



LAVAL TECHNOPOLE International Business Centre

INTERNATIONAL NEWSLETTER



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Metaltech-Omega now in large American renovation chains

While the entire manufacturing industry is trying to find its way out of the economic crisis, Metaltech-Omega, a company that has specialized in the fabrication and distribution of scaffolding systems, ladders, and industrial and residential fencing for 25 years, seems to have the wind in its sails. In addition to being a major player in Canada with 80% of the retail market, Metaltech has recently added two new American heavyweights to its prestigious list of customers: Lowes and Northern Tools. How has the company achieved this feat, particularly in a period of economic upheaval?

Staying on course despite the storm

"The crisis impacted us greatly. Our sales fell 25% towards the end of 2008 and early 2009," explains Richard Davidson, sales director at Metaltech-Omega. "And regardless of what anyone says, the crisis is not over."

The construction sector in particular has suffered from the economic conditions of the past few years. Some of Metaltech's competitors have simply been unable to hold out. Two of them have now shut their doors, which has allowed this Laval company to win new customers, namely Lowes and Northern Tools, two major players in the renovation business in the United States.

In addition to these unexpected opportunities, Metaltech was able to avoid the abyss, unlike other players in the construction industry, by developing its markets. It set out on a medium- and long-term strategy to ensure its sustainability. "Above all, we focused our efforts on the United States," says Mr. Davidson. "We took on a new sales manager for the U.S. region, a person with strong knowledge of the terrain and good contacts. He led us to the right manufacturing agents. In other words, we sowed the seeds and now we're beginning to reap the benefits."

The importance of manufacturing agents

Economic crisis or not, when a business goes international, there are certain rules and constants involved. Among the lessons learned from its experience as an exporter, Metaltech ranks having expert representatives in the field as the most important of them all.

Through their network of contacts, manufacturing agents help obtain meetings with the decision-makers in a given territory. But first they need to be educated about your products and your company culture. The U.S. sales manager gives them initial general training in person and then accompanies them to meetings with customers. That way, the agents are coached and trained in the field.

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A message from the Director



Maximize your chances of international success

International business, conducted through a vast and complex network of agents and intermediaries, involves many pitfalls. You may find it worthwhile to take a look at the experience of the many Laval-based companies doing business abroad, in order to avoid some of these pitfalls and strengthen your initiatives in particular markets.

Most of you have no Laval-based competitors on the international stage and therefore have every reason to talk with the companies here. Our experience in 2010 has shown that you learn a lot from others in different business sectors.

For this purpose, we have organized a number of meetings for networking and making connections between Laval-based companies over the past year. All the companies that have participated have told us that these types of activities really help their business development.

We will therefore be working closely with you in 2011 to keep abreast of your international projects and will be using the Laval international business network to help you maximize your success in those markets.

We also invite you to read the article on Metaltech-Omega, where Richard Davidson shares his experience with major U.S. chains.

Enjoy your read!

Véronique Proulx, MBA



Continued from page 1

Manufacturing agents should also be given financial incentives. Basically, they are paid by commission. Metaltech also offers a bonus during the first 12 months of the representation agreement, as well as a performance bonus to motivate agents to get to know their products faster. "Briefly put, you need to invest a lot of care into manufacturing agents and be there to support them when they ask for it. You also need to treat them as if they were full staff members of the company," adds Mr. Davidson.

It is also important to respect the business culture of your target market. "That takes local manufacturing agents," says Mr. Davidson. "In Italy, people want to buy from an Italian. Where the product comes from is of little importance. And that's the same everywhere. You need to work with agents who speak the same language and share the same culture as the buyer."

Combining other factors of success

Another decisive factor of success is the speed with which the company responds to its customers' requests. With six warehouses in North America, Metaltech is able to deliver its products to its customers fast. "In our business sector, you absolutely must be able to deliver in three to five days; otherwise, you're not competitive," explains Mr. Davidson.



