performance they would gradually assume larger orders, become members of the corporate "family" and work with design and engineering to become regular OE suppliers. This could take considerable time and Canadian suppliers must be prepared to follow this route unless they have some startling new products to offer at cost-competitive prices.

4.5 Take a Strategic Approach to Market Entry

Export Options

It will often be very useful to use the Canadian or North American representatives of the EC vehicle producers as an initial point of entry.

Duty remission programs will continue to provide some leverage for potential Canadian suppliers to the EC until the end of 1998.

Another alternative is for Canadian parts producers to use their links with Ford and GM in the North American market to get direct or indirect access to the European market, through those companies' EC subsidiaries.

Joint Ventures/Strategic Alliances

In the OE market, the joint venture/marketing alliance route with a European partner will often be an effective strategy into the European market. This entry strategy addresses barriers raised by the tiering of the parts industry and related supplier rationalization.

There is an increasing number of examples of Canadian firms entering into JVs with firms in Europe. One such example is the ABC Group's reciprocal joint venture with WOCO (Franz Josef Wolf and Co.) in Germany and North America for marketing, development and production of ABC's range of blow-moulded products for the European automotive industry and WOCO's range of engine mounts for North America.

Suppliers of "hard" replacement parts might be best advised to establish a joint-venture presence within the EC and follow on OE-style strategy. Such an arrangement would help in dealing with the Eurowarranty and the dominant position of OE-oriented players such as Bosch and Valéo.

Consider Establishment of a European Presence

EC vehicle producers have also stressed the need for Canadian parts companies to have representatives in Europe in order to successfully pursue major parts orders. Competition in Europe is keen and without having European representation or a European presence they would face problems in communications regardless of the price/technical merits of products.

Some Canadian firms will have to consider establishing a manufacturing operation in the EC. This move to establish a manufacturing presence close to the point of assembly is due to the emergence of a tier structure in the auto parts industry and the related rationalization of the supplier base.

The emergence of a tier structure in the parts industry is placing increasing pressures on component suppliers to locate facilities geographically close to customers. As vehicle assemblers move toward the "black box" or "grey box" concept, under which the automakers provide only broad design parameters and suppliers undertake an increasing share of design and R&D work, there are obvious tendencies for close geographical proximity between the assembler and the operations of the supplier.