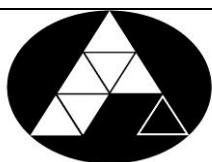


NORTH KARELIA UNIVERSITY OF APPLIED SCIENCES
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INTERNATIONALIZATION OF LEON CHOUINARD & SONS

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Title
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Abstract

There is a lot of competition in the wood products market of Canada. That is why the Canadian wood product manufacturers are looking for opportunities from other countries. Traditionally, the greatest export country has been the United States; however, the economic situation of the country is quite weak. Therefore, seeking other potential trade partners in other countries is topical. The United Kingdom is an interesting target, because the building regulations of the country changed recently and, they favor timber construction.

The research was made on behalf of a Canadian timber-frame company during the summer of 2011. The goal of the project was to find out if there is any demand for their products in the UK. Data was collected through an Internet-based market study and a bureau research. The questionnaire was sent to a comprehensive group of different companies working in the construction market of the UK. Also, information was gathered from experts and from the Internet.

The bureau research was a success. It provided a lot of useful information about internationalization and about the United Kingdom. However the market study failed because the response rate was too low. Altogether, the project gave a lot of useful information to the Canadian timber-frame manufacturer, and it will be very useful in the future.

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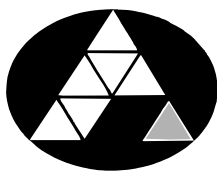
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Toimeksiantaja
Leon Chouinard & Sons

Tiivistelmä

Kanadan puutuoteteollisuus on hyvin kilpailtua. Siksi kanadalaiset pienet ja keskisuuret yritykset ovat alkaneet viemään tuotteitaan entistä enemmän ulkomaille. Perinteisesti suurin vientimarkkina on ollut Yhdysvallat, mutta maan nykyisestä taloustilanteesta johtuen uusia mahdollisuuksia on etsittävä muualta maailmasta. Yksi potentiaalinen kohde on Iso-Britannia, jossa uudet rakennusmääräykset ovat muuttuneet selkeästi puurakentamista suosivaksi.

Tutkimus tehtiin kanadalaiselle valmistalokomponentteja valmistavalle yritykselle vuoden 2011 aikana. Tutkimuksen tavoitteena oli selvittää Internet-kyselyn ja kirjoituspöytä-tutkimuksen avulla kannattaako yrityksen aloittaa vientiä Isoon-Britanniaan. Kysely lähetettiin kattavalle otosjoukolle, jotka edustivat Ison-Britannian rakennusalaan. Joukossa oli muun muassa rakennustarvikeliikkeitä ja rakennusyhtiöitä. Lisäksi tietoa hankittiin muun muassa paikallisilta asiantuntijoilta.

Tutkimus onnistui hyvin kirjoituspöytä-tutkimuksen osalta. Tutkimus tuotti paljon tietoa kansainvälistymisestä ja Iso-Britanniasta markkinaympäristönä. Internet-kysely puolestaan ei onnistunut tuomaan tarpeeksi luotettavaa materiaalia liian alhaisesta vastajamäärästä. Kuitenkin kokonaisuudessaan työ antaa paljon tarvittavaa tietoa toimeksiantajalle ja toimii pohjana mahdollista kansainvälistymistä ajatellen.

Kieli
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Asiasanat
markkinatutkimus, kansainvälistyminen, puutalomarkkinat

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Enclosure

1 INTRODUCTION

Canada is the world's second biggest country and it has one of the world's greatest forest areas. The Canadian wood products industry has decades of experience in wood products manufacturing. There is a great number of different sawmills, pulp and paper manufacturing plants and other wood products manufacturing plants. Also, just behind the border in the United States are hundreds of thousands of square kilometers of forest. North American wood products market is therefore quite competed. That is why it is not a wonder why Canadian wood product companies focus their interest across the Atlantic Ocean to Europe.

Leon Chouinard & Sons is a company in the New Brunswick province in Eastern Canada. They are specialized in producing Roof Trusses, Insulated Wall Panels, and Openjoist Floor Systems. There is a lot of competition in Canada, and exports to the United States have decreased because of the economic situation. That is why, they are interested in expanding their business to Europe and especially to the United Kingdom. The assignment is to conduct a market study and make an internationalization plan for the company.

The United Kingdom can be an interesting market for foreign timber-frame house manufacturers, because the building regulations of the country have changed to more suitable for timber. The purpose of this research is to find out if there is any demand for Leon Chouinard & Sons products in the UK, and if the market is suitable for them. Also, other additional information is included concerning the import of wood products to the UK.

2 DECISIONS AND PLANNING FOR INTERNATIONALIZATION

The following chapter includes some theory information that is needed in internationalization.

2.1 Decisions and Requirements

When a company decides to internationalize, the reasons can be divided into two groups; because of the external business environment of the company (internationalization pressure or suction facts) or because of the internal facts of the company (different company features, such as age, size etc. or management, for example strategic and marketing orientation or situation factors concerning decisions). Typical pressure factors are, for example, smallness of domestic markets. Suction factors can be the size and supportive efforts of the targeted market. (Vahvaselkä 2009, 61–62.)

In the management of the company, the key elements for internationalization are; it should be customer based, the management should have an international and strategic way of thinking and the ability of taking risks, it should have the know-how about the business and about the international facts, it should have advanced management of knowledge, and finally, it should be able to take advantage of different networks and co-operation. The company has to know its market and customers. It has to have clearly divided customer segments and also the production process should be competitive enough. About the product, it should have high quality, qualified for export, and also the amount of the stock should be adequate. (Vahvaselkä 2009. 64.)

Resources should be reserved to the development and adjustment of the product. The staff of the company should respond to challenges of the internationalization. They should have enough knowledge about internationalization and different cultures. Also, they should be social and their level of education should be good enough. The basis of funding of the company should also be strong and the company should also have possibility to invest more money when needed. (Vahvaselkä 2009. 64.)

In the beginning, the costs are higher than income for several years. This time is called a breakthrough time of the company, and usually it lasts for around three years. Fixed costs and investments will be covered with sales income during the payback time of the company. In the beginning, it is profitable for the company to find out what is the lowest price possible to receive from the product. The price should cover machinery and other investments. If the money which is received from the product doesn't cover these costs, there is no sense to start exports. (Vahvaselkä 2009, 64.)

According to Vahvaselkä there are four parts of requirements that the company needs to fulfill before internationalization: The first one is the basic skills. Basic skills mean an adequate business plan, and it includes growth objectives, growth strategy and possibility to internationalize. Also, this part includes structures for ownership and financing, and adequacy of financial and manufacturing resources for internationalization. One aspect of basic skills is, of course, the qualifications of the management, and that includes experience, knowledge about marketing, and market and lingual skills. (Vahvaselkä 2009, 106–110.)

The second part is products/services and marketing. The company needs to evaluate the level of their own product, marketing and qualifications for internationalization. Especially, it is important to look from the perspective of the customer of target market what are the greatest advantages of the company and the product. For example, price and quality issues, and also immaterial property rights, brands and capability to establish themselves in the targeted market. The most important issues to figure out from the targeted market are the characteristics of the product, and what the customers are looking for. One of the most important things is also to find out the position of the company in the market and what the situation in competition is. (Vahvaselkä 2009, 106–110.)

The third and fourth steps are the skilled staff and capability to service the customer. The staff should have linguistic skills, they should have motivation to internationalize and they should have capability to co-operate. Capability for service means good logistics and possibility to expand the production if needed.

Also, different quality programs are part of capability to serve. (Vahvaselkä 2009, 106–110.)

Äijö (2008, 25–26.), however, lists nine questions what the management of the company should consider before internationalization:

1. Is the management ready to do international business and is it suitable to the philosophy of the company?
2. Does the management know what resources, knowledge and information is needed? Is the company ready for it?
3. Does the management of the company know the market exported and is there enough demand for their products?
4. Does the company know the needs of foreign customers well enough? What kind of competition is there?
5. Are the products of the company better than others in the target market?
6. Does the management have enough skills to internationalize?
7. Does the management know all the selling, distribution, and communication channels of the target market?
8. Does the management know the risks?
9. Can the management produce a successful international strategy and implement it?

If there are several 'no' answers or internationalization takes a lot of investments it should be re-considered.

Vahvaselkä (2009, 295–296.) discusses good export managing and how it is included in well-planned financing. The need of money should been counted. Also sources and opportunities of financing should have been found. When

company starts international business, market studies, marketing etc. takes a great amount of money. That is why, it is important to have a good financial foundation when starting exports.

2.2 The Plan for Export

According to Hansen's and Juslin's book *Strategic Marketing in the Global Forest Industries* (2011, 107), business planning consists of two parts. They are Marketing planning and production planning.

Marketing planning includes strategies, structures and functions, while production planning includes strategies, raw material procurement, production, finance and personnel. More important part of these two strategies is marketing. It is because it is a link between customers and the company, and the company lives through its customers. When there is talk about market oriented business planning, marketing strategies are directing the whole business planning process. (Hansen & Juslin 2011, 107.)

In defining the basic approach to business strategy one way is to use Porter's three generic strategies: cost leadership, differentiation and focus. In cost leadership strategy the company tries to compete with price. This kind of company tries to reduce producing costs and they must have highly efficient producing facilities. However, they do not spend a lot of resources to research, development, service or advertising. (Hansen & Juslin 2011, 107.)

When a company uses the differentiation strategy it tries to manufacture a product which is as unique as possible. The company pursuing this strategy does not ignore costs, but cost reduction is not a primary goal. (Hansen & Juslin 2011, 107.)

With a focus strategy, a company concentrates their resource to a specific buyer group or geographical market. This strategy does not affect the whole industry, only a specific group or niche. The company pursuing this strategy is able to essentially develop a low cost or differentiation strategy to its target segment. (Hansen & Juslin 2011, 107.)

Usually, the major entry barriers appear because the company does not have enough reputation, people just do not know it. It does not have customer contacts, image, resources, or experience. The company has to do some major investments which competitors have already done. Also, the competitors can make counter-efforts to keep the new company out of the market. It can be said that every newcomer has cost disadvantage compared to competitors. The company should be clearly better in some factor than the competitors to make the customer change from one product to another. (Äijö 2008, 60–61.)

2.2.1 Strategic Marketing Planning

Hansen and Juslin (2011, 264.) are writing in their book about marketing planning, and that means decision-making. These decisions must be based on appropriate information, and this information must be gained from an analysis and interpretation of market data. The planning and implementation can be described as an eight stage process;

First of all is a problem analysis. The purpose of the planning process cannot be fully defined if the planner does not understand the problem that needs to be solved. Problem analysis lets the planner to get familiar with the problem and the whole subject, and that is also important to the personnel who finally use the plan. After the situation analysis, the planner is ready to determine how research and development/planning might help the manufacturer. The problem analysis should be done well because it drives the whole planning process. (Hansen & Juslin 2011, 265.)

Second, it is time for purpose definition. The main issue in a proper marketing plan is that the planner knows exactly the sort of information that is needed and the types of decisions that must be made. (Hansen & Juslin 2011, 267.)

The implementation of the project is the third stage. In this section, the steps in the planning process through which the project is executed are detailed. The markets and customers should be analyzed. Often, the market/resource analysis is conducted through a SWOT analysis. A market analysis should be intimately familiar with all possible markets, end-user sectors, and customers.

However, practically it is impossible to keep up with detailed market information all the time. (Hansen & Juslin 2011, 267.)

The Frame of Reference and its Operationalization covers steps four and five. A strategic marketing planning includes both a market analysis and a detailed customer study. A deeper customer analysis requires a frame of reference of its own. The frame of reference illustrates the significant aspects of customer behavior that should be taken into consideration in the study.

(Hansen & Juslin 2011, 267.)

Step six includes a plan for data collection and analysis. Secondary data is data which is not collected especially for that research, but it can be used in it. Primary data is collected specially for the purpose of the study. The type and content of this information is based on the purpose of the study.

(Hansen & Juslin 2011, 267.)

Finally, steps seven and eight include empirical research and the conclusions. Empirical research should be technical execution of the plans. In addition to scientific issues, practical things such as timetables and budgets should be considered. At the last step, conclusions are the final marketing plan.

(Hansen & Juslin 2011, 267.)

2.2.2 Product

Before going to the foreign market, the company should have a clear idea of what the success should be based on. Today, in the globalized world, where competition is hard, it is not enough to do one's best or as well as competitors. The best way to compete with others is to produce a unique and high-quality product which can be fetch a good price. Other features to compete with are technology, design, services, image and distribution. The best situation for the company is when customers want their products even when the price is high.

(Äijö 2008, 56–57.)

Traditionally, quality has been considered a critical element of the total product concept and a difference maker between manufacturers. However, it has been

said that in today's global business environment, where total quality management is a virtually given, product quality is also a given. This opinion suggests that product quality cannot anymore be used as a maker of difference between manufacturers. Also, it ceases to be a source of competitive advantage. Altogether, high product quality is not producing any benefit to manufacturer anymore. (Hansen & Juslin 2011, 107.)

According to Hansen and Juslin (2011, 107.) quality can still be an advantage in competition. The company has to make sure it understands the requirements of what customer wants. A method to measure how well the company meets those requirements should be discovered and a strong commitment to do both. It is not usual for forest companies to systematically measure customer perceptions of the product and service quality. Those who do, will receive great advantage in competition. In the other words, a minimum standard may get the company in to the market but a superior quality is the only means of achieving competitive advantage.

The product's ability to compete with other similar products in the target market should also be discovered. The company should compare their product to other products with the following criteria; quality, design, price and profit, environmental issues, testing and finally, competitive advantages of the product. Also, law and demands of the authorities should be taken into consideration.

(Vahvaselkä 2009, 64–65.)

2.2.3 Customers

In this case the company has few, well-specified segments to focus the marketing. The British house building industry is the main customer. Following step is to divide the industry for more specified groups. The customers should be chosen so that the advantages of the company meet with the needs of the customers as well as possible. In marketing, this type of procedure is called market segmentation. The characteristics of the groups used in market segmentation are called segmentation criteria and these criteria must have significance in the choice or use of the products. The characteristics should be easily recognizable and observable or measurable so that the segments are easy to separate. For

example, in this case, the customers can be divided their amount of employees. (Hansen & Juslin 2011, 120.)

