

Everywhere you export

The Canadian Trade Commissioner Service

SPOTLIGHT

ON MARKET DIVERSIFICATION



TCS



Global Affairs
Canada
Trade Commissioner
Service


Affaires mondiales
Canada
Service des
délégés commerciaux

Canada

You probably know the saying, “Don’t put all your eggs in one basket”. Well did you know this also applies to your business strategy? If you focus all of your time, resources and energy in a single area, then you are at risk of potentially losing everything if context changes.

This concept of diversification is an important consideration for small and medium-sized enterprises (SMEs) for expanding their business internationally. Having a diversification strategy will benefit your business’s long-term stability and growth.

This Spotlight shines light on key considerations for businesses interested in growing their operations to international markets. The journey to global expansion can vary based on ease of market transition, business processes and the extent of adaptable resources. This short guide will help your company to determine the right personalized path to extend your business abroad, find the value in diversifying to new markets, and prepare to successfully grow your business on a global scale.



DIVERSIFICATION

By definition

Diversification is a risk-reduction strategy that involves adding product, services, locations, customers and markets to your business’s portfolio.

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Diversify to International Markets

Canada has a broad and growing global trade network that gives Canadian businesses preferred access to seize opportunities on a global market scale.

With a total of 14 free trade agreements with 51 countries, 36 foreign investment promotion and protection agreements (FIPAs) and many more negotiations in progress around the globe, Canada is the most connected G7 country. With preferred access to international markets for Canadian companies, there has never been a better time to diversify. For more information, please refer to [Diversifying Canada's trade and investment opportunities](#).

As a company interested in entering new markets, your first step is to assess if doing so is feasible. To find out valuable information to help you decide if you are ready to go global with your business, begin with the Canadian Trade Commissioner Service's (TCS)

Step-By-Step Guide to Exporting. Specifically, refer to Step 1.2 - *Are you ready?*, which highlights a checklist of items to consider before making the transition.

Next, look to the ITC [Export Potential Map](#) which provides information on products, markets, and suppliers with untapped potential; as well it highlights new sectors with favourable chances for success in export diversification. Your business can consult this tool for a quick scan of attractive target markets for the products you produce and export.

Take this [Export Quiz](#), check your score and be sure that you are ready.



Paths to Global Expansion

Going global with your business requires time, resources and motivation to be successful. The following paths to global expansion are ordered by ease of implementation. Discover the path that is right for you!

Existing Product or Service Adjustments

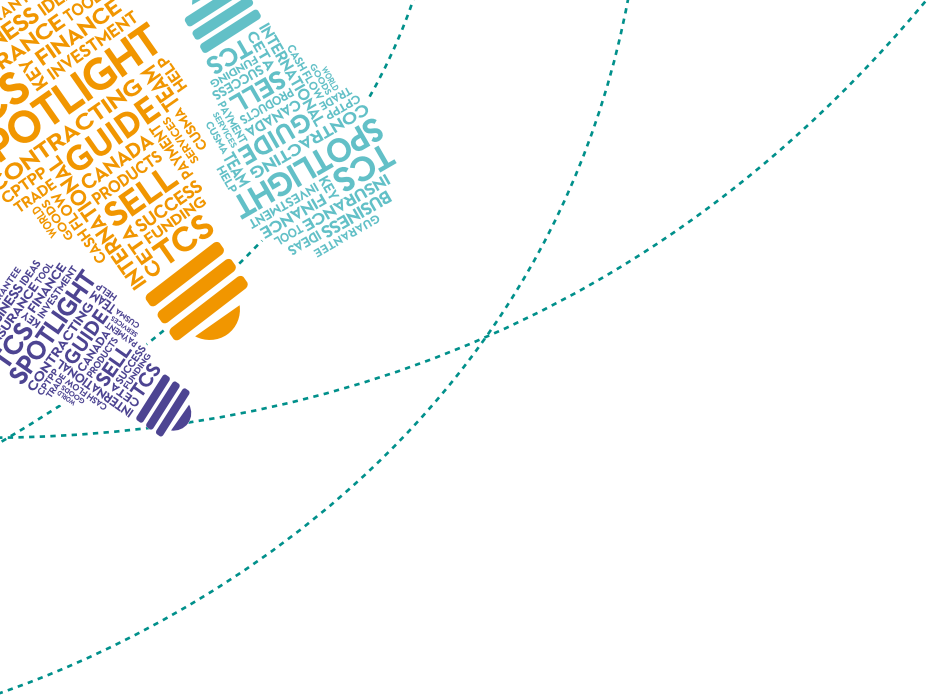
Google Market Finder can help you determine promising target markets, assist in planning operations tailored to your desired markets and provide you with considerations when developing your international marketing strategy.