The Metaltech management team (left to right): Yvan Després, Bruno Tassé, Julie Forget, Alain Cummins, Lorraine Campeau, Richard Davidson, Michel Mongeau, Tony Santos, Marie-Josée Forget and Pierre-Alec Breton.

Last but not least, Mr. Davidson believes that exhibitions and trade shows are a kind of international display window for the company. They give it a certain visibility and allow decision-makers to see what it's doing, in addition to creating a priceless network of contacts. Trade missions and meetings with buyers, as well as those organized by the **LAVAL TECHNOPOLE International Business Centre** with Lowes and Menards, are also good points of entry into the international market.

And that is the strategy used in launching Evertidy, a new range of storage products developed and patented by Metaltech. "We participated in international exhibitions in Las Vegas and in Cologne (Germany), allowing people to learn about our products and enabling us to forge links with specialized international distributors. Over the past year and a half, Evertidy has seen a great international breakthrough. In addition to the United States, you can now find it in Brazil, Mexico, France, Belgium, Spain, Australia and Singapore, among others.

In brief, Metaltech-Omega relies on innovation and is staying on course to new international destinations in order to ensure growth.



For further information on Metaltech-Omega, please contact Richard Davidson, sales director, at 1 800 363-7587, ext. 224, or visit the company's Web sites: www.metaltechna.com and www.evertidy.com.

New U.S. law will complicate Canadian exports

The *Foreign Manufacturers Legal Accountability Act of 2010* is being submitted to U.S. government authorities and could very soon see the light of day. This bill will have a financial and legal impact on many exporting companies, requiring them to submit to additional formalities and bear additional costs.

The law will target exporters of products or components involved in the manufacture of consumer products, biological products, chemical substances, pesticides, drugs, cosmetics and medical devices.

This means that the exporting company will need to retain the services of an import agent in the United States to whom civil and regulatory proceedings and procedures can be legally conveyed. Additionally, this agent must be located in a state with which the company has a "substantial importation, distribution or sales connection" for its products or components. This type of service is offered by various firms specializing in "letter box services" in return for an annual fee.

Our team
of columnists:





The currency war

Generally speaking, trying to understand currency movements is hard enough when things are simple, but the economic and political environment of the past two years has complicated things further. Without claiming to be able to answer every question, we will attempt to clarify the brouhaha caused by the currency war in these next few paragraphs.

When Brazil's Finance Minister announced last September 27th that we were heading into a "currency war", he probably didn't realize that his rhetoric would echo round the world. Why not?

The ultimate role of a currency is to serve as a drive belt for the exchange of goods between countries. Clearly, not all countries are equal. Some are poor, while others are rich. Some have raw materials, while others don't. Demographic trends are positive in some and negative in others. But at the end of the day, this can all be summed up by saying that some countries are more competitive than others. A currency that is not controlled will therefore fluctuate according to its competitiveness.

Between 1990 and 1994, the Chinese government devalued its currency by 55% while simultaneously implementing an impressive program to develop its manufacturing infrastructure. Today, the United States has a current account deficit of \$400 billion, while China has a \$300 billion surplus. There is no need to search any further for reasons for the recent economic crisis in which we're still floundering. Clearly, the West needs its daily dose of consumption as much as China needs to produce it. To avoid falling into an economic quagmire, the U.S. government and central bank continue to fuel this consumption with "fresh" money associated with abnormally low interest rates.

When the printing presses are running full tilt—an undeniable sign that the economy is uncompetitive—it is normal to see the currency fall. This is what's happening with the U.S. dollar. Now, by definition, a falling currency implies that another is rising. But as the Chinese government is not allowing its currency to get stronger, other world currencies are absorbing this slide in the greenback; hence the discontent of other central banks and monetary zones. Canada, Europe, Japan and Brazil are seeing the value of their currencies rise, in contrast to those of China, India, Hong Kong and the Gulf States. This war can't be won. Nevertheless, we need to find a solution to counter this economic imbalance. If diplomacy doesn't work, there are always sanctions...

For businesses, the solution will always be a good risk management policy and, most importantly, not allowing that policy to be influenced by speculative comments.