The company should only try to reach customers who consider that the some factor of the company's product is better than what competitors have. This factor should affect their decision to buy the product. In most cases, the company should not believe it is the most suitable one to every customer or better than that of the competitors in everything. (Äijö 2008, 87.)

2.3 Market Area

A company has an opinion to choose to target as many areas or countries as possible or a few well-specified countries or regions. It is questionable to target a very broad market area. This is because marketing is sprinkled over a broad market area and because of this; there is not a possibility for effective marketing anywhere. Also, the marketer does not know targeted market as well as in a more concentrated way of marketing. Overall, countries with a high level of technological development and strong purchasing power are attractive targets for advanced industry. The more developed the markets, the better a company can apply advanced product and customer strategies, and the more likely it is that competitive advantages are based on knowledge, skills and technology. (Hansen & Juslin 2011, 124.)

According to Vahvaselkä (2009, 65.), main questions to be discovered are the stage of the market and demand for the product, how much there is competition, potential customers and their needs, distribution and stocking, institutional issues (for example, specifications from authorities) and opportunities for marketing. This information should be acquired through bureau research and all additional information should be received through field study from the target country. After solving the problems mentioned earlier, the company should find some information about separate costs which are like investments, for example market analysis and export training and sales promotion. Also, transport costs should be discovered.

There can be problems in acquiring international market information because there are differences between different countries. These problems are the challenges in acquiring information compared to the domestic market and also the need of more specific and wider information than in the home country. In market studies there can also be unwillingness of the target group to answer the surveys. (Vahvaselkä 2009, 163.)

The company needs information about basic things about external business surroundings, about the industry itself, and also about companies and the target market. Basic information is about institutional factors, such as cultural, political and juridical factors and industry information is about competitors, the structure of the industry etc. Company information means the company's basic and business information. Finally, external business surrounding information is about different branches and companies in them. (Vahvaselkä 2009, 165.)

Also, it should consider other factors affecting customer buying behavior like cultural factors, social factors, personal factors and psychological factors. These factors are affecting customer behavior very much. For example, wooden house manufacturing in the United Kingdom is relatively low because there are strong beliefs concerning the strength of wood. It is a major task to change these beliefs. (Kotler 1997, 172.)

The information can be found from many different sources. That is why it is important to define what information is needed, what kind of information it is and how can it support decisions. When the company has received all the information possible from its own sources, more information can be found from public and commercial sources. Public sources are, for example, different ministries and statistic centers. Commercial sources are media companies, market study institutions etc. In addition to these, different experts can also be interviewed. (Vahvaselkä 2009, 171.)

2.4 Competitive Advantage

To operate profitability in the long term, a company must have competitive advantages based on its own unique characteristics and conditions. All the movements in the market are then based on these competitive advantages. A company's core competence, which means her production process, product, or features of marketing based upon which the company is able to beat the competitors, can be exploited with effective marketing. (Hansen & Juslin 2011, 125.)

When the demand of products is increasing quickly, most of the consideration goes to customers' needs and products. If increase of demand balances' the competition for market share tightens. In that case, the importance of core competencies and competitive advantages will rise. The company must be better than her competitors in some unique way that is relevant to marketing. Especially this comes in customer decision-making and customer relationships to receive an advantage to competitors. The fit between products and customer relationships means sustainable competitive advantage through creating customer satisfaction. Relationships with customers are more difficult to copy than products, marketers place high importance on customer relationships. (Hansen & Juslin 2011, 125.)

Äijö (2008, 128.) lists few questions to look from different views to make sure the company has advantage compared to competitors;

- Looked through customer view; is the company better than competitors?
- What makes the company better than competitors?
- Is the internal work of the company better than competitors?
- What does make the company better than competitors?
- How much better is the company, can it be measured?
- Looked through customer view; in what factors the company should be as good as competitors looked through customer view?
- What are the weaknesses of the company?

- How much weaker is the company than competitors looked through customer view?
- How well does the domestic benefit to clients work in the target market and how much does them differ from each other?

2.5 Distribution Channels

There is many different ways to bring the product to the foreign market. These different routes are called marketing channels. In these channels, there are more or less different intermediaries such as agents, sales offices and retailers. The route to the market can vary depending on market areas and the historical developments of trade and marketing channels in the country or region. Generally, there are not as many intermediaries as in the past. This situation is partially a result of larger customer or producer companies and the power they bring to the market region. Today the customer, especially industrial end-user, would like to deal with the manufacturer rather than intermediary.

(Hansen & Juslin 2011, 173.)

It is important to note that names for intermediaries can be different between different countries, or in some cases, within countries. That is even if they provide much same service. In the following list, there is told about different intermediaries. (Hansen & Juslin 2011, 173.)

2.5.1 Agent

An agent is a general term for intermediaries that don't take title to a product rather negotiate sales between buyer and seller. The two most common agents in North America are broker's and manufacturer's representatives. Especially small companies see agents as a cost-effective alternative when attempting to cover a wider market area. With agents, the buy/sell-contract is made between the producer and the customer. However, agents assist in finding the customer and helping to negotiate the sale. The agent gets a commission (1 to 5 % of the value of the trade without the delivery cost), and this is paid by the seller. The

commission is very negotiable and it varies depending on aspects such as risk, paying ability of the customer, method of delivery and volume of the trade. Some agents can offer a financing for customer and they can give insurance for some risks. Agents can have one or several clients.

(Hansen & Juslin 2011, 176.)

Good things, when working with agents, are their ready-made customer relationships and their ability to find new customers, they know the market area well and what end-user needs. Also it is easier for customer to deal with native agent than foreign salesperson. This is very easy and cheap way to start exporting and there is no need to deal with paperwork necessary for exporting. Also agent is much cheaper compared to hiring a salesperson, especially for small volume market areas. The agent can also offer personal services and help in financing arrangements and in collection of payments.

(Hansen & Juslin 2011, 176)

According to Eric Hansen's and Heikki Juslin's book *Strategic Marketing in the Global Forest Industry* (2011, 176.), challenges in operating with agents are that they may have several clients and they concentrate most of their efforts to a client which may provide more money. Also, they may not give deeper market information and they may not give feedback from customers because they don't want client to make contact with the customer. The agents don't usually have deep knowledge about seller's products and that is why they are unable to contribute to product information or even basic product choice. They may also lack knowledge about buyer's needs because they often concentrate on day-to-day business. Also agents might be difficult to direct.

2.5.2 Sales Office/Sales Company

A sales office is a unit of manufacturing company located in exported country. Manufacturer may open their own sales office, or it may buy an existing business, for example an agent, adapt it to its needs. The task of sales office is to take care of sales in exported country and it is responsible for everyday contacts with customers. It also gives feedback to manufacturer about customer needs and market trends. (Hansen & Juslin 2011, 176.)

Advantages of Sales Office are full attention what they give to manufacturer's products. The manufacturer can better effect how their products are marketed and they may have closer relationships with customers. The staff in sales office usually has good knowledge of targeted area and market information they give is more direct. Personnel in office understand capabilities and possibilities of production facilities and their knowledge about technical consultation is good. Finally, physical office and staff in-country creates trust among customers. (Hansen & Juslin 2011, 176–177.)

In the book *Strategic Marketing in the Global Forest Industry* (2011, 177.), Hansen and Juslin express their opinion of challenges of sales office. It is quite expensive to maintain a sales office and it is beneficial only if the market area volumes are sufficiently large. Also, economic risks are higher and the company must commit more permanently to that market area. This decreases flexibility. Finally the supplier's narrow product line may be insufficient to some customers.

2.5.3 Importer

Importers usually specialize in importing commodities and they also may have privilege to import the manufacturer's products and to represent the company in certain market areas. Importers store and distribute the product, many importers also add value to the product through such activities as planning and drying. Importer companies are usually bigger than agent companies. Usually, big importers sell their products to retailers, or they may have their own retail chain. In case of smaller importers, they usually specialize in serving specific end-users. (Hansen & Juslin 2011, 177.)

Importers can provide quick and consistent payment and they can arrange storage and distribution, which could be relatively expensive for many companies. Import companies are usually professional buyers who understand the market area and the problems of the producer. The shipments are usually large and it makes logistics easier and reduces transaction costs. They are less likely to make claims than an end-user because they have more possible outlets.

(Hansen & Juslin 2011, 177.)

Importer can sell products under their own brand and that is why they may not assist manufacturer's brand recognition. Making connections to exported market and acquiring market information can be difficult and importers may pay lower price than end-user. Also if manufacturer is a small company and importer is large, importer may make demands such as extra discounts etc.

(Hansen & Juslin 2011, 177–178.)

2.5.4 Wholesaler

A Wholesaler is a specialist in matching seller products with buyer needs and can provide a number of functions that are important to both of them. The wholesaler can also offer other services such as re-manufacturing, packaging, grading, arranging transportation, and providing credit. Some of them can arrange services such as product demonstration and training of retail salespeople. The main difference between a wholesaler and an importer is that wholesaler is normally buying only from domestic market. In practice, the same company can serve both an importer and a wholesaler. (Hansen & Juslin 2011, 178.)

Hansen and Juslin tell in their book *Strategic Marketing in the Global Forest Industry* (2011, 178.) about advantages of wholesalers. In their opinion wholesalers have good knowledge of the markets and customers and they can more effectively serve industrial end-users that are demanding small, just-in-time deliveries. In addition, they can provide quick, consistent payment and they can act as a banking service by extending credit to customers. Also they can provide many other services such as transportation.

Challenges of dealing with a wholesaler are their feature to sell products from several producers, so they can favor one manufacturer over another. Sometimes technical knowledge of the product can be inadequate. Often wholesaler buys their product at cheapest price from any producer available; so they are not committed to forming long-time customer relationships. Also they can label with own brand name rather than that of the manufacturer and they have tend to speculate on marketplace trends. (Hansen & Juslin 2011, 178–179.)

2.5.5 Industrial End-user

An industrial end-user act both as a user of the product and an intermediary and this definition includes all companies that further process this product fit this category. This group can buy products from any other member of the marketing channel. The biggest end-users are buying their products directly from manufacturers. Mostly industrial end-users are buying their products from wholesalers and importers; however this fact changes time after time. Smaller industrial end-users such as homebuilders also buy their supplies from retailers.

(Hansen & Juslin 2011, 180.)

Hansen and Juslin (2011, 180.) lists industrial end-users advantages their knowledge about the needs of different end-use targets. Also they do not speculate as much as that are only distributing. If the supplier does her work well it can be start of a long-term customer relationship and end-user can pay higher price. Also they usually make long-term contracts.

Challenges with end-users are their high delivery requirements, because of small storage abilities and if the product characteristics are not suitable for specific end-use they have high likelihood of making claims.

(Hansen & Juslin 2011, 178.)

2.5.6 Retail Stores

The retail group is very heterogeneous and includes companies selling wide range of products. The aim of retail stores is similar- they want to serve consumers and the smallest industrial end-users with the product selection they want in the way they want to buy. Retailers can be independent, part of chain, or part of dealer owned cooperative. Basically, there founds two type of retailers, do-it-yourself retailers who target straight to final consumers and other retailers that target professional contractors. (Hansen & Juslin 2011, 181.)

In many countries around the world large, warehouse-style retailers are becoming dominant players in the wood and paper product marketing channels. Because of their size, large chains have great buying power and because of that

they can sell the products cheaper than smaller stores. Usually large chains also have resources to manage their own distribution system, develop brand name merchandise, and guarantee low prices to customers.

(Hansen & Juslin 2011, 181.)

2.6 Co-operation based on contracts

Different contract-based methods of distribution are: international licensing, franchising, subcontracting, contract manufacturing, project operations and strategic alliances. (Vahvaselkä 2009, 75.)

According to Vahvaselkä (2009, 75.) international licensing is a method where foreign company buys the right to use information concerning the product or methods of manufacturing, like patent, trademark, etc. The buyer receives a right to manufacture and sell the product of the domestic company against the royalty, one-off payment or payment in advance, in their home country. Licensing is good option when company wants to take advantage from its product and service innovations globally, while their amount of resources is not large enough.

In international franchising foreign company acquires the whole standardized business concept. The manufacturer sells a right to use the name of the product, brand or knowledge about production, marketing and management to foreign manufacturer or distributor. The buyer is responsible for business in foreign markets and trade partners are in closer co-operation than in licensing.

(Vahvaselkä 2009, 76.)

According to Äijö (2008, 193–194.) international licensing and franchising are different versions of the same mode of operation, their advantages and disadvantages are also same. Franchising is more for services and licensing is for product. The advantages and disadvantages include for example following factors: it is cheap, quick and easy way to market. There is some knowledge about market coming from partner and local image. However disadvantages include possibility of partner becoming a competitor, it is hard to control the quality,

manufacturing and marketing. Also potential profit is smaller and finally, it is hard to change the mode of operation later.

Subcontracting, contract manufacturing or original equipment manufacturing is a mode especially for the small and mid-size companies to internationalize. The company can establish a production unit to the targeted market so the delivery of goods is quick and flexible. Contract manufacturing is profitable when the costs of the production are smaller than domestic expenditures.

(Vahvaselkä 2009, 76–77.)

Vahvaselkä (2009, 77.) also lists project operation one mode of the co-operation. It is project which is clearly bordered by time, place or ingredients. The order can be made by the foreign company, state or international organization. The target of the project can be investment to a factory or different type of society construction.

Management contract and strategic alliances are modes of co-operation between companies. In management contract the management of domestic manufacturer manages the foreign company for a time agreed in contract. Strategic alliance is alliance between domestic companies. All of these companies have interest to internationalize and together they have more resources and knowledge to complete that desire. (Vahvaselkä 2009, 77.)

2.7 Marketing Communications Planning

As broadly defined marketing communications are company information flows to the market, in the market, and from the market. However, some of these flows are outside the control of the company. According to Juslin and Hansen (2011, 199.) the basic questions of marketing communications planning are:

- How much information should the message contain?
- Should the information be one-sided or many-sided?
- What should be the order of positive and negative arguments?
- Should negative aspects like fear be used in persuasive messages?

