

## ANNEX

### Market Opportunities

This is the first and most obvious criteria, and is the one which staff at missions are uniquely positioned to assess.

- Is the market growing?
- Are there demonstrable signs of commercial activity in this sector?
- Does this activity appear to have "staying power" to merit your ongoing proactive attention in the coming year and beyond?
- What competitive forces are at play in the market?
- Do Canadian companies have a clearly identifiable and sustainable competitive advantage?

*Shouldn't the volume of enquiries from Canadian partner and business clients dictate a priority sector?*

In some cases, missions feel obliged to declare a sector a priority (even when they feel there is no real market opportunity), primarily because they receive a high volume of enquiries and interest from Canadian companies and partner-clients in that market. To cite one example, in one U.S. post, the market for most consumer products is clearly saturated, consumer-demand is down in the region, "Buy America" sentiments are strong, and competition is fierce. Yet almost two-thirds of all enquiries from Canada come from the consumer products sector and/or Canadian partner-clients working with that sector. The proximity of the market makes it relatively cost efficient (compared to other markets) to organize missions; and, many SMEs who are relatively new to exporting have a high degree of interest in this market.

*Should this be a priority sector for the missions?*

The short answer is no. While responding to many enquiries consumes resources (hopefully in an efficient manner such as through an Info-Centre arrangement) this is not a sector in which the mission would be taking proactive action for its further development. Deeming this sector a priority would mean diverting resources away from another sector which holds more promise for Canadian companies, and where the mission could have a greater impact in expanding Canadian exports.

### Canadian Capability - Competitive Advantage and Supply Capacity

In many markets, there is ample opportunity for Canadian business. However, opportunity alone is not enough to justify a sector as being a priority sector. Successful international business transactions require both the opportunity, and the Canadian capability, to compete and respond to that market opportunity. If there is insufficient Canadian capability, the mission should not dedicate the resources to that sector.

*Do Canadian companies have sustainable competitive advantage?*

In some cases, Canadian companies may be capable of providing supply, but may not have a sustainable competitive advantage. One example is that of Canadian bottled water<sup>1</sup>. Demand for bottled spring water has grown rapidly in many markets over the

<sup>1</sup> This example is used for illustration purposes only. "Bottled water" on its own would not be considered as a priority sector.