- o This can be defined as making minor adjustments to an existing product or service related to market conditions such as climate, laws and regulations and cultural relevance. See [Google Market Finder](#), a free tool that helps business owners reach potential customers abroad. This is the simplest path to diversification, as the tools needed to make the following adjustments are readily accessible to most businesses:
 - Research competitors in the industry who are doing business abroad to see what works and what doesn't before making the transition.
 - Meet country product or service regulations in terms of labelling, packaging and ingredients.
 - Depending on the destination country, product packaging and transportation methods may change to adjust to different climates.
 - Translate information into the country's national language.
 - If using e-commerce, create a platform tailored to specific markets in terms of currency, language, shipping and returns. Visit our [Spotlight on E-Commerce](#) to learn more.
 - Consider how you will reach international consumers through marketing and advertising tactics.



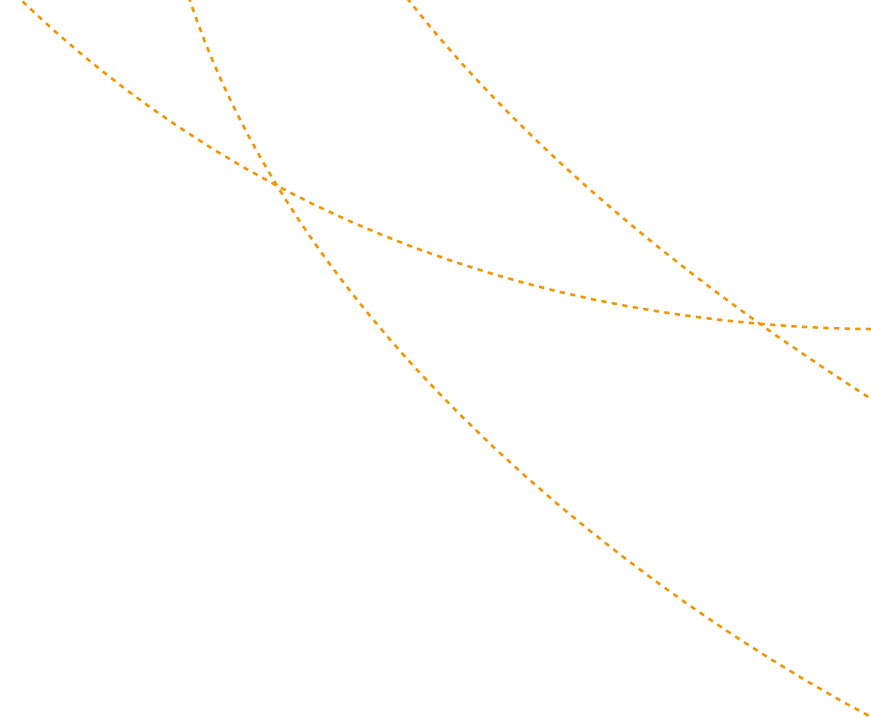
Tip

If your business is currently targeting a francophone audience inside of Canada, for example French-speaking consumers in the province of Quebec, you may wish to consider expanding operations to international francophone markets in the European Union such as France, Belgium and Switzerland or other emerging market opportunities in Africa or in the Caribbean. Product or service information, as well as marketing tools may already feature French translation for labels, packaging and brochures making global expansion for your business easily achievable. You may also wish to adapt the messaging for the audience in a particular target market by securing additional localization services.



