

ments if the end unit price per item to the manufacturer drops or remains the same. The prospective supplier should therefore present his most competitive export price from the start.

- vii) Close collaboration between the supplier and end user remains vital from the start, beginning with price and technical discussions, and continuing through the sample stage. Again, the local agent plays a pivotal role to ensure good communications. Quotations should be provided, and sampling done, quickly and professionally, as they are indicators of the prospective supplier's capability to handle an order.
- viii) The manufacturer requires *prompt* delivery to minimize inventory carrying costs. The prospective supplier may have to consider warehousing facilities in the F.R.G. to respond to that requirement.
- ix) Manufacturers negotiate their orders for the coming year in the October-January period. OEMs prefer not to be approached by new suppliers during that period or over the summer months.

Analysis of Canada's success

Volkswagen, Daimler-Benz and BMW have more than once expressed their willingness to co-operate with Canadian industry in order to increase their supplies from Canada. Well executed attempts have been made to convey this to potential suppliers. Why is it, then, that only a limited number of Canadian suppliers have been able to take advantage of the benefits offered under the Duty Remission Agreements, especially with respect to sales to the F.R.G.?

The reasons are as follows:

- i) an inability to meet the (often) stringent technical and quality demands;
- ii) a reluctance to consider what is incorrectly perceived as a difficult and strange market;
- iii) a lack of preparation for the initial contact;
- iv) a lack of adequate follow-up after initial contact;
- v) the focus of vehicle manufacturers on the purchase of nonfunctional (i.e. drivetrain) parts;
- vi) vehicle manufacturer limits on overseas supplies of individual OEM components.

The Competition

Domestic German parts suppliers are, of course, the major competition, followed by suppliers from other countries in Western Europe. There are 232 German parts suppliers listed as members of the German Automobile Association, who collectively produced \$15.5 billion worth of automotive parts and accessories in 1980. Of those, \$11.5 billion were exported, and more than \$3.9 billion in parts were used in the domestic market. At \$3.7 billion, the value of parts imports almost matched the net value of domestic parts used in 1980.

The above figures exclude the value of parts installed on vehicle exports and imports. German import statistics do not permit accurate breakdowns by country of origin; thus, many products are hidden in categories not strictly related to the automotive trade.

The Action Plan

A co-ordinated approach to further Canadian participation in the German automotive parts market must include the following elements:

- a) Provide more guidance to prospective exporters in terms of planning and adapting production for export, export pricing, and creating a commitment to the pursuit and maintenance of export sales; (FAMR*)
- b) Encourage visits by representatives of individual firms under PEMD-B (market identification); (FAMR*)
- c) Encourage firms showing potential and an established export commitment to apply for PEMD-F (sustained export market development); (FAMR*)
- d) Identify prospective agents (representatives) and support their visit to Canada with the assistance of PEMD-D (Incoming buyers); (Munich/FAMR*)
- e) Encourage Canadian exhibitors at Automechanika to participate for at least three years to build the company's image as a serious exporter; (FAMR*/Bonn-Munich)
- f) With many German suppliers turning to lower-cost countries to establish new production facilities, identify selected German automotive parts manufacturers who can comply with Canadian policies and encourage them to establish facilities in Canada (Munich).

2. COMPUTERS, COMMUNICATIONS AND RELATED PRODUCTS

Computers and Related Products

The Opportunity

In the F.R.G., as elsewhere, demand for information processing equipment is growing rapidly. Since no computer systems manufacturer in Germany produces all assemblies, components and interfacing subsystems, domestic F.R.G. manufacturers became suppliers to multinationals of parts and components for plants in Europe and North America. Many companies have entered the computer field in both the F.R.G. and elsewhere, to supply the original equipment manufacturer (OEM) markets. The F.R.G. market is significant, representing more than one-quarter of the total European market for computer equipment. In 1982, demand for peripherals by the OEMs in Germany was estimated at approximately \$7.2 billion.

Computer firms in Canada have demonstrated excellent export orientation. Currently, Canadian-owned firms ship a large portion of their exports to Europe.

* Refer to Glossary of Abbreviations, page 39