The effectiveness of both quantity and the use of one or many-sided information depends on the knowledge level of the receiver of the information. Basically, this means the lower the level of knowledge, the less information should be used and the higher the level of knowledge the more information is needed, and it should be many-sided. (Hansen & Juslin 2011, 199.)

Marketing communication planning can be seen as having two stages: the first one is deriving communication objectives from marketing strategies and outlining the company's portfolio based on strategic marketing context and the other creating detailed plans for communication targets, messages and channels. Stage one is the task of the marketer and he/she must be able to brief the advertising agency about the manufacturer's strategic marketing situation and needs. After that stage two is job of an advertising agency which has more knowledge and skills. (Hansen & Juslin 2011, 200.)

The marketing communications efforts can be designed through push or pull strategy. If the company focuses all the resources to communication efforts to final consumer their product are positioned to be pulled through the marketing channel. In push-strategy, which is quite common among the forestry companies, the company focuses their efforts on the members of the marketing channel and tries to get those companies to push their product to the customers. Both of these strategies are good in certain situations. The push strategy is most effective if intermediaries are well-motivated to increase the demand of the manufacturer's product. (Hansen & Juslin 2011, 200.)

To succeed with internationalization marketing should include all the advantages of the product. It should tell what is better in our company and in our product than the competitors have. The strategies of the market communications should be based on the company's business idea, competition strategy and on management atmosphere. It works as a part of the company's strategic competitive advantage, especially when different ways of communication are supporting each other. (Vahvaselkä 2009, 217–218.)

Advertising is an important part of marketing. International advertising and international marketing should take into consideration effects of environmental

issues, culture, religion, habits and law. In advertising domestic commercial can be used. Also new advertisement to the new market or mix of these two ways is an option. In addition to advertising, other ways are sales promotion, international trade fairs and information services. (Vahvaselkä 2009, 232–250.)

2.8 The Stages of Export

In exporting the company needs many other partners. That is why the controlling of export is important. It makes working with bank, shipping agency, insurance company etc. flexible and it will work out as planned. The company should plan every stage carefully beforehand and give out guides for operation. Usually failing in export is because of lack of skill of staff, lack of resources or wrong attitude towards export. Exporting can be divided to six different stages: stage for acquiring business contacts, offer, order, preparing the delivery, delivery of the goods and after-sales. (Vahvaselkä 2009. 263–264.)

2.8.1 Acquiring business contacts

The key fact with successful export is to acquire good business contact and partner. The company which is planning to make business in foreign country should also have an internationalization strategy (product, market, operation and customer strategy) and the internationalization plan. The size of company's foreign business and meaning to business, products and their potential customers and strategic positioning are facts that are affecting to acquire of business contacts. The main fact to consider is what kind of products the company sells, who the potential customers are, where they are and how to reach them. (Vahvaselkä 2009. 265–266.)

The business contacts can be acquired in many different ways. For example, finalized Internet pages are good way to get contacts from the target country. Potential customers can also be found from different databases and directories. Visiting potential customers and different trade fairs is also profitable. (Vahvaselkä 2009. 265–266.)

2.8.2 Offer

Offer is a way of competition. There can be different offers but usually it should inform buyer about the product, the price of the product, the time of delivery and the terms of delivery. Especially at the beginning of the foreign business, the ingredients of the offer and juridical effects should have main focus when offer is made. In addition to offer some kind of trade agreement document should be good. For example, it should include the rights and duties of buyer and seller. Offer can also include special clause. The clause requires written agreement between buyer and seller before trade can be made, and offer does not tie seller to anything. (Vahvaselkä 2009. 267.)

Before offer the company should clarify the reasons for request for offer and all possible barriers which can effect to the trade. In this stage all the facts concerning delivery, packing, insurance, financing, guarantees, the method of payment and credit standing should be discovered. After all this the offer can be set and sent. (Vahvaselkä 2009. 266–267.)

2.8.3 Order

The order should be checked, and if it is similar with offer it can be confirmed. Confirming should be written and also separate trade contract should be made. Trade contract varies in different countries. Contract should include all the information needed written as specific as possible. (Vahvaselkä 2009. 266–267.)

2.8.4 Preparation and delivery

The goods are prepared according to confirmed order. The company should make sure that the delivery schedule is adequate and goods arrive in time. Terms of delivery and payment should be checked also. During deliver the goods should be insured, and all the documents needed and financial procedures should be prepared. It is important to know all the procedures with documents so there would be no delays because of them. (Vahvaselkä 2009. 271–272.)

2.8.5 After sales

This stage is important because it can give a good feeling to customer if this stage is well done. The seller should make sure the arrival of the goods. Also invoicing should be made. Of course, it is good to inquire customer is he happy with the product and ask some feedback. Well made after sales can make a customer to order again. (Vahvaselkä 2009. 275–276.)

2.9 Execution

Basically there are three different views for execution of internationalization. Firstly, the company should think what new tasks internationalization brings and how to handle them. New tasks can be market study, marketing and other practical procedures. If the company does not put enough resources to this part, the internationalization might not succeed. (Vahvaselkä 2009, 129.)

Secondly, it should be considered how to manage internationalization in management of the company. The orientation to internationalize is very important. The addition of some experts may also be profitable. For example, consults, financing experts etc. can bring some fresh knowledge to management. After some time, all the experts necessary can be brought inside of the company. (Vahvaselkä 2009, 129.)

Finally, the third view is continuously modification. The company should prepare itself to the growth and other aspects. After some time, when internationalization has stabilized, the company should find resources from within the company. At the beginning export can be handled with few persons but later more staff should be hired. If the export gets bigger it could be a good idea to establish a sales office closer to customer. (Vahvaselkä 2009, 129.)

2.9.1 Building co-operation and resources

Like in social life, the relationships are important also in business. Of course it is easier to do trade between persons, who already know and trust each other's. It

gives flexibility to both sides of the deal. Also these networks give more opportunities to do business in the target country.

The company may not have enough resources if exports get big enough. Then it is good to find partners. Ways of co-operation are traditional co-operation, outsourcing, franchising and licensing. Also there founds co-operation networks, like project group, joint venture etc. To plan for internationalization should also include a plan for need of resources. A plan for need of resources should include overall need of resources and schedule. It should also make sure there are enough resources for basic functions. This plan should cover a period for 2 to 3 years. (Vahvaselkä 2009, 130–131.)

To internationalize, the company is in need of networks. Co-operation can be complete in many different areas of business. It will not only save resources of the company but it also increases them. Co-operation may also increase conspicuousness of the company. To succeed in foreign trade, the company should participate in different trade fairs, conferences etc. to get new contacts. Contacts are a big factor in international business. From co-operation networks the company should be able to find a partner which suits best to company's profile and also the mode of co-operation. (Finnvera Oyj 2001, 90.)

2.9.2 All together

All the operations should be planned comprehensively, before start of the export. The company should find out, what resources it requires from the company and which information is needed before start. Exploring the target country is important for operative acts and for strategic management. The adjusting of the product may also be advisable. The company should put great attention to selection of the distributing channel.

(Czinkota, Ronkainen & Moffet 1999, 334–335.)

To keep the whole export running the company should pay attention to management. The adequate plan is needed and all the tasks and responsibilities should be divided to smaller parts. All the parts are connected together and decisions concerning these parts cannot be made without good basic study. All

the critical tasks are separate part of the action plan and it should also cover critical milestones and goals. (Finnvera 2001, 94.)

At first, all the tasks should be placed in right order and after that place them to a timeline. This timeline can be supplied with resource plans which tells the resources needed in every stage. The progress of the project should be followed carefully because other stage cannot begin before previous ends.

(Finnvera 2001, 94.)

2.10 Risks

Risk is a word describing chance to lose money suddenly. To control the risks is not only necessary to the company, but it can also be a way to compete. The company should take into account the risks that are involved in the planning of the business, marketing, offering and contracts. The company has to know the risks which are in production and delivery, payments and guarantee time. The ways to manage the risks are avoiding them, decreasing them, diversify them or giving them to the other party. The ways to cover the risks are different insurances, letter of credits and other payment methods, and also guarantees.

(Vahvaselkä 2009, 306.)

3 MARKET STUDY

This chapter discusses information about ways to perform a market study.

3.1 Overall

The importance of the market study for a foreign market is big because the internationalization plan is based on the study. Especially, it is important for new markets when the company does not have any information about them. The study will give information about what customers think of the new product. Also, it gives information about local and foreign competitors and what the target market needs. A market study helps when the company's marketing is being

planned, put into practice and followed. Especially, it focuses on one problem, in this case breaking in to the new market.

A good way to start gathering information is a market study. It will tell something about market and demand of the product. The meaning of market study is to gather and analyze information systematically. Targets of the study are targeted market area, market potential, potential of the industry and sales potential of the company. (Vahvaselkä 2009, 147–148.)

The two ways of market study is bureau research and field research. In bureau research the investigator uses previously acquired information. Another way is field research which can be accomplished by quantitative or qualitative way. The quantitative research includes enquiries, interviews, observation and experimental studies. The qualitative way includes for example theme and deep interviews and group conversations. (Vahvaselkä 2009, 147–148.)

3.2 Targets of the Market Study

The market studies can be about the market itself and demand of the market. In this case the problems to be researched are target markets, market potential, industry potential, and sales potential of the company. The studies can also solve problems of segmentation. Then the study is pointed to demographical, financial, social, and geographical factors. Also needs of targeted consumer group is researched and their buying behavior, attitudes, lifestyle, and ability to accept innovations also. Competition studies include information about the market of the product, competitors and their market share, replacing products and their manufacturers, the advantages and disadvantages of the product of own company, and the image of the customers about the company. Also studies about ways to compete and business-to business studies can be completed. (Vahvaselkä 2009, 147–148.)

3.3 Market Study as a process

Market study can be described as a following process;

1. Quantification of the problem
2. Making of research plan
3. Decisions concerning collection of the material for the study
4. Collection of the data
5. Analyzing of the data
6. Reporting and use of the results

First stage is about why the research is completed and bordering the subject. Already there should be some kind of idea how the material is collected. In the second stage the plan for research is completed and decision is made who will perform the research. Is it someone from inside the organization or is it bought from somewhere. The plan can be formal but it should be similar with the target of the research so it can also be a schedule for research. This plan should also include the group in which the study is performed and how the information is collected. (Mäntyneva and others, 2008, 13–14.)

Second stage is to make a decision how the material is collected, and the market study is performed. After the study the information is analyzed and report is written. To make a market study to success it is very important to describe the problem of the study. The researcher should also have a good view for the study. This guarantees that goal of the study is clear. (Mäntyneva and others, 2008, 14.)

3.3.1 Bureau Research

Bureau research can be fast and efficient way to receive information. It is important to make sure that the sources are reliable and on-time. The advantages of the bureau research are: low costs, it is time efficient, the information is relatively easy to conduct and sometimes bureau research is only way to conduct information. On the other hand, the disadvantages are: it is hard or impossible to control the gather of the original information and the information might have been collected to different purpose. Also the information can be incorrect and

old. Also the form of the information can be wrong. (Mäntyneva and others, 2008, 29–30.)

The bureau research can be utilized in evaluation of demand, segmentation, in business intelligence and benchmarking, etc. However, there are several factors that effects exploitation of the data collected. These factors are the meaning of the study, the collector of the data and what kind of data it is, how the data was collected, and how accurate it is with other information collected. The material should be reliable and it can be used even outside of the research. It should also be quite fresh. In some case, the information can be old even though it is gathered only few weeks ago. Of course the data collected should be relevant with the study. (Mäntyneva and others, 2008, 30–31.)

3.3.2 Internet Survey

Internet survey has become one of the most popular ways to perform a market study. The advantage of this kind of survey is price. However the amount of answers is relatively low compared to amount of surveys sent. In Internet survey, different electrical research forms and specially planned programs to perform the study is utilized. Some companies use their web page to collect information about the visitors of their web page.

(Mäntyneva and others, 2008, 49.)

3.4 The validity and reliability of the study

The validity of the study informs how well the study measures the problem it is meant to measure. When theoretical and operational definitions are equal the validity is good. To compare the validity the result of the study is compared to real information about the subject. However, this is hard because there isn't enough of real information. To acquire high validity the whole research should be described as accurately as possible in the final report. The decisions which have been made should be justified. The research should be reported so carefully that the reader can perform it again.

(Mäntyneva and others. 2008, 34.)

The reliability of the study is attached especially to quantitative study. Reliability indicates how accurate and reliable the methods of the study are to perform same results again. If the research is performed again using same methods than in first research and the result is almost same, it means the research has repeatability. (Mäntyneva and others, 2008, 34–35.)

4 CANADA

In this part there is something about Leon Chouinard & Sons and some basic information about Canada, the forests of the country and foreign trade all together.

4.1 About the Country

Canada is a country in North America. It has border only with the United States of America. Rest of the country is surrounded by seas. Canada is divided to ten provinces and three territories. Capital of Canada is Ottawa in the province of Ontario. Other major cities are Toronto in Ontario, Montreal in Quebec, Calgary and Edmonton in Alberta, Winnipeg in Manitoba and Vancouver in British Columbia. The currency of the country is Canadian Dollar (CAD). (Ulkoasiainministeriö 2011.)

Population of Canada was 30 million people in 2001 and the size of the country is 10 million square kilometers. Canada is a bilingual country and the official languages are English and French. French is spoken mostly in eastern parts of the country and especially in the province of Quebec, which official language it is. 59% of people speak English as a fluent language, 22% speak French and 19% speak some other language. 28% of people have British background, 26% have mixed ethnical background, 23% of people have French background, other European background have 15 % and 8% have some other ethnical background. (Ulkoasiainministeriö 2011.)

Canada is a monarchy and the monarch of the country is the United Kingdom's Queen Elizabeth II. Head of Canada is Governor General David Lloyd Johnston, but political power is held by Prime Minister Stephen Harper, who is head of the parliament. Parliament consists of Senate and House of Commons. Executive power is held by government and jurisdiction to independent tribunals. (Ulkoasiainministeriö 2011.)