Product Line Extension

- o This path involves adding features to an existing product or service under an existing brand name, with the goal of increasing variety for varying international consumer tastes; different market segments. The following are examples of how to diversify your product line:
 - Creating new products or services within your existing market category: introducing new flavours, forms, and colours.
 - Appealing to a new demographic: changing the appearance of packaging and labelling, using different advertising messaging and channels to reach the desired demographic.
 - Changing the product price point to represent anywhere from bargain to luxury: adjusting packaging and labelling to align with each price point, using different advertising messaging and channels to target consumers within the price range. This can be an important aspect to successfully diversifying your product line to match unique cultural perceptions.
 - Fulfilling unsatisfied needs: listen to current consumers and international consumers to see what more they want from your product or service or those alike, pay attention to how consumer needs develop and change over time and adjust accordingly.



Brand Extension

- This strategy is generally successful when a business is well-established in its current market and is an internationally recognizable brand. This means using your existing brand-name to extend into a new product category. Brand extension can be done by developing a new product or service that compliments your existing products and services. Below are some important considerations when implementing this strategy:
 - The extension should remain connected to your business's brand identity, to maintain trust and avoid confusion with customers
 - The decision to extend your brand should be heavily researched to ensure that the addition will be successful long term.
 - If your business is financially stable, a brand extension could be done by purchasing a pre-established business in the area you are interested in expanding to.

Did you know?

[CanExport](#) provides direct financial assistance to small and medium-sized businesses (SMEs) registered in Canada. Your business could receive up to \$50,000 of CanExport funding. Find out if you are [eligible](#) today!



Adjacent Market Expansion

By Definition

Strategic Fit expresses the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. Ask yourself, “Is there value-creation potential? Do I have market accessibility?”

- o This path is another form of diversification, which refers to the expansion of a business into uncharted territory; a new market sector. Expanding into an adjacent market means using your business’s core competencies to create a new source of value.

Success using this strategy requires a business with well-known reputation, established skills, market accessibility and an expansion opportunity that is a strategic fit for your business.



Trade Highlight:

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)) is a free trade agreement between Canada and 10 other countries in the Asia-Pacific region. Once fully implemented, the 11 countries will form a trading bloc representing 495 million consumers and 13.5% of global GDP. As a result, Canadian businesses will receive preferential access to key markets in Asia and Latin America.

Tools and Resources for SMEs

[Contact a trade commissioner](#) today to get started on accessing opportunities in CPTPP markets or for information [on trade-focused events and information sessions](#), including on the CPTPP, in locations across Canada.

Many exporters seek external financing to support their ability to access international markets. There are a number of solutions available to help you market and sell abroad or help boost your working capital and reduce financial risks. Discover the various financial [solutions available](#) to you.

If you are a small or medium-sized business in-need of direct financial assistance, the [CanExport](#) program can provide financial support to help you develop new export opportunities and markets.

