

Barriers to Market Entry

Conclusion:

The biggest barrier to entry into the European EP industry is the strength of the domestic EP industry. Delays in harmonizing standards could continue to make the E.C. market a difficult one. The water market is subject to E.C. preferences.

The EP industry in Western Europe and Germany in particular has been driven by:

- strict EP laws
- a large domestic market
- the need to efficiently use its limited natural resources
- a high level of competition and innovation and
- an emphasis on technological differentiation, basic research and customized solutions

The Trade Commissioners agreed strongly with these conclusions. Their three countries, three of the most developed in Europe, have both mature companies with extensive R&D facilities and new, entrepreneurial companies springing up in response to stringent environmental regulations. Stiff, sophisticated competition will be the biggest barrier to success.

No changes in this situation were foreseen as a result of Europe 1992, except that it might heighten as it becomes easier for European firms to compete throughout the E.C. member countries. Europe 92 will not mean a homogeneous market: there will still be wide local differences in regulations and culture, probably for many decades.

U.S. Department of Commerce officials, in their reports to U.S. exporters, point out that there are large gaps between the adoption of legislation by the E.C. and the implementation of that legislation by E.C. member countries. The largest gap is in the elimination of technical barriers to trade, especially

in setting standards for products. The E.C. members are significantly behind the planned dates for achieving more uniform standards and exporters to the E.C. may continue for some years to face varying standards and certification processes throughout the E.C. member states.

The water sector could pose a particular barrier to Canadian exporters. A recent E.C. directive covering procurement in four sectors (water, energy, transportation, and telecommunications) allows discrimination against non-E.C. exporters, in the absence of an over-riding international or bilateral agreement. The directive authorizes member states to exclude, in these four sectors, bids with less than 50 percent E.C. value; in addition, acceptable offers from E.C. sources would receive a three percent price preference over foreign offers.

These discriminatory practices will influence the strategies Canadian suppliers will have to use to crack the affected markets. For example, selling an EP product to an E.C. chemical manufacturer would not bump up against the preferential practices, whereas selling the same product to an E.C. water supply company could.

Market Strategies

Conclusion

The EP market is a technical one and technical expertise should be the basis of any market penetration strategy. A physical presence within the E.C. is also becoming a necessity.

The Kaiser report diagnoses both current strategies and required future strategies. DRI identifies a number of factors to be considered when designing a successful market strategy. Exhibit #10 summarizes the conclusions.

Kaiser identifies the strategies currently employed by businesses as being competitive bidding, pilot projects and problem solving for individual problems. Kaiser sees these approaches as being high risk ventures offering, with a few exceptions, low profits.