The Canadian economy grew till year 2009. After that growth was negative and Gross Domestic Product fell 2.6 per cent. Inflation was 2.1 per cent in year 2007 and it grew to 2.4 per cent in year 2008. In year 2009 inflation collapsed and it was only 0.3 per cent. Canada is member of the World Trade Organization, North American Free Trade Association, Organisation for Economic Cooperation and Development, G7-group and World Bank Group. (Ulkoasiainministeriö 2011.)

4.2 Canadian forests

Canada is quite rarely populated country with 30 million people in 10 million square kilometers area. This is about 3 people in one square kilometer and this makes Canada one of the world's sparsely lived areas. However it is also second largest country in the world. (Global Forest Watch 2011.)

Third of whole world's boreal forests are in Canada. Also there are one fifth of world's temperate rainforests and tenth of total global forest cover. Forests cover 45% of Canada's area. 94 % of Canadian forests are publicly owned and rest 6 % is privately owned by more than 425 000 landowners. From the public forests, 23% are federal-owned and provincial governments own 71 %. (Global Forest Watch 2011.)

The most popular tree species in Canadian boreal forests are spruce, fir, tamarack (larch), aspen and birch. Forest fires are quite common in Canada and the fires help forest to recur themselves. Yearly there are about 9000 different size forest fires in Canada and the area burned is about 2.8 million hectares. Most of the fires were lighted by lightning. (Global Forest Watch 2011.)

4.3 Canadian wood export

Canadian wood industry comprises establishments engaged sawing logs into lumber and similar products or preserving these products. The goal is to make products which improve woods natural characteristics. This means making products like veneer, plywood reconstituted wood panel products or engineered wood assemblies. (Dufour 2009.)

In December 2009, there were 3872 wood product manufacturers in Canada. Compared by amount of employees there were 1130 micro-sized companies in who had one to four employees, while 2413 small companies whose amount of employees were 5 to 99, 310 medium-sized companies (100 to 499 employees) and 11 large companies with over 500 employees. (Statistics Canada 2011.)

In New Brunswick area where Leon Chouinard & Sons operates, founds 57 micro-sized companies, 96 small companies, 11 medium businesses and only one large company. According to these standards and with 70 employees, Leon Chouinard & Sons is a small company. (Statistics Canada 2011.)

The United States, Japan and China were the three biggest countries in where the most of the wood exported went in year 2010. The United States is considerably the biggest trade partner. The value of the trade with the United States were 5,796,853,000 CAD but at the same time the second biggest business partner Japan's value was only 826,237,000 CAD in year 2010. However trade with the United States in year 2010 was only about 1/3 what it was in year 2006 (14,594,655,000 CAD). At the same time the trade with China increased from 107,988,000 CAD to 714,194,000 CAD. (Statistics Canada 2011.)

The target of the research the United Kingdom was fourth biggest trade partner with Canada. In five years' time the trade increased a little bit. 2006 trade was 128,247,000 CAD and 2010 150,682,000 CAD. While the highest rate reached in 2007 as 203,518,000 CAD. (Statistics Canada 2011.)

4.4 Leon Chouinard & Sons

Leon Chouinard & Sons is a company located in Eel River Crossing, New Brunswick, Canada. It is a family business and the company's executive board is ruled by the family of Chouinard. The owner of the company is Gilles Chouinard. He bought the shares from his brothers' a couple of years ago. Also, he established a transporting company in Eel River Crossing. However, he sold that company before buying the shares of Leon Chouinard & Sons. Today the company is near of generation change in executive board. (Savoie, N. 2011.)

The company manufactures roof trusses, insulated wall panels and openjoist floor systems. Most of the wood used in production is pine. The company has over 30 years of experience in wood products manufacturing. The enterprise expanded recently and opened a new 16000 square feet manufacturing installation. The company has approximately 70 employees. (Savoie, N. 2011.)

4.4.1 Business

Leon Chouinard & Sons has two offices in the area of New Brunswick. The office in Moncton is targeted especially for customers in the biggest cities of New Brunswick, Moncton, Fredericton and Saint John. The other office is located in Edmundston, NB. Edmundston is a border town between the United States of America and Canada, so the office is also targeted to sell products to the market of the United States. Sales to the United States have declined in the past few years not only because of the recession of the economy in the USA but also because of the lack of keeping up business relations with companies located there. This problem is mainly due to changes in ownership of the company. Also third office was just established in Dieppe, New Brunswick. (Savoie, N. 2011.)

However, most of the production goes to the Canadian market and especially to Quebec. Quebec is a major business partner because labor is cheaper in New Brunswick than in Quebec. This is why, products manufactured in New Brunswick are popular in Quebec. Of course, great part of production goes to the area of domestic province. However, wood construction labor in New Brunswick is going to be in recession. Carpenters are getting old and young people do not

find the occupation interesting anymore. Also, the brand is highly competed in New Brunswick and the lack of staff could be a big problem in the future. (Savoie, N. 2011.)

The company has tried to break into the Asian market but with lame success. The culture in China is too different from that in Canada. Also, lack of support from the Canadian international trade authorities made business quite hard to do. However, they have recently acquired an order for temporary houses to Japan. The Japanese Government needs temporary shelters for areas that were affected by the large tsunami in spring 2011. Leon Chouinard & Sons is currently trying to find partners to provide ready-to-move shelters with plumbing and windows because these accessories are required by the client. (Savoie, N. 2011.)

4.4.2 Production

The production of Leon Chouinard & Sons has become more efficient in the last few years. The company hired a new person to re-organize the production and to make it more efficient. A little more than a year ago, the number of employees was a little over 30. Now it is 75, so that the company has increased production considerably. Some of the personnel working here are new, but they have people who have been working in same company for almost 30 years. (Savoie, N. 2011.)

4.4.3 Products

The Company produces Pre-Assembled Floor Systems, Prefabricated Wall Panels and Wood Roof Trusses.

In Pre-Assembled Floors from of we can see an example in Picture No 1, the company uses an OpenJoist 2000 System. That is a parallel chord truss, consisting of a solid-sawn lumber top and bottom chords and diagonal and vertical web members. Chord members are continuous and are fabricated with finger-joints located along the joist. Web members are continuous, with no finger-

joints. Each end of the web member is finger-jointed into the top and bottom chords and glued with a resorcinol adhesive.

(Leon Chouinard Maison En Kit 2007.)



Picture No 1. OpenJoist 2000 floor (Leon Chouinard & Sons 2011.)

Pre-Fabricated Wall Panels like the ones in Picture No 2 can be delivered with or without insulation. When this kind of product is pre-manufactured it is faster and more accurate to assemble. Also the amount of employees assembling the product is smaller. (Leon Chouinard Maison En Kit 2007.)



Picture No 2. Pre-fabricated Wall Panel (Leon Chouinard & Sons 2011.)

Wooden trusses as can be seen in Picture No 3 are being used in single- and multifamily residential, institutional, agricultural and commercial construction. Truss is a structural frame relying on triangular arrangement of webs and chords to transfer loads to reaction points. This kind of structure gives trusses high strength-to-weight ratios which give ability to build longer spans than usually and that effect to floor plan layouts by giving it greater flexibility because there is no need for columns which take their own space in interior designing. (Canadian Wood Council.)



Picture No 3. Wooden Truss (Leon Chouinard & Sons 2011.)

5 TARGETED MARKET – THE UNITED KINGDOM

This chapter tells about the target market. It includes some basic information about the country and also some market information.

5.1 Basic information

The United Kingdom consists from Great Britain and Northern Ireland. Great Britain consists from Scotland, Wales and England. These parts of the country are divided to counties and counties are divided to municipalities. Population of the country was 61.1 million people in 2009. The Capital and biggest city of the country is London with 7.62 million habitants, and next biggest city is Birmingham with 950 000 habitants. Area of the United Kingdom is 243 610 km². Official language of the country is English, but also Welsh and Scottish languages are rarely spoken. Currency is British Pound Sterling (GBP) and one pound is currently 1.52 Canadian Dollars (20.07.2011). (Finpro maaraportti 2010.)

The United Kingdom is a monarchy and head of state is Queen Elizabeth II. Highest legislator consists from House of Commons, House of Lords and the Queen. House of Commons is the most important of these. House of Lords only check the laws and the Queen approves them. The Prime Minister is currently David Cameron. (Finpro maaraportti 2010.)

At the beginning of 20th century United Kingdom was biggest country of the world and about 25 % of whole worlds land area was under rule of the United Kingdom. However when India and Pakistan got their independence in 1947 it lead disintegration of whole empire. Today, the United Kingdom is part of NATO, G8-group, the G20, the OECD, the Council of Europe, the World Trade Organization and the European Union. (Finpro maaraportti 2010.)

5.2 Economy

Gross Domestic Product per person was 36.283 USD in 2010 while it was 35.275 USD in 2009 so it has grown 0.8 percent in a year. The growth of inflation was 3.6% in 2008 and it dropped to 2.2% in 2009. However it is estimated that inflation grows again to 2.8 percent. For large enterprises, corporate tax percent is 30 and public Value Addition Tax percent is 17. (Finpro maaraportti 2010.)

5.3 Business

Positive about targeted market is that it has second biggest population in the EU and market potential is relatively considerable. Also British customer has big reference value in the world. There is great lack of apartments in the UK and new laws concerning house energy efficiency and sound proofing have been passed through. Lack of qualified builders is urgent so building constructors favor prefabricated products. (Finpro maaraportti 2010.)

Negative issues are that practically the United Kingdom is divided to different countries: England, Wales, Scotland, Northern Ireland and canal islands. Making of contracts is also complicated because trial is expensive. The amount of precedencies is large so only lawyer can cope with every affecting issue. Level

of costs is relatively high, so there should found some cover before trying to break to the market. Level of education is relatively low. Greater corporations are very hierarchical, so decision-making is very slow. Finally there founds a lot of competitors in the UK market. (Finpro maaraportti 2010.)

Traditionally there have been importers, merchants, representatives and agents in the market. Nowadays difference between importers and representatives has been disappeared and usually importers act like agents. Representatives and agents help foreign companies to make deals and distribute their products. Unfortunately, it is hard to find good agents. Especially when we are talking about distributing products which amount of selling is relatively low, agent is important. Highly-profiled and independent enterprises usually are the best way of distributing and those companies buy their products through agents and representatives. Work of agents is controlled by the EU-directive The Commercial Agents Regulations from the year 1993. (Finpro maaraportti 2010.)

Construction industry produces about five percent of country's Gross Domestic Product and it employs 2.2 million persons. Estimated yearly growth of the industry for next ten years is 0.9 percent. Priority of construction is rebuilding of schools and health care buildings. The United Kingdom also has 4th biggest market of construction in the world. In the business opportunities list the UK is top class and in low risk category. All together there founds 192.200 construction related companies in the UK and 134.638 employs 1-3 persons, 55 600 employs 4-59 persons, 1836 employs 60-599 persons, about 65 companies employs 600-1199 persons and finally about 60 companies employs over 1200 persons. (Finpro maaraportti 2010.)

5.4 Facts affecting decision of buying

Price is one of the most affecting elements when a British person is making a decision of buying. However when selling to companies or to public sector quality and innovation are also effective parts of decision. The United Kingdom still is a class society and retail businesses are also divided to these classes. That is a fact to take into consideration when a new company is finding the best distributing channel and pricing strategy. International references are very important

to the British customer. For example it is not enough to tell about only technical advantages of the product, the customer also want to know how company business is going in the other markets. (Finpro maaraportti 2010.)

British companies are doing business easier with the company which already has a subsidiary in the UK. Information of that company is easy to check from Companies House- database. Basically British companies suggest that contracts are made with using British Pound Sterling, under British laws, and in English. Law in the UK is much like in the USA so parties have to negotiate every issue separately. For example, company is responsible with its whole property until responsibility is defined with a contract. (Finpro maaraportti 2010.)

5.5 The Cultural Methods

Main thing in cultural methods of the United Kingdom is dignity and elegancy. When making business with the company in the UK it is recommended to make sure that the contacted person is at the right step of hierarchy because companies over there are considerably accurate with that. There could be major difference between middle- and high-position executives especially in old companies. (Finpro maaraportti 2010.)

The usual office hours are from 9 a.m. to 1 p.m. and from 2 p.m. to 5 p.m. Also people in the UK are very polite and that is expected also from foreign person. It is important to learn the difference between the United Kingdom and Great Britain. Also person from Wales or Scotland is usually quite patriotic and they want themselves to be called Welsh or Scottish. (Finpro maaraportti 2010.)

People in the United Kingdom are quite demanding and they don't forgive failures easily. The customer in the United Kingdom give complains most often when compared to other countries in the European Union. That means manufacturer should produce top-quality products and not give customer opportunities to complain. (Finpro maaraportti 2010.)

6 PROBLEM AND PROJECT

The problems and reasons causing need to expand to abroad are the following;

- The lack of demand in domestic markets
- Laying of labor during winter causes problems
- The company has enough capacity to do more business
- There is a lot of competition in Canada

The answers what the research is going to find out are the following;

- Is there demand for Leon Chouinard & Sons products in the UK?
- What are the surroundings of the market?
- What is needed to break to the market?

6.1 Target

The market of the prefabricated timber products in Canada are highly competed so it could be better idea to think market in other countries. Since the markets in the United States of America are highly reducing and they are also really competed, the interest to do business with turns to Europe. The executives of Leon Chouinard & Sons participated in a seminar concerning business possibilities in the United Kingdom and there they got the idea to expand their business to the markets of Europe. Since the Government of the UK released their new building regulations with more sustainable homes code; markets look really interesting to company which manufactures wooden construction products. Also the language and culture doesn't differ much from Canadian ones and throughout history Canada has had good relationship with the United Kingdom.

6.2 Bordering the project

The goal of the project will be report from the market study and internationalization plan for Leon Chouinard & Sons concerning the market of the United Kingdom. Also the internationalization plan will include the recommends from the researcher. Project covers information about the United Kingdom and information about internationalization. Financial issues and analyzes are not included in this project.

6.3 Financing and schedule

This project was free to Leon Chouinard & Sons. The only expense was office for researcher. The researcher was on his practical training period and therefore his work was free to the company.

