

# Evaluating a foreign supplier

One of the keys to successful exporting is limiting the unknowns. For some, this includes learning more about potential foreign partners. Choosing the right one can be key to your company's success. Choosing the wrong one can be very costly.

This strategic partner may be a supplier providing a key component of a product or service. This could be a raw material for a processing operation or a value added item required to make the exportable commodity or service complete.

Trade experts say that there are seven questions that require thorough answers before an entrepreneur decides to work with a foreign supplier. These questions may seem obvious, but Trade Commissioners say you'd be surprised how often companies don't conduct this kind of research.

## **What is the company's history?**

Entrepreneurs should put their research skills to good use to obtain information about the supplier's reputation and background. Trade commissioners suggest tapping into your own informal network and scouring the company's website for information. Another great way to extend your international reach is simply to contact the Canadian Trade Commissioner Service.

## **What do you know about the key personnel?**

All relationships are new at some point and it takes time to reach a level of comfort. Take the necessary time to find out if the supplier is new to the business or an established player. Ask for references and follow up on them. If a supplier has nothing to hide, he or she will not be upset by a few questions.

Does the supplier have experience with Canadian companies?

If possible, seek out any Canadian businesses that have worked with the supplier. Ask them about their experiences, both positive and negative.

## **Does the supplier have a sound financial history?**

While access to information varies from country to country, it is often possible to determine whether a company has had financial difficulties. A financially challenged supplier can create unwanted obstacles for entrepreneurs. How can one find this information? Entrepreneurs can, for a fee, look to Export Development Canada, the Business Development Bank or a due diligence service provider like Dun & Bradstreet. Also, be in touch with trade commissioners on the ground in the foreign market. They might be able to get such information through the local media or through outcalls to the company.

### **What is the operational capacity of the supplier?**

It is important to work with a supplier that can meet and grow with entrepreneur demands. Take the time to ask about the supplier's facilities and capabilities. Again, the Canadian Trade Commissioner Service may have the information entrepreneurs need to make an informed decision about a supplier's operational capacity. The company's website can also give you a sense for the orders it can handle.

### **What terms and pricing are they offering?**

In most business sectors, there are competing firms. If one supplier seems unreasonably expensive, there is nothing preventing entrepreneurs from conducting some price comparisons. Ultimately, the costs associated with suppliers must be in line with financial projections in the export plan.

### **Are they prepared to offer any additional support?**

All business relationships should be mutually supportive. It is important to feel that a foreign supplier has the entrepreneur's best interests in mind. Whether it is a co promotional opportunity or an unexpected change to an order, it is reassuring to know that a supplier will be working with entrepreneurs, not against them.

To start finding answers to these question, contact the Canadian Trade Commissioner Service ([www.tradecommissioner.gc.ca](http://www.tradecommissioner.gc.ca)). With offices in over 150 cities around the world, including 10 regional offices across Canada, our Trade Commissioners are ready to help.

\*Source – Export Development Canada ([www.edc.ca](http://www.edc.ca))