

However, these increases will not be sufficient to move the Japanese ocean industries equipment market from that of a "niche business" to the mainstream level. A large portion of the equipment purchased will be made to order and/or customized to end-user specifications which will result in small production lots, and thus no economies of scale.

Ranking of Opportunities

An assessment of the chances for Canadian ocean industries equipment manufacturers in the Japanese market is set out below. The assessment is based on the opinions gathered during the research for this report. The opportunities were assessed in terms of being good, fair or limited:

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|------------------------------------|------|
| • Submersibles | Good |
| • Instrumentation | Fair |
| • Diver Support and Communications | Good |

Guidelines for Success

The potential exists for Canadian companies to capture an increasing share of this business. Adherence to the following points on the process of market development in Japan will facilitate marketing.

Strong personal relationships. Long-term relations with agents are important and need to be nurtured. Such relations may require more time to establish with Japanese companies than with Western firms – particularly in the ocean industries field. The emphasis on interpersonal relationships in the Japanese ocean industries equipment industry is particularly strong, and not expected to change.

Sales and marketing as a joint effort. Both exporter and agent must be involved in sales and marketing efforts vis-à-vis potential clients. The exporter is particularly needed for sales and promotional seminars aimed at end users. Such joint activities make it easier to maintain a high level of communication between exporter and agent and help to build customer support capabilities.

Up-to-date information. Canadian ocean industries equipment exporters should constantly update importers on new products and applications. Such a practice will also help build close working relations.

Selection of partner. For a market as distant as Japan, great care must be taken in selecting a partner. It is critical that an import agent be in close touch with the end-use market and its needs,

be well financed and be capable of handling after-sales service. If one source cannot meet these needs, a consortium approach must be used.

Quality control. Japanese standards of appearance and quality are often considered overly strict by western criteria. However, success depends on establishing and adhering to a strict quality control program.

Safety standards. Ministry of Transport safety inspections for manned submersibles should be conducted in Canada at the time of production rather than in Japan after completion in order to minimize delay following delivery to Japan.

Safety regulations for human-related ocean industries equipment are virtually non-existent and the regulation writing process will go hand-in-hand with inspection. This reinforces the need to start the approval process early.

Protection of technology. Technology protection is still a problem in Japan, and the ocean industries sector is no exception, but a number of strategies can minimize damage.

The first is to make firm agreements with a trusted importer. The second is to avoid sales that may be "technology shopping" in disguise, such as requests for a single item of what is normally a multi-item order. In short, ensure that the sale is worth the risk.

Industry sources claim that most ocean industries equipment technology currently available on the market can be copied within two to three years, if the profit motivation exists. Currently, given the pace of technological development and the relatively small size of the market, importation is the preferred option.

Specific Opportunities

During the research for this report the following areas were specifically mentioned as promising opportunities:

ROV. Small manoeuvrable, radio-controlled, flexible and multi-functional as well as industrial ROV for a large range of end uses are currently in demand.

Cold-water capable machinery. Cold-water equipment is considered well advanced. However, cold-water ready machines are still not generally available in Japan.

Underwater security systems for man-made island airports. The new man-made island airports currently in planning or under construction have brought