The start of the project was on April 2011 when researcher introduced his plans concerning the study. On May 2011 he travelled to Canada and from May to mid-June 2011 was time for first market study. After it failed, the other was performed from beginning of July to the end of July 2011. Other material concerning internationalization was collected from May to end of August 2011. The whole process will be finished by the end of the December 2011 when the results are introduced to the Leon Chouinard & Sons.

6.4 The Lack of Demand

From December to March some of the personnel in production of Leon Chouinard & Sons had to be laid off. That is because building season in their domestic market is from spring to fall, so there is no demand for construction products in winter. However the building constructors in Europe would bring work to the winter season. If the project succeeds there would be no need to lay off people in middle of the year.

The company also has to keep their designers at work during winter. Because there are no orders they don't have anything to do. If the company would lay off the people from the office they would most likely lost them because demand of qualified designers is very high. They already lost employees from production during the break so it would be better to everyone work throughout the year.

7 SOLUTION

The ways to perform the research are market study, bureau research and expert statements. Market study will tell what the opinions of the market are and how the market is going to change according to companies in the industry. Expert statements are not only about market of the UK but also about Leon Chouinard & Sons. The information is needed to know where the company is right now and how they think they will develop. The bureau research will give wide range of information about different factors concerning internationalization.

In this case where the company Leon Chouinard & Sons is unsure for making effort to break to the markets of the United Kingdom researcher has to make a solution to solve their problem. The solution is a market research and a bureau research to the potential markets. Bureau research is completed because it is easy way to find information from the internet and all the supporting organisations, like Canada Mortgage and Housing Corporation. This organization had contacts and some information needed.

Study through the Internet was selected because it is free and fast compared to old-time letter research. There was risk of not to get enough of answers. However, the advantages were great so the researcher decided to perform the study anyway. Material for research could be found from researches which have done beforehand and from market study which researcher performing by himself. The potential targets for market study are building constructors and building material suppliers.

8 RESULTS OF THE MAKET STUDY

First thing to start the research is to find out the potential targets to make the research. In this case researcher is only working in the internet and he has no possibility to go to the United Kingdom. Potential webpage with information could be local Union of building constructors and material supplier's internet-site. Most of the companies under this brand belong to some union because it

gives them support and, guarantees the quality to the customers. For example the researcher found the United Kingdom Timber Frame Associations internet page. There was a list of the members of the association. The list included over 50 constructors and suppliers. All of these companies were good targets to send the survey.

Also, another great internet page to find possible targets is web sites for customers who are planning for construction. They usually include a great deal of information about constructors, building suppliers, engineering companies and so on. The main difference between Canadian and British construction companies is that the most of the European companies have internet page. In Canada they do not consider internet such an important way of marketing than in Europe. For example, a web page which covers a great number of potential targets is www.build.co.uk. The web page has over 10 000 different builder-related companies around England, Wales, Scotland and Northern Ireland.

Build.co.uk web page database was quite old. Almost half of the contacts listed were not in the business anymore. They were either sold to other companies or just quit their business.

Using these two web pages the researcher found 2000 potential companies. About 400 of the companies were building material suppliers and the rest were constructors. Companies were around United Kingdom but most of them were placed in England or Scotland. The size of these targets differs from 1-49 to over 500 employees. Some of the target companies were under same branch but they worked in different locations.

It was known by guiding teacher and from researcher's previous studies that the percentage of answers is relatively low but the research was performed this way because of such a wide database from www.build.co.uk and low costs what it offered. In fact, it was totally free to the company.

The original research included 18 questions. Suppliers and building contractors received both their own kind of questionnaire. It was sent to 180 potential customers, about 30 of them were suppliers and rest was contractors. The per-

centage of answers in this research was so low so researcher decided to make another research. He got some advises from Canadian Trade Commissioner Representative Jason Kee. Kee works in the Canadian Trade Commissioner of the United Kingdom. He suggested that the research should be sent much widely, it should be shorter, the researcher should not announce that he is student and English used in form should not be so complicated. Also the brochure which was attached in earlier e-mail was replaced link to Leon Chouinard & Sons website.

Using again database from www.build.co.uk the researcher found 1990 different e-mail addresses and sent the questionnaire which is attached to the end of this thesis. The questionnaire was sent twice, first 13th of July and again 20th of July.

8.1.1 The Program Used in Research

The program researcher used was Google Docs. It is free web-based program. It is good in smaller researches but in questionnaire this size it is little complicated to use. Via email answerer will receive a link to website which includes the question form and he or she answers the questions and it automatically fulfill the result form. The results are in table so they are easy to transfer to different diagrams.

However sending of these forms was quite slow because Google allows only certain amount of outgoing emails at once. This amount was about 100. So researcher used also Outlook-program to send the emails. It was fast program to send emails and the amount of emails to send at once was 800.

8.1.2 Question form

The question form included eight questions. The amount of questions was so small because people do not have time or interest to answer longer questionnaires through email. The questions concerned the size and location of company and in what position answerer is there. Also, three questions concerned about their interest to Canadian products, and what they appreciate most about products Leon Chouinard & Sons produce and, people's feelings about devel-

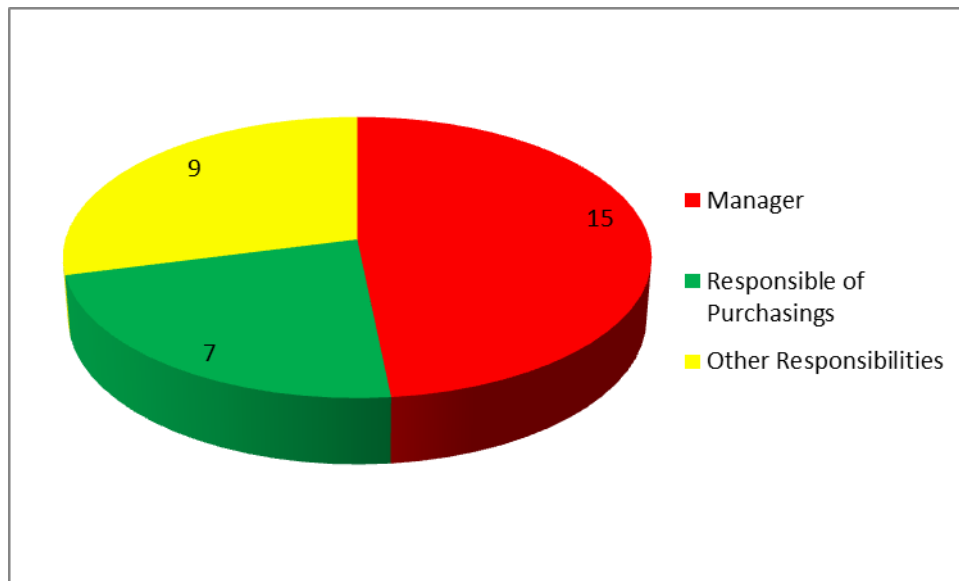
opment of the markets. Last two questions were about their interest to distribute company's products and if they were they could add their email address to receive more information about Leon Chouinard & Sons. The returning date was open.

The most interesting questions to Leon Chouinard & Sons were location of the answering company, their size and their interest to distribute products. Adding two last questions concerning distribution was idea of Gilles Chouinard, the target company's general manager. He wanted questionnaire also be something else than just a regular market study. It also can be enquiry for potential partners.

8.2 The Results of the Market Study

The final result of the Market Study was 31 answers. The number of respondents was disappointment to researcher. The answering percent was as low as 1.56 per cent. Trade Commissioner Representative Jason Kee warned that answering percent could be only 2-3 per cent. The number of questionnaires posted was 1990, so the number of respondents should have been closer 40 or 50. However, there are also six e-mail addresses from interested companies, two enquiries because of this study and one job enquiry. This lifts the value of the research a lot. Most of the answerers were small companies. According to Finpro Country Report from the United Kingdom most of construction related companies are small companies (from 1 to 59 employees). Also the number of e-mail coming to those companies is smaller and people in charge are easier to catch.

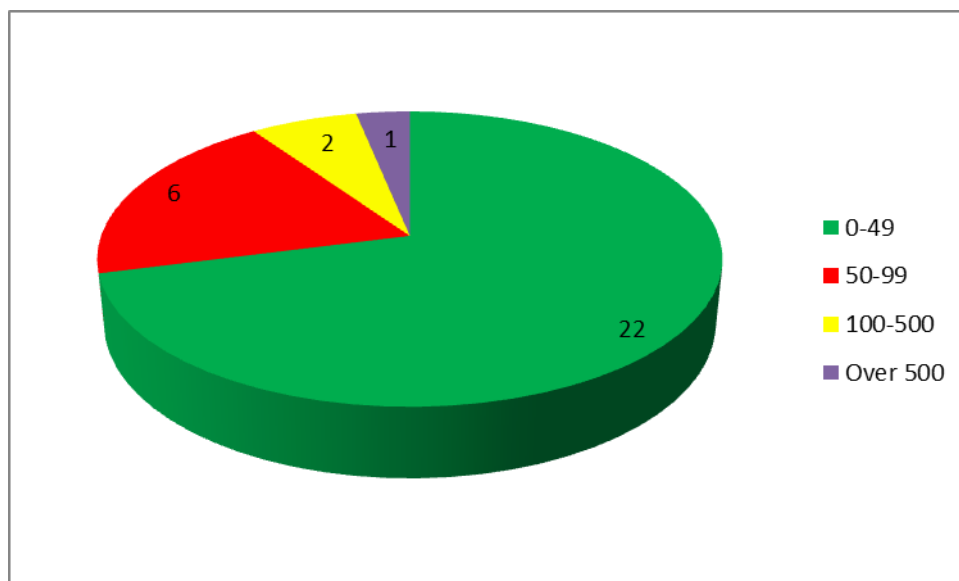
First question was about respondent position in the company and the results are like index N:o 1 presents.



Index N:o 1. Respondent position in the company.

What we can see from the results is that most of the respondents were managers of the company. This correlates straight to size of the company which is shown in table N:o 2. Usually large company managers are so busy that they doesn't have time to answer this kind of e-mail questionnaires and somebody from lower stages of the company is responding.

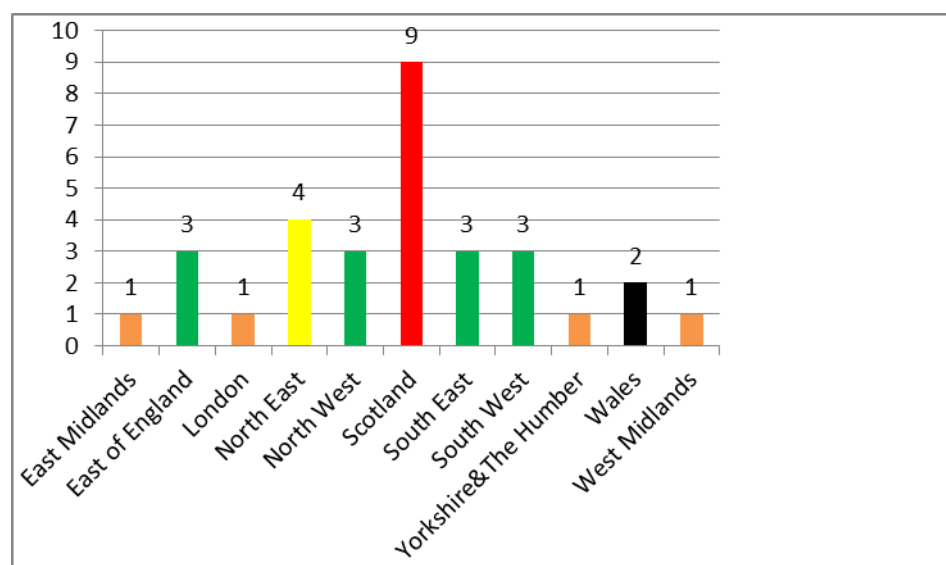
We can see the amount of personnel working in respondent companies in table N:o 2.



Index N:o 2 The number of personnel working in the respondent company.

What we can see from table N:o 2 is that most of the respondents were from small companies. Structure of respondents might affect to results of whole study. 22 out of 31 answers, which is over 70 per cent, are from small companies. Only three responds were from companies with over 100 employees. The amount of employees does not tell everything about the success of the business or size of the business but it is relatively good way to provide some guidelines about the size of the responding company.

In Index N:o 3 we can see which part of the country was company located.



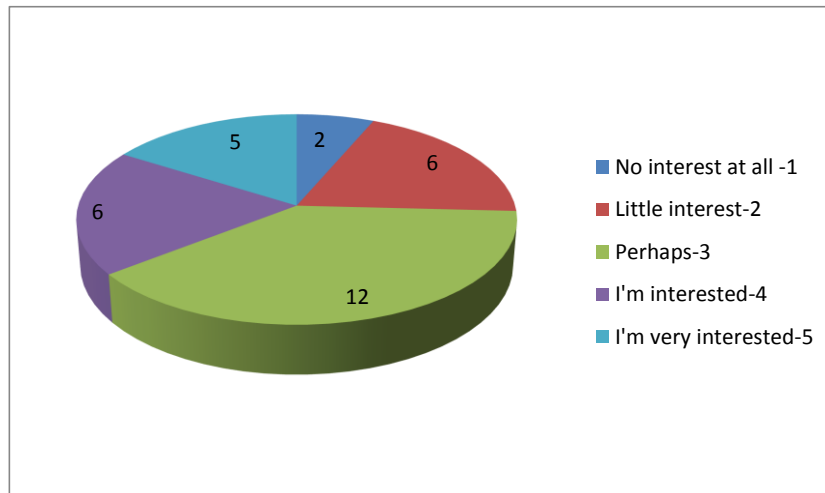
Index N:o 3. The part of the country where respondent is located

It is important to know from which part of the country is responding company from. According to Finpro Maaraportti (2010, 4) from the United Kingdom there are four different market areas in the UK. Scotland, Wales, England and Channel Islands are all different places and they should not be considered as one area. What it can be seen here is that companies in Scotland had most interest to questionnaire.

According to Leon Chouinard & Sons previously collected material, Scotland has been admirer of timber construction for a long time. They have longer traditions in building with wood than, for example, England and Wales. This might affect to results because they probably are more interested in timber-frame than

in other parts of the country. Others gave quite equal amount of responds, though, Channel Islands respond percent was zero.

