Canadian Joint Ventures

Labatt Brewing Co. Ltd found that a joint venture was preferable to acquisition (outright ownership). It partnered with two Italian breweries, Birra Moretti SpA and Prinz Brau to reduce risks and ensure the likelihood of success in two unfamiliar markets.

Hammond Manufacturing Co. Ltd., Guelph, Ontario, a manufacturer of electronic power supplies and simple molded cases, entered into a joint venture in West Germany.

BCE Mobile Communications, an associate firm of the Bell Canada telephone utility, joined a consortium led by Axil Springer publishing group and Cellular Communications of New York, to build the cellular phone network DNetll in West Germany. This network would compete with the Bundepost cellular system.

Co-Marketing and Licensing

Sun Life and Confederation Life Insurance Co., both of Canada, are exploring the feasibility of selling (licensing) their expertise and other resources to local EC companies. They thereby establish their names and gain experience in the EC markets before investing in marketing and sales organizations; a form of real-life test marketing.

Joint ventures can bring together several smaller concerns to create sufficient financial, equipment and technical expertise to undertake a major project. These may be temporary consortia, such as those found in the construction industry, or permanent, as in satellite broadcasting systems.

A good first step towards finding potential partners for a joint venture is to consult European intermediaries and database services.

Co-marketing agreements have few encumbrances and, like joint ventures, are gaining in popularity. Under these agreements you and your European partner exchange marketing responsibilities. You market the European product in Canada or North America for a commission or royalty; your European co-marketer does the same for your product in the EC.

Licensing agreements may be more involved. You may receive or grant rights to manufacture, assemble, and distribute the product, using the patent and trade name. Usually, there is a licensing fee plus an annual royalty based on quantity sold or sales turnover.

Manufactured goods are not the only property suitable for licensing. Your company's patents, copyrights and trade names may be valuable to the right European licensee. Similarly, consider your production know-how, and technical or marketing expertise. They can be bartered by contract even though they are not patentable.

Through licensing agreements you use your licensee's marketing experience and location to avoid tariffs and other trade restrictions, facilitate distribution, and increase sales. In addition, licensing agreements can be set up quickly allowing you to exploit sales opportunities while they last.

What to Look for in an EC Partner

- ❑ Firms offering products and services that will benefit from the removal of trade barriers;
- ❑ Companies doing business in areas that currently are extensively regulated (e.g., financial services, transportation, telecommunications);
- ❑ Larger companies with the critical mass necessary to meet the competition;
- ❑ SMEs with established regional markets or specialized products for broader markets;
- ❑ Companies with lower overheads and operating costs (wages, power, plant costs, taxes).