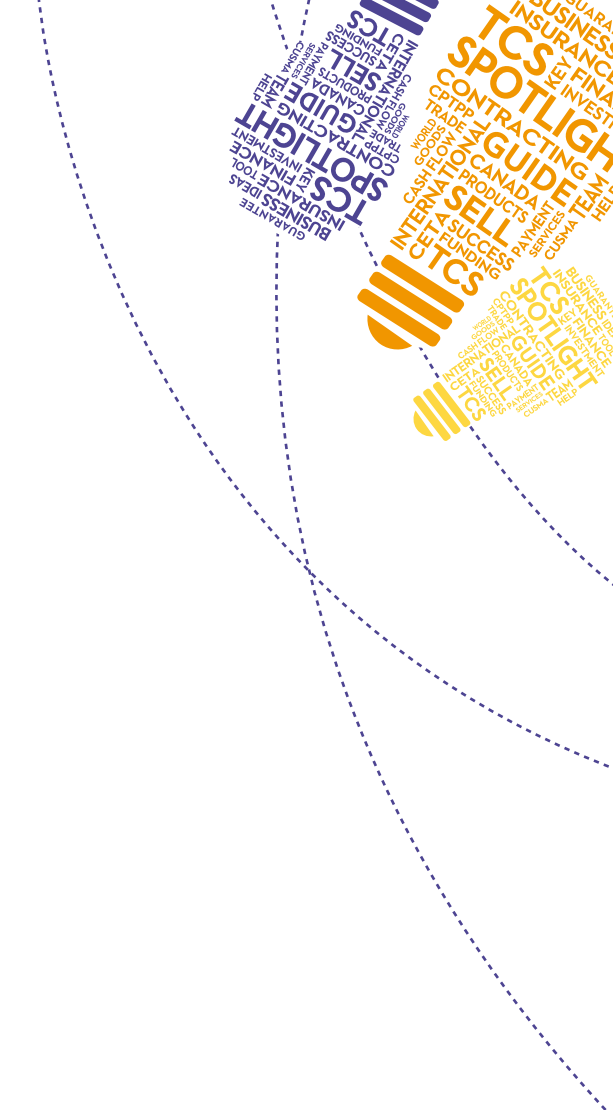
Learn more about the outcomes of CPTPP through our [chapter summaries](#), and learn more about the [elimination of tariffs](#) under CPTPP with each of its parties.



Benefits of Diversification

- o Reduces risk due to your investments being spread across multiple areas; if one market fails, success in others will reduce the impact of failure.
- o Helps you gain access to larger market potential, due to lower competition in foreign markets.
- o Increases your business’s overall market share.

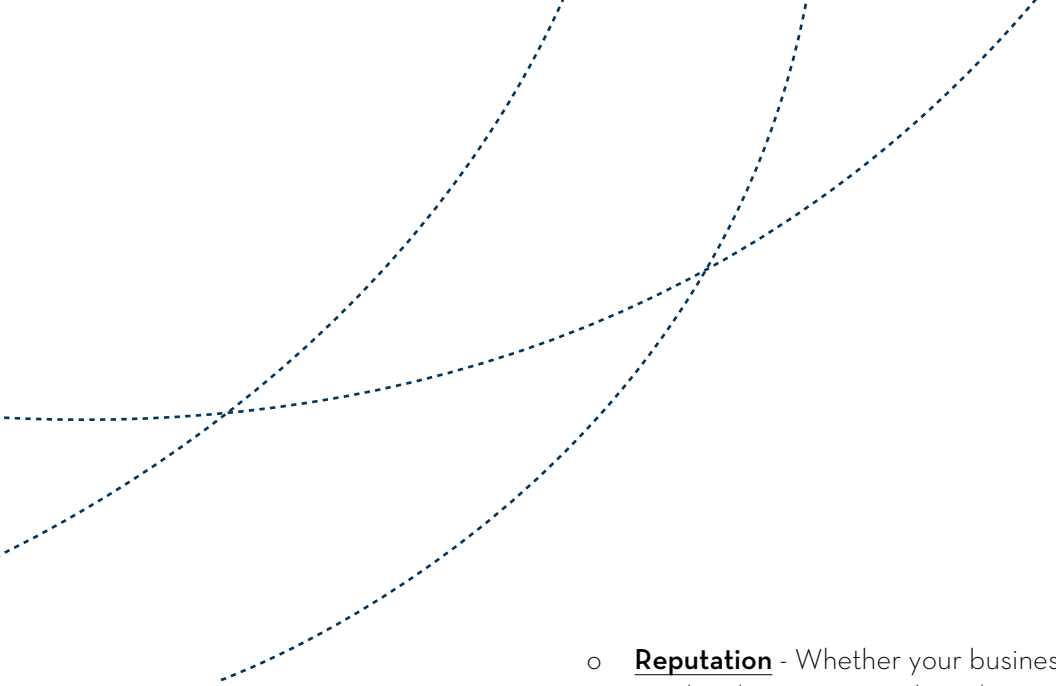
Path to Diversification	Benefits
Existing Product/Service Adjustments	<ul style="list-style-type: none"> • Accessibility to necessary resources • Seamless expansion to similar markets
Product Line Extension	<ul style="list-style-type: none"> • Increases consumer reach and potential customer-base • Establishes competitive edge
Brand Extension	<ul style="list-style-type: none"> • Enhances brand visibility and consumer interest • Offers variety and attracts new customers
Adjacent Market Expansion	<ul style="list-style-type: none"> • Access to new pool of customers • Deeper understanding of core competencies and how to adapt them



Potential Roadblocks

When diversifying your business, the potential impact of roadblocks to success can be minimized or avoided if you are aware of the challenges and how to deal with them. The key is to approach a challenge as an opportunity to learn and grow your business.