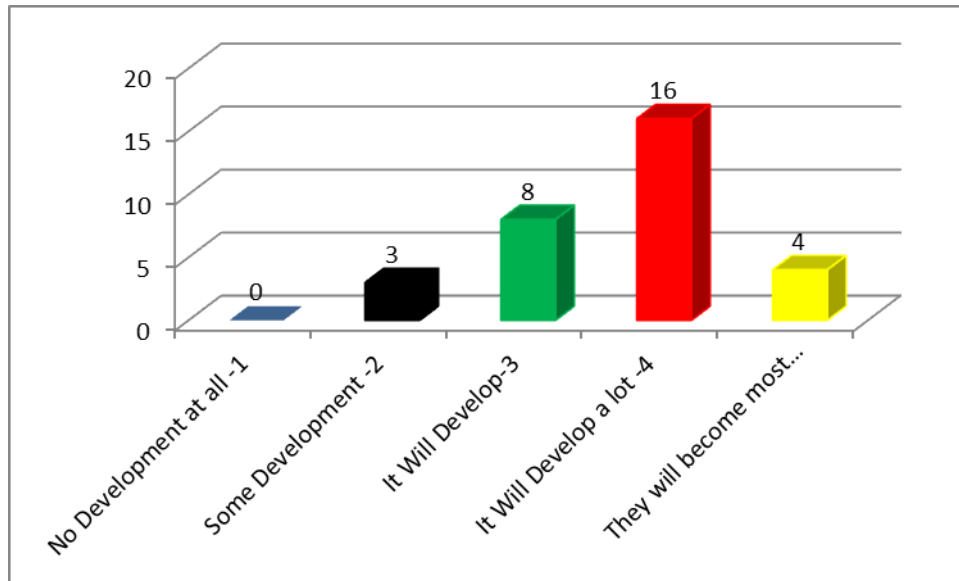
In Index N:o 4 it is shown what kind of interest respondents have to Canadian products. The scale of answers was from 1 (Not interested) to 5 (Very interested).



Index N:o 4. Respondents interest to Canadian construction products.

What it can be seen here is amount of respondents which might be interested is relatively high. With little knowledge about the advantages of Canadian product (quality, experience of manufacture) there might be more interested customers. In addition, the amount of interested and very interested is over one third so all together it shows that almost 75 per cent of respondents have some kind of interest towards Canadian construction products. Only 2 answerers did not have any kind of interest, therefore this result was quite promising.

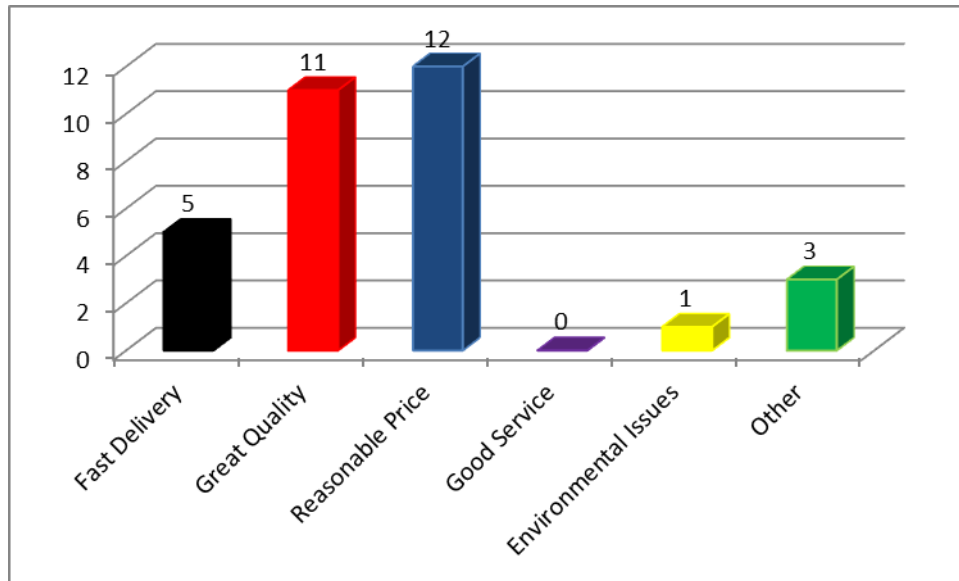
Index N:o 5 show respondents future views towards pre-assembled wood products. Scale was from 1 (No Development) to 5 (Will become most popular construction product).



Index N:o 5. Respondents opinion about future of pre-assembled timber construction

According to respondents, the future views are quite good. Nobody responded that there will be no development at all. 20 out of 31 answerers which was almost 65 per cent thought that market of pre-assembled wood products will develop at least a lot. What might affect to respondents are new building regulations in the UK which were targeting to zero-carbon-emission homes. Most likely respondents knew timber carbon-emission reducing effect and that affected their responding. According to Leon Chouinard & Sons previously collected material, the pre-assembled products are not cheaper as a building material than other products, but they are faster to assemble. That reduces the price of the whole construction process.

The following Index N:o 6 presents respondents opinion about which feature they respect most.

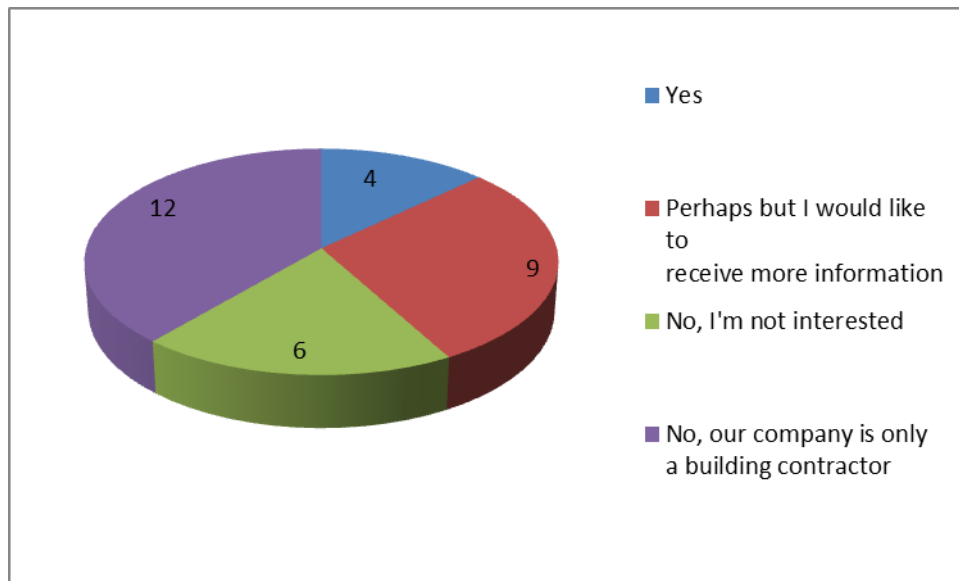


Index N:o 6. Feature respondent respect most.

Two main things respondents appreciate are quality and price. According to e-mail enquiry from one company in the UK, they think local products to have lower quality than foreign products. This is feature which should bring out when advertising product to the UK. Price is more difficult feature to compete with. According to Leon Chouinard & Sons previously conducted material pre-assembled products doesn't have lower price than other construction products. The advantage is quicker construction and this reduces the whole construction process price. This feature should also put under consideration when marketing the product.

Fast delivery was third most respected thing but it received only 16 per cent of responds, which was five. The quickness of delivery is disadvantage of the product because it has to travel over Atlantic Ocean. Delivering can be succeeded in schedule, but in case if something is broken or product is not suitable, long delivery might cause some troubles. Environmental issues gathered only one respond so that is not main thing when considering product. It might be good bonus when customers are selecting the product they want to buy. Other responds included combinations of these options and also fast assembling and easy handling. Good service wasn't under appreciation of respondents and it didn't gather any answers.

Index N:o 7 presents results of question targeted especially to building material suppliers, if they have interest in product distribution.



Index N:o 7. Respondent interest to product distribution.

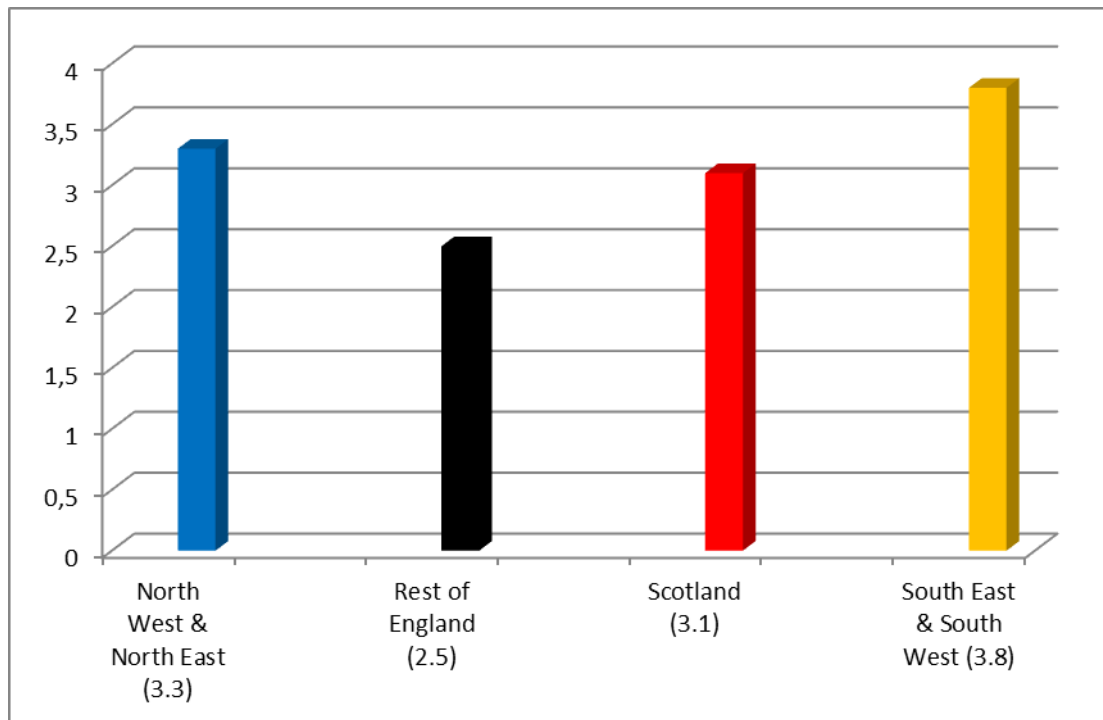
This question was important question. General Manager Gilles Chouinard told that it is hard to find distributors for products and this Market Study could be good way to find them. In this way, this research is also something else than just a market research. Most of the companies, who received this questionnaire, about 1500, were building contractors and they don't necessarily have the interest in distribution. That is why researcher added option for them so they don't think this research is only for building material suppliers. What we can see here was that there founds interest and with little more information the interest would be even greater. It is hard to point the advertising to these "more-information-please" companies because only one third of them gave their e-mail information. Six of answerers which were about 19 per cent of all responds were not interested about this kind of products.

Question 8 was the question to receive contact information from potential customers. It is easier to point the advertising to them and they might be good contacts for the future. E-mail addresses which were given here raise the value of the whole research and makes seeking contacts much easier. The questionnaire gave to the client six e-mail addresses, and half of them were interested,

and other half was interested but they would like to receive more information. Also the questionnaire gave two enquiries for trusses and insulated wall panels. Every e-mail address was from small company.

8.3 Results looked through company location

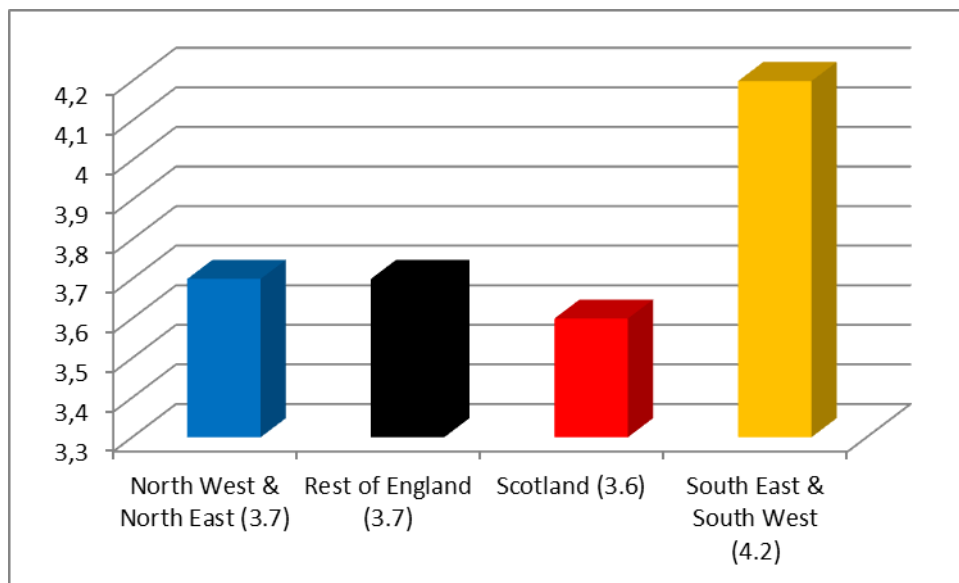
The location of the company can be divided into two sections, Scotland and England. From Wales came only two responds, therefore there is no sense to put too much weight on them. What we can see is that there are nine responds from Scotland and 20 from England. Index N:o 8 shows the average of the responds from Scotland and different parts of England to question 4, Interest in buying or using Canadian wood products. The amount of responds can be divided as follow: North East & North West of England 6 responds Rest of England 7 responds, Scotland 9 responds and South East & South West of England 7 responds.



Index N:o 8. Respondent interest in Canadian wood products looked through location of the company.

The number of responds was relatively small, then, there is no need to gain too much weight to these results but they can be as guidelines. The Index N:o 8

presents average of the responds from different locations. Best result comes from Southern England with average of 3.8, Northern England is second with 3.3 averages and right behind it is Scotland with 3.1 averages. Clearly lowest responds came from other parts of England. Scotland was surprisingly third in this table but it can be because they use already quite a lot of timber frame houses so their own production might be enough to them and there is no interest to foreign products.



