

Laval exporters should also use this table as a guide. Overall, thanks to China and India, Asia presents the best potential in terms of growth. Nevertheless, you have to know your customers and competitors very well in order to direct your market development efforts properly. I believe that value-added products that have their niche will always find a place in the market, even when it is undergoing a contraction.

Véronique Proulx

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