

CASE STUDY #5

The Company

Novatec Inc.
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Founded in 1984, Novatec is a privately owned engineering consulting firm. Situated in Vancouver, they offer civil and bioresource engineering services to industry (primarily pulp and paper and food processing) and municipalities. Novatec competes in Canada, the U.S., Europe and the Pacific Rim.

- Sales: \$ 2.6 million
- Employees: 35

The Product

Novatec provides process and detail design for water and wastewater treatment facilities. These services account for approximately 85 percent of Novatec's gross sales.

Achieving Success

Western Europe was Novatec's first attempt at exporting their services outside of Canada. Novatec did not actively pursue the market, but rather the market indirectly pursued them: an international request by Denmark for wastewater treatment technology enticed them to enter the market. The Canadian embassy contacted companies offering this service and offered valuable advice on how to approach the market.

Novatec did not enter the market directly, but rather were subcontracted by Stanley Technology Group to provide the process design and some detail design expertise for a wastewater treatment facility in Denmark. To date this has been their only sale in Western Europe.

The work in Denmark has provided Novatec with insight into how to enter other Western European markets. Currently, business development is being undertaken in Greece, Italy, Germany and Sweden.

In attempts to generate more sales Novatec has, at the cost of approximately \$50,000, developed pilot projects to demonstrate the quality of their services to potential clients in each of these countries. To date, these ventures have not succeeded in securing any contracts, but interest has been very high in Novatec's services. Sales to date in the Western European market are approximately \$20,000.

The Barriers

The largest barrier for Novatec to enjoy success in Western Europe stems from different engineering arrangements between Europe and Canada. In Canada, liability insurance for consulting firms disallows them from being involved with the actual construction of a project. However, in Europe, a firm is required to be involved with construction if they wish to win a contract. Therefore, a Canadian company exposes itself to serious liability problems if it enters directly into contracts with European clients.

As a market entry strategy, the liability problem makes it virtually impossible for Novatec to form partnerships, their preferred option, with local European firms.

Language/culture differences presented another barrier. Trade shows did not attain the preferred level of success due to language barriers. And again, the German belief that for a product to be worthy it must be produced in Germany restricts sales.

The financial burden of entering and remaining in the Western European market also affected Novatec.

Key Factors in Achieving Success

- The high quality of Novatec's service was the single most important reason for their success.

A Word of Advice

Team up with a partner or distributor to ease your entry into the marketplace.