Index N:o 9. Respondent opinion about the future of timber construction.

Index N:o 9 presents average of answers in different locations of the country. Southern England was far ahead when compared to other parts of England. Respondents from Scotland does not think the market develop much but that might be because, according to Leon Chouinard & Sons previously collected material, timber-frame was already popular in Scotland, therefore they could think there was no more room to develop. Average of responds was 3.6 and it should be considered quite great. Other parts of England had 3.7 averages which was quite positive.

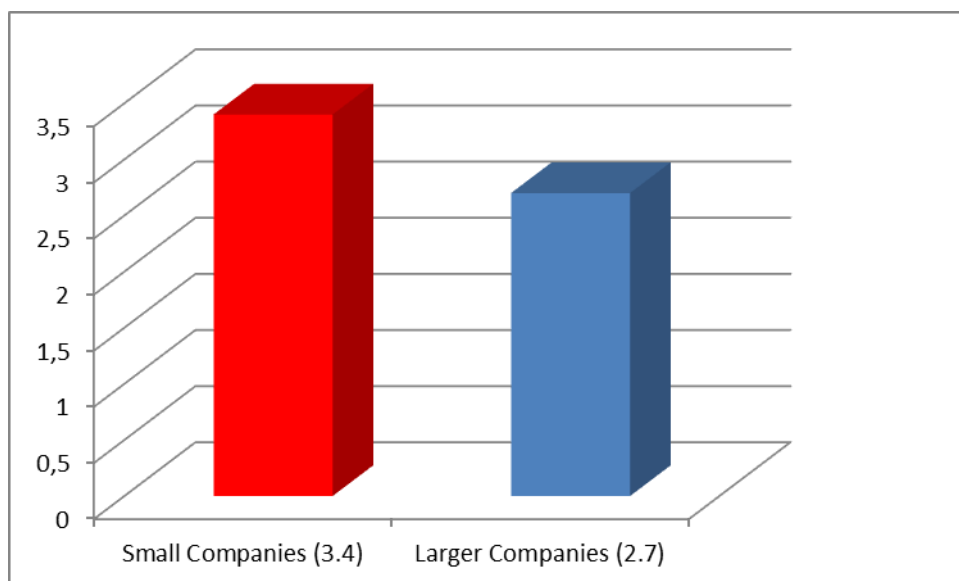
The responds spread so much and because of small amount of responds it was not accurate to analyze this question deeply. In North West and North East main thing was Price with three responds. Delivery and Quality received both two responds. Quality was the main thing to appreciate in Rest of England with

three responds and Fast Delivery and Affordable Price both received two responds. In Scotland, the main fact was quality with six responds, while price was second with two responds. Also Environmental issues were appreciated in Scotland with one respond. Southern England main issue was cheap price with four responds. Also, there was two other responds with “fast, economical construction”, and “price quality & delivery”.

In Northern England there was nobody interested in distributing. However, they gave two perhaps-responds and one no-respond. Four of the respondents were building contractors. Responds concerning distribution were clear in other parts of England. They gave two Yes-responds and five No-responds. In Scotland were four perhaps-responds and four Only a building contractor responds. One respond was No. Finally Southern England had two yes-responds, two perhaps-responds and one building contractor and one no-respond.

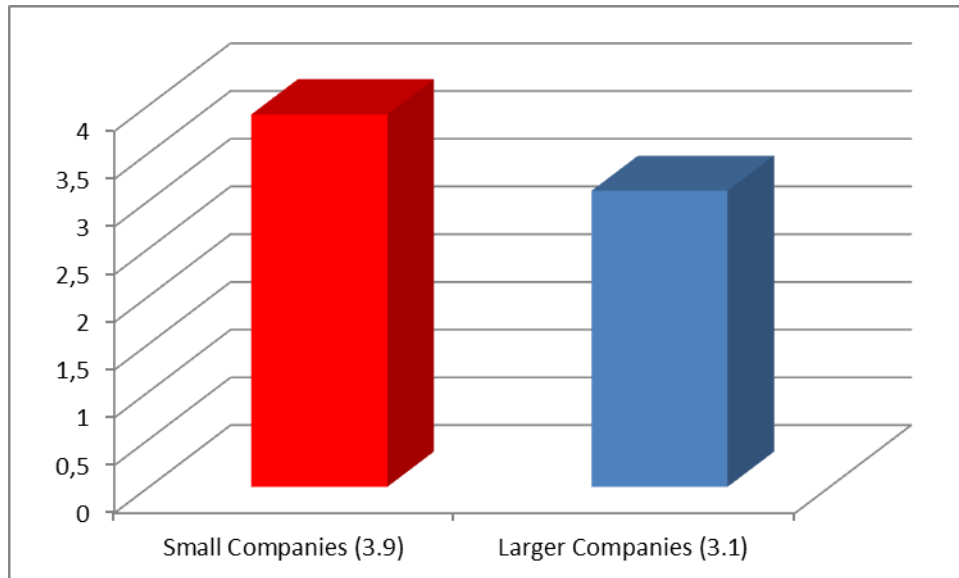
8.4 Results looked through company size

The results can be looked through the size of the company. The companies can be divided in two groups: small companies (0-49 personnel) and the rest (from 50 to over 500). This is because there founds so much answers from small companies compared to other size companies. The results include 22 small companies and 9 larger ones.



Index N:o 10. Opinion to Canadian timber products looked through company size.

Index N:o 11 presents smaller companies more positive idea about Canadian products than larger companies.



Index N:o 11. Future of timber construction in the UK.

What we can see in Index N:o 11 is that smaller companies have more positive idea about the development of prefabricated wood product market in the UK.

In larger companies four of them appreciated most prices; three appreciated most quality and two deliveries. With small companies eight of them appreciated price the most, seven appreciated quality, three delivery, three others, and one environmental issues.

Finally, question seven indicates willingness of distribution. From small companies nine were building contractors only, six would like to receive more information, four is interested and three said no. Larger companies' opinions divided evenly. Nobody said yes and building contractor, no- answer, and perhaps said three each.

8.5 Validity and reliability

The reliability and validity of research was not very good because the amount of the responds. Some guidelines may be taken but any decisions should not be based on this study. However, this study was only one part of this project and other sources of information are more reliable.

8.6 Conclusion

The conclusion of this market study was that the result was quite positive. Especially, results about the future of pre-assembled products and willingness to distribute are encouraging. The respondents had positive opinion concerning those questions.

However the amount of answerers is very low compared to questionnaires sent. That definitely drops reliability of result of this survey. The number of small company-based respondents was quite large but with 70% of all answers it was even smaller than real life distribution in the United Kingdom. According to Finpro maaraportti 98% of all companies working in construction industry were small companies (from 1–59 employees). However, the amount of all responds was so low that it was recommended to Leon Chouinard & Sons should not take too much guidelines from this survey. It can be helpful to make some decisions but it should not put too much weight on it.

Before sending the survey it was known that the answering percent is going to be low. The reasons why respond percent was low could have been because of people in the UK construction business is really busy, e-mail could go straight to trash mail or people simply lacks the interest to respond. Database of the addresses was also old and over 200 addresses did not work. Also, main part of the contacts was building contractors and if they think the survey was only for suppliers they will not answer. These all facts dropped answering percent.

9 MARKET OF THE UNITED KINGDOM

In here starts the part which was collected through bureau research. To get in to the markets of the United Kingdom, Leon Chouinard & Sons must meet several codes and certificates. These codes and certificates are provided by the European Union, government of the United Kingdom for England and Wales, for Scotland the Scottish government and Department of Finance and Personnel for Northern Ireland.

9.1 Construction Product Directive

Regulations in the United Kingdom requires some proofs that the imported product is good for use it is planned. One of the ways to prove it is European Union's Construction Product Directive. On April 4th 2011 the Directive turned to Construction Product Regulation but all the key facts are almost the same in both legislatures. Construction Product Directive (CPD) aims to break down the technical barriers in the European Economic Area. To achieve this target CPD gives four elements which are; a system of harmonized technical specifications, an agreed system of attestation of conformity for each product family, a framework of notified bodies and finally the CE marking of products.

(Department for Communities and Local Government 2006.)

Construction Product Directive does not standardize the regulations of the member countries. It is produced to harmonize the methods of test these products, the methods of declaration of product performance values and the method of conformity assessments. The final regulations have been left to member countries to decide. The technical specifications of the directive are called harmonized European Standards (hENS) or European Technical Approvals (ETAs). In the markets of the United Kingdom more common is hENS. The purpose of these technical specifications for a product is to cover all the performance characteristics required by regulations in any Member State. In this way manufacturers can be sure that the methods of test and declaration will be the same for any Member State. However the values chosen by regulators may differ from one Member State to another.

(Department for Communities and Local Government 2006.)

The preferred route under the CPD is the harmonized standards to be used every time it is possible. But if standards cannot be produced or foreseen within a reasonable period of time, or if a product deviates substantially from a standard, then an ETA may be written. European Product Standards often address characteristics which are not required in any Member State but they are in because of commercial reasons. Because of this, all harmonised product standards under the CPD include an Informative Annex (termed Annex ZA) the first part of which (ZA.1) lists the regulated requirements and the clauses in the standard in which they are addressed. Some of these clauses may in turn refer to separate supporting standards such as test standards. In this way Annex ZA.1 in the harmonised standard becomes a checklist for CE marking from which the manufacturer can see what is needed to fulfill the standard. The parts of standard which are not required are called voluntary or non-harmonised part of the standard. (Department for Communities and Local Government 2006.)

The attestation system is the term applied to the degree of involvement of third parties in assessing the conformity of the product according to the relevant technical specification(s). At present a significant barrier to trade arises from the different attestation levels required by Member States for the same product. Hence these requirements are also "harmonised" under the Directive. For each product family the attestation system has been decided collectively by the Member States and the Commission on the basis of the implications for health and safety of the product, and on the particular nature and production process for the product itself.

(Department for Communities and Local Government 2006.)

There founds six systems of attestation under the CPD. System 1+ is product conformity certification with audit testing. System 1 is same than 1+ but without audit testing. System 2+ is factory production control with continuous surveillance and System 2 is without surveillance. System 3 is Initial type testing and System 4 means manufacturers tasks only. For all systems, manufacturer is required to have fully recorded FPC system. The full requirements are as in table N: o 1. (Department for Communities and Local Government 2006.)

Conformity Attestation							
Commission Numbering System		1+	1	2+	2	3	4
Tasks for the manufacturer							
Factory production control		x	x	x	x	x	x
Further testing of samples taken at factory according to prescribed test plan		x	x	x			
Initial type testing				x	x		x
Tasks for the notified body							
Initial type testing		x	x			x	
Certification of FPC		x	x	x	x		
Surveillance of FPC		x	x	x			
Audit testing of samples		x					
X= Task Required							

Table N:o 1. Requirements for CE-marking. (Department for Communities and Local Government 2006.)

When Manufacturer has all the appropriate attestation tasks carried out for his product he is required to complete a "Declaration of conformity" which is kept with his technical file concerning the product. This may be supported by a certificate of product conformity, FPC certificate, test laboratory reports or certificates, and/or own test results, depending on the attestation system required. (Department for Communities and Local Government 2006.)

The attestation bodies and ETA approval bodies are the inspectors of the product. They include the product conformity certification bodies, fpc certification bodies, inspection bodies (in some countries) and test laboratories who are qualified to make the tasks shown in table N: o 1. These bodies are first approved by their own Member State to carry out certain designated tasks and then notified to other Member States and to the Commission. (Department for Communities and Local Government 2006.)

In the United Kingdom CPD or CPR isn't mandatory right now but it will be by July 1st 2013 so this is definitely one fact what Leon Chouinard & Sons should take into consideration. Both of these programs require CE marking. Also the marking is becoming requirement throughout the UK. The mark is achieved

through compliance of harmonized European Standards. The price to Leon Chouinard & Sons to achieve this marking is about 60 000 CAD. The Government of New Brunswick is promised to pay half of it but it is still quite great investment for company this size. (Kee 2011.)

The European Union tries to make trading easier in Europe. That is why they announced standardized CE-mark. This marking has been possible to achieve since 1997 based on European Technical Approvals. However the visibility of marking increased in 2001 when harmonized European Standards were announced. The CE is mark that the product is legally placed to the market in any EU's member state. However the final regulations differ some, between member states so the CE marking isn't guarantee that the product is suitable in every country. The meaning of CE marking is that's common way to announce the properties of the product without variation between the markings. The mark gives the information what specifiers and regulators need to judge is the product suitable for that use it is sold. This evaluation is made under the rules and regulations of the targeted country. However manufacturer isn't required to announce those values which regulations do not exist in his chosen market. (Department for Communities and Local Government 2006.)

9.2 The Code for Sustainable Homes

In the building regulations in the UK set the minimum standard to which buildings and their components must perform. The Code for Sustainable Homes was introduced in mid-2006. The code is an environmental impact rating system (from 1 to 6) for new homes in England and Wales setting new standards for energy efficiency (above the building regulations) and sustainability. In 2008, the UK government made the Code mandatory with a target to have all new homes built to the highest level of the code by 2016. First-step-target to all new houses is to be at Level 3 with 25% improvement in energy performance. Level 6 is effectively a zero carbon standard (Sic. zero energy). Northern Ireland and Wales have adopted the Code to various degrees while Scotland has signaled intent to develop their own standard. (Kee 2011.)

The Code for Sustainable Homes has been developed to change construction methods to more sustainable in new buildings. The Code has been made by the Government of the United Kingdom with close co-operation to Building Research Establishment (BRE) and Construction Industry Research and Information Association (CIRIA) and through consultation of Senior Steering Group which consist Government, industry and NGO representatives. It also is a guideline to house building industry for the changes what will occur to the Building Regulations in the future. (Communities and Local Government 2006.)

The Code is intended as a single national standard to guide industry in the design and construction of sustainable homes. The Code is not a set of regulations. The Code measures the sustainability of a new home against nine categories of sustainable design, rating the 'whole home' as a complete package. It covers Energy/CO₂, Water, Materials, Surface Water Runoff (flooding and flood prevention), Waste, Pollution, Health and Well-being, Management and Ecology. (Communities and Local Government 2006.)