- o **Cannibalization** - Introducing new products and services to your inventory could cannibalize sales of previous ones. This phenomenon occurs when the new product or service takes demand from the current product and reduces overall sales. This can be a positive strategy if used effectively; to take market share from competitors.
- o **Perception** - If you expand your business into a completely unrelated market, your brand-name may be perceived as less reliable due to the fact that you are allocating your resources across multiple sectors. In order to avoid this, extensive research should be done to ensure that your business extension is true to your brand identity and makes sense to customers.



- o **Reputation** - Whether your business implements a product line extension, brand extension, or expands into an adjacent market, there is a possibility that the new product or service could damage your reputation. Market research should be carried out prior to the launch in order to predict how consumers will react.
- o **Failure** - The new product or service could fail in international markets due to a lack of understanding of cultural tastes and preferences, laws and regulations, economic climate etc. or a lack of competitive advantage in your chosen market. In some cases, events occur unexpectedly and could result in unfavourable market conditions.

Questions for reflection:

1. How much time, resources, and effort are you willing to focus on diversifying your business?
2. For how many years has your business been operating?
3. Do you have capacity for expansion? Specifically, in terms of human capital, operations, motivation etc.
4. Are you interested in expanding your current target market?
5. Have you noticed your customers asking for more from your product or service (i.e. “You should do this”, “I wish they had this”, “This would be better if”)? Are you considering acting on these suggestions? If so, when?
6. Are you interested in offering more variety in your products or services?



How the TCS can help

The Canadian Trade Commissioner Service (TCS) can provide owners and representatives of SMEs guidance while navigating the complexities of international markets on your market diversification journey.

The TCS is located in over 160 cities worldwide to provide you with key business insight and access to an unbeatable network of international contacts. Trade

commissioners are well-placed to share information on what works and what doesn't in a given country.

Are you export ready?

The [Step-by-Step Guide to Exporting](#) will help you to:

- **Sell to more customers.** Target global buyers online.
- **Enter more markets.** Leverage the benefits of free trade.
- **Save time & avoid risks.** Learn the legal aspects of trade.

Download this free guide and gain access to all TCS export publications through [MY TCS](#).



Additional resources to help navigate your path to global expansion:

- Canadian Trade Commissioner Service (TCS)
 - [Canada Tariff Finder](#)
 - [Spotlight Series](#)
(Market Research, International Marketing, Export Financing, E-Commerce)
 - [Funding to help kick-start your international expansion](#) (Podcast)
 - [Market Sector Profiles](#)
 - [Free Trade Agreements](#)
- Export Development Canada (EDC)
 - [Country Information](#)
 - [Securing Financing](#)
 - [Market Entry Advisors - The first five calls to any market](#)
- Business Development Bank of Canada (BDC)
 - [How to market your product in foreign countries](#)
 - [3 essential steps for small businesses looking to go global](#)
 - [5 tips to successfully export your services](#)
- Canadian Business Network
 - [Export financing](#)
- Innovation, Science and Economic Development Canada (ISED)
 - [Canadian and International Standards](#)
 - [International Standards](#)

Trade Commissioners are on-the-ground in more than 160 cities in Canada and worldwide.

The Canadian Trade Commissioner Service (TCS) is gaining market intelligence and insight, and uncovering opportunities for Canadian companies.

Our export experts can help your company:

- Prepare for international markets
- Assess your market potential
- Find qualified contacts
- Resolve business problems



 tradecommissioner.gc.ca

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