François Barrière is Vice-President of International Markets at Laurentian Bank of Canada. He has been writing a daily financial letter since 1993. He can be contacted at barrierf@blcmf.com.

Note that if this law comes into effect, U.S. customs authorities will be required to block entry of merchandise if its foreign manufacturer cannot, on the date it is imported into the United States, demonstrate that it has a duly registered, bona fide representation agent.

Another major impact of this law is that the registered foreign company automatically consents to the jurisdiction of the local courts (state or federal, depending on the legal action) where the registered agent is based.

Proponents of the law argue that this provision aims to simplify the tasks of victims, defendants and U.S. regulatory authorities by making it easier, faster and less expensive to initiate proceedings in the United States against foreign manufacturers. Recent media reports of defective or faulty products, such as toys containing lead, are cited as examples of the relevance of this law.

Unless the U.S. government makes policy concessions in response to pressure by Canadian authorities—so we hope—Canadian companies will be put in the same basket as manufacturers in countries who flout product safety. And what will happen if compliance with NAFTA agreements creates concessions for non-Canadian components incorporated in Canadian products?

If this law is passed, there are sure to be lots of additional headaches in the future for Canadian manufacturers, as well as a transitional period that risks creating delivery delays!

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Blogger's corner

The green technologies market in the United States

In the United States, the green technologies market is one of the most promising for the future, particularly in the Northeast. According to a study¹ conducted this past spring by ECG Consulting Group for the ministère du Développement économique, de l'Innovation et de l'Exportation, many environmental and green technology market segments are growing at a rate of more than 10% per year.

This market is growing because of more stringent environmental regulations designed to combat climate change, America's goal to reduce its dependence on Middle Eastern oil, and a growing trend for U.S. companies to become more environmentally conscious.

An article published in *Les Affaires* on May 29 identified four particularly interesting trends for Quebec companies doing business in the United States, namely:

- Improvement of engine efficiency and reduction of the weight of transportation vehicles in order to cut down on gas consumption and GHG emissions (business opportunity for the aluminum and lightweight materials industries);
- Reduction in GHG emissions in fossil-fuel-fired plants (business opportunity for companies specializing in carbon capture technology);
- Increase in green energy as a proportion of the total domestic energy production in the United States (business opportunity for rehabilitation of hydroelectric power plants or wind turbine production);
- Modernization of the power system, which will require investments of some 30 billion Canadian dollars by 2017.

The ECG Consulting Group study concludes that the best business development opportunities for Quebec companies in the Northeastern U.S. green energy market lie in the very large air, water and soil quality segments. The renewable energy and energy efficiency segments also offer excellent opportunities but market access is complicated by stiff local competition. Waste management comes in last because customer needs in the Northeastern U.S. waste management market appear to differ significantly from most of the products and services that Quebec companies currently offer.

Here are some of the study's main recommendations (pages 2-3 of the executive summary²):

- Offer products and services that satisfy customer needs and have unique sources of competitive advantage with competitive pricing; this will overcome any "perceptions" of biases against foreign corporations;
- Provide customer value propositions for these products and services that are clear, concise and compelling and articulated in a professional presentation;
- Implement marketing strategies that are closely tied to the sales and service requirements of the market segment being targeted;
- Enter into strategic alliances, joint ventures and joint business development relationships with U.S. companies which may be required to access certain business opportunities because of funding restrictions or biases against awarding contracts to foreign corporations; for example, the majority of the state-initiated programs, grants and incentives are aimed to support local businesses and are not available for the foreign companies, unless they form a partnership with a local company and or have local offices with at least 50% of employees being local state residents;
- Enter into licensing agreements, as appropriate, which are frequently required to expand access to markets that are currently underserved.

Bruno Séguin

¹ www.mdeie.gouv.qc.ca/index.php?id=8130

² http://www.mdeie.gouv.qc.ca/fileadmin/contenu/documents_soutien/exportation/outils_aide/amerique_nord/etats-unis_executive_summary.pdf

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