

SUCCESS STORIES

Small Montreal Firm Builds Exclusively on Chinese Market

From building products to telecommunications, Xenexi Group Investments Ltd. is diversifying its operations in China to take advantage of the vast opportunities available in that huge market.

After a four-year association with Nampac Building Products Inc. — a Montreal-based exporter of Canadian building products to Europe and Asia — one of the associates, Dr. Steven Wan, decided to focus exclusively on China by creating Xenexi in 1992.

The 100 per cent export-based company — with a staff of only six in Montreal and another 30 in China — has never looked back.

What started out as a distribution system for Canadian building products such as doors, windows, roofing materials, flooring, and paint turned two years later into turnkey contracts for close to 100 wood-frame villas in Wuhan and Shanghai.

"Our operations," says a happy Xenexi General Manager Angus Zitman, "represented the first penetration of Western-style wood-frame housing to the Chinese market."

These ventures were so successful that Xenexi has started two new projects for the construction of another 150 villas this year.

Challenges and help

One reason for Xenexi's success in this field is its decision to focus on a niche market it helped to create itself.

"There is a lot of competition in the construction and building products sector in China," admits Zitman, "but our North American style villas are upscale houses — geared mainly for overseas executives — a market too small for our main competitors."

But before seeing any return

on all the time and effort invested in China, Xenexi had to face many challenges — finding the right contacts and decision makers, developing personal relationships, contending with constantly changing government policies.

"Having left the country more than 10 years before returning to prospect there for Xenexi, even Chinese-born company President Wan — familiar with both language and culture — turned first to the Canadian Embassy in Beijing," Zitman recalls.

"Canada's Trade Commissioners provided excellent support," he confides, "suggesting contacts, recommending good lawyers for negotiating — there is no brand name or patent protection in China — and helping with everything, from participating in trade shows and high-level meetings to press releases."

Xenexi also received tremendous help with visiting Chinese delegations from Industry Canada in Montreal, as well as official support for financial arrangements from the Quebec Ministry of International Relations.

Building trust key to success

"China's business style is based more on trust than on legal contracts," advises Zitman, "and this can only be achieved by developing special relationships, or *guanxi*, which takes time.

"This is all part of forming contacts and networking," Zitman explains, "which are crucial if we want to be successful in China. Without

trust there is no business relationship."

According to Zitman, Canadians are viewed favourably by the Chinese, giving them an edge over business people from many other countries.

"This can help open the door in China," he says, "as well as all the good publicity generated in 1994 and 1995 by the Prime Minister's Team Canada mission — the phones in our Beijing office didn't stop ringing all week — and those led by the Governor General and the Housing Minister, in addition to the Prime Minister's visit to Shanghai last November."

Success upon success

With construction still representing its bread-and-butter business in China, Xenexi has recently started building on its success by establishing two joint ventures in VSAT (Very Small Aperture Terminal) satellite telecommunications network equipment manufacture and engineering service in Shenzhen, and one in Beijing.

Customers for these include People's Bank, China-On-Line (information provider) and major paging companies, as well as the Ministry of Water Resources (gathering data to help with flood control on rivers such as the Yangzi and Yellow).

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