The Code uses a one to six star rating system to communicate the overall sustainability performance of a new home against these nine categories. The Code sets minimum standards for energy and water use at each level and, within England, replaces the EcoHomes 2006 scheme, developed by the Building Research Establishment (BRE). The older EcoHomes scheme is still used for refurbished housing in England and with all new homes in Scotland. (Communities and Local Government 2006.)

Code assessments are carried through in two different phases. Firstly, an initial assessment and interim certification is carried out at the design stage, which is based on design drawings, specifications and commitments and results in interim certificate of compliance. Secondly, final assessment and certification which is carried out after construction and requires confirmation of compliance including site records and visual inspection. (Communities and Local Government 2006.)

The schedule of different stages of the code to be mandatory with new buildings is seen in table N.o 2

Timescale for Introduction

Year	Level 3	Level 4	Level 6
2008	Public Sector		
2010	Private Sector	Public Sector	
2013		Private Sector	Public Sector
2016			Private Sector

Table N:o 2. Timescale for introduction of Code for Sustainable Houses.
(Communities and Local Government 2006.)

So as can be seen from the Table N:o 2, the public sector is planned to be first in every stage. The public sector buildings reach level six in five years when private sector needs six years for that.

(Communities and Local Government 2006.)

9.3 Modern Methods of Construction (MMC)

Modern Methods of Construction means off-site construction. So the product is manufactured in factory under tight surveillance. Two most common ways of Modern Methods of Construction are panel products and module products. Panel products include ready-made walls, roofs and floor systems. These products are transported to site and assembled. Some panels could have plumbing and electrical wires inside of them so that makes construction faster. Modules are ready-made rooms which can be pieced together for full houses and flats. However, usually this kind of method is used in kitchens and bathrooms. All the fittings are included already in factory. MMC can also include site-based methods such as use of the concrete moulds. Many materials can be used in MMC but the most common are steel, wood and concrete. Most of the MMC houses in the United Kingdom have outer layer made of brick so they look traditional houses. (Parliamentary Office of Science and Technology 2003.)

The roots of MMC are as far as 1940's. After The Second World War there was a high demand of new houses in England because of the German bombings were destroyed the old ones. Another need of MMC was in 1960's when the UK had slum clearances. From 1900 to 1999 about million prefabricated homes were built. Most of these homes were planned only to be temporary. Also the

quality of building materials and poor workmanship gave bad reputation to prefabricated houses among people. However it has been used in public buildings, for example in hospitals, schools, etc.

(Parliamentary Office of Science and Technology 2003.)

The government encourages using modern methods of construction because it is “a step change in the construction industry to produce the quantity and quality of housing we need”. They believe that it has economical, social and environmental benefits. Demand of new houses is now bigger than housing supply. So the government of the United Kingdom tries to encourage new house builders. It believes that dwellings using MMC could play key role. From year 2004 the Housing Corporation, which is the social housing regulator for England and Wales, will require that where house is built to land owned by English Partnership or it is funded by social housing grants, around 25% of house has to be builded using these Modern Methods of Construction.

(Parliamentary Office of Science and Technology 2003.)

However, private house builders built about 90 % of all new houses and the influence of government is relatively limited to them. The government and industry sponsored a program called Rethinking Construction to promoting MMC and give some information about it. Also there founds partly government-funded program called Off-Site Production Applications. The results of these programs were relatively small and Government has not, so far, given any direct regulations about MMC to private industry.

(Parliamentary Office of Science and Technology 2003.)

The advantages of using MMC are that the quality of construction is better when compared with on-site construction. When constructing on site, the quality depends of skill of the labor and it is variable site to site. The frame building in factories is easier controlled and product quality is generally higher than in on-site production. Also offsite methods meet the new safety and energy regulations better than original onsite construction. Offsite construction produces also less waste and it is better handled to recycle. For summary MMC is faster and it has better quality than traditional construction. Also the insulation of pre-fabricated

products is better, less-demand for on-site skill and waste reduction is better. (Parliamentary Office of Science and Technology 2003.)

9.4 Building Regulations

In United Kingdom every building work requires to be constructed under building regulations. Building work consist the following actions; the erection, or extension of the building, the installation or extension of a service or fitting which is controlled under regulations. Also, an alteration project involving work which will temporary or permanently affect the ongoing compliance of the building, service or fitting with the requirements relating to structure, fire or access to and off the building, the insertion of insulation in cavity wall and finally the underpinning of the foundations of the building. The building regulations in United Kingdom vary depending in what part of the country you are. Governmental building regulations are valid only in England and Wales, while there founds own regulations in Scotland and Northern Ireland. The regulations between these areas are mainly same, but there founds slightly differences between each jurisdiction. (Kee 2011.)

9.5 Importing Wood Products to the United Kingdom

Company which imports goods to the market of the United Kingdom can do the import all by itself or use a specialized agent. The agent is person or company who is working in country imported and represents the company which is importing. They know the business and take care of daily running tasks.

(Forestry Commission 2007, 1.)

Not every tree species is controlled when imported to the UK, only the ones which are known to host harmful pests or diseases are subject to special requirements or, where the risk is too great and no effective treatment is known, prohibition. Some species are only controlled where they originate in certain countries where quarantine pests are known to occur. Those are: All conifers (Coniferae) e.g. European redwood and whitewood, maritime pine, spruce, pine, fir (SPF), western red cedar; originating in third countries (except wood which originates in a European third country and which is bark-free). Also spe-

cies controlled are Maple (*Acer saccharum*) (otherwise known as hard maple, sugar maple, rockmaple) originating in the USA or Canada, Sweet chestnut (*Castanea*) originating in any third country (except wood which is bark-free), Oak (*Quercus*) originating in the USA, Plane (*Platanus*) originating in the USA or Armenia and Poplar/Aspen (*Populus*) originating in countries of the American continent. When someone is importing goods within the European Union person needs plant passport.

(Forestry Commission 2007, 4.)

For the documentation importer needs either an industry or mill certificate, where permitted, or more usually a phytosanitary certificate. Where the material was first imported into the EU at another point of entry and the mandatory documentary check was carried out there, but not the identity and plant health check, you will need a Plant Health Movement document.

(Forestry Commission 2007, 2.)

9.5.1 Requirements

First the company or company's agent must register to Forestry Commission as a forestry trader. The company or the agent must meet certain requirements with regard to controlling the movement of consignments and keeping records before being authorized to handle imported material and have your premises inspected by an inspector to ascertain if it meets the standards required covering places of inspection e.g. storage areas separated from other accommodation and destruction facilities, if required, for any non-compliant material. Importer must give advance notification of landing to the Forestry Commission. The notification must give four working hours before landing with air cargo and three working days before with other cargo.

(Forestry Commission 2007, 3.)

9.5.2 Presentation of documents

The documents needed must present to an inspector during three days since import landed. Each consignment must be accompanied by either a phytosanitary certificate or an industry or mill certificate.

(Forestry Commission 2007, 7.)

The Customs document relating to each consignment of relevant material must include a statement that it contains produce of phytosanitary relevance, the reference number of the phytosanitary certificate, phytosanitary certificate for re-export or the industry certificate and the registration number of the importer. Certificate(s) must be fixed to the outside of the package for postal consignments. (Forestry Commission 2007, 8.)

Phytosanitary certificates includes the information that the goods have been officially inspected by the country of origin, complies with statutory requirements for entry into the EU, is free from quarantine pests and diseases and is substantially free from other harmful organisms. In addition, the phytosanitary certificate must describe the material to which it relates giving the species (scientific names), description (marks or lot numbers) and quantity of the material in terms of volume. It must also, where appropriate, state in the additional declaration section which of the alternative requirements (e.g. heat treatment, kiln-drying) has been met by reference to the relevant requirements.

(Forestry Commission 2007, 8.)

The industry or mill certificate can also be used. Under arrangements agreed between the EU and the plant protection organizations in Canada and the United States, derogations allowing for the use of industry and mill certificates instead of phytosanitary certificates for kiln-dried and heat treated material have been adopted. (Forestry Commission 2007, 8.)

9.5.3 Inspection

The plant health checks are made in approved points of entry to the Great Britain. The inspectors check that goods imported meet the documents they have received, that they have received all the necessary documents and that the plant meets with the regulations given in Plant Health Directive, such as there's no bark in it and it is treated in some way such as kiln-drying. When inspection is completed, importer will receive the certificate of clearance. That document

must present to the Customs with normal custom documents. The consignment contains produce of phytosanitary relevance must also be declared. (Forestry Commission 2007, 12.)

9.5.4 The Integrated Tariff of the United Kingdom

With import regulations the United Kingdom is following The Integrated Tariff of the United Kingdom. This includes all information needed when importing goods to the UK. This same kind of format is used throughout EU. The Tariff consists from three volumes. (HM Revenue & Customs 2011,11.)

Volume 1 contains essential background information for importers and exporters. It covers – duty relief schemes, contact addresses for organisations such as Department for Business, Innovation and Skills, Department of Environment, Food and Rural Affairs and Forestry Commission. It also contains an explanation of Excise duty, Tariff Quotas and many similar topics. (HM Revenue & Customs 2011,11.)

Volume 2 contains the 16,000 or so Commodity Codes set-out on a Chapter by Chapter basis. It lists duty rates and other directions such as import licensing and preferential duty rates. (HM Revenue & Customs 2011,11.)

Volume 3 contains a box-by-box completion guide for import and export entries – the C88 form, the complete list of Customs Procedure Codes (CPCs) for importing and exporting, Country / Currency Codes, lists of UK ports and airports both alphabetically and by their legacy Entry Processing Unit (EPU) numbers, and further general information about importing or exporting. (HM Revenue & Customs 2011,12.)

9.5.5 Taxes and other payments

Products imported into the EU are subject to only two "taxes" - value added tax (sic GST) and import duties. The value added tax (VAT) is paid at the point of entry into the EU. The level is set by the country to which the products are imported. For the UK the current level of VAT is 20%. (Kee 2011.)

Import duties are set an EU-wide level and are the same regardless of which is the country of entry. To determine what the import duty would be the company need an HS (Harmonised System) code. (Kee 2011.)

Who is responsible for paying these taxes depends on how the product is imported. In general, the person who has or takes ownership of the products from the point of entry is responsible for paying these taxes. (Kee 2011.)

9.6 The UK based competitors

At this time, there might not be any British company which imports wood roof trusses. Notwithstanding that trusses do not lend themselves well to container ship transport, these products are not considered high value. There are many UK manufacturers of roof trusses who supply a sufficiently good enough product at a low price. The memberships of the Trussed Rafter Association is 80+ strong and are only a small proportion of those supplying trusses in the UK market. (Kee, 2011.)

Canadians have had much better success with closed wall panels systems. Most UK based fabricators supply an inexpensive open panel, which Canadians have been unable to compete with on price. Particularly in the current economic climate, competition is so fierce for business, that many UK based fabricators are supplying product just above cost. (Kee, 2011.)

9.7 The Canadian based competitors

The market of the United Kingdom was quite popular for export among Canadian wall panel system manufacturing companies before collapse of country's construction markets in 2009 and 2010. Now, there is quite a few of Canadian companies in the market of the UK that produce wooden building materials. Most of these companies are part of the Super E UK - program. This was program for more energy efficient homes. Through manufacturers supported by the program consumers can buy homes that are energy efficient because of new green design and maximal use of sources of renewable energy. For example, in houses build within this program use of solar, wind and ground-sourced renew-

able energy systems are maximized. Program was endorsed by Government of Canada and backed by leading Canadian exporters of housing and services. The Super E –program also works in Ireland and Japan. (Kee 2011.)

There were 23 considerable competitors. Most of the competitors are located in Quebec and Ontario area and in Eastern Canada. Quebec had 15 of those companies. Most of them were close to the big cities, Quebec City and Montreal. Five of the companies were from Ontario, near Toronto and Ottawa. Nova Scotia and Newfoundland had three companies and in Western Canada, British Columbia, one. Competitors' variations of product were mostly same than Leon Chouinard & Sons. They can offer little more product variations or, like in a few cases, not as much. Some of the companies offer ready-to-move houses and also, different manufacturing methods, for example, module construction. In this case houses were built using prefabricated modules. However, some of the companies do not use prefabricated floor systems and they are fabricating their floors on-site. A Few of the companies also provide possibility to buy different types of timber and also ready-to-move full constructed and finalized houses. Here is some information about the competitors: (Super-E 2011.)

Alouette Homes head office is located in St-Alphonse-de-Granby, near Sherbrooke, Quebec. Company was established in 1971. Company exports only to the United Kingdom. The company produced two types of prefabricated houses. First type was modular home which means that it consists of modules that are substantially completed in factory surroundings. The modules include wirings, plumbing and kitchen cabinets. They are erected over foundations which are on building site. After delivery drywall taping, painting, floor-coverings and utility hook-ups are completed. (Alouette Homes 2011.)

Other method is method of panelized homes. They consist of pre-engineered subcomponents such as, walls and floors which are assembled on site. This type of subcomponent construction is also used by Leon Chouinard & Sons. The advantages of this method are unlimited design possibilities and decreased shipping costs. (Alouette Homes 2011.)

Company has its own the ÉcoTerra™ Wall System. The system takes into consideration the Code for Sustainable Homes Level 3 and above which effects in the United Kingdom. System gives thermal performance of $U = 0.17$ or better. The system meets with the Part A of the United Kingdom Building Regulations. (Alouette Homes 2011.)

The company Canadiana Homes is located in Dundas, near Toronto, Ontario. The company was established in 1992. In the company works about 30 employees. It manufactures and builds panelized and pre-engineered building systems for cottages, homes, chalets, garages, cabins, townhouses and apartment buildings. (Canadiana Homes 2011.)

The company has own Grow Home method for affordable housing. House is economical to build and makes very good use of land and services. The home is made to build in groups of 4, 6, 8 and larger blocks. The economy of construction exists because of the common walls separating each unit and the efficient use of the land. The materials could also be delivered in panelized method. (Canadiana Homes 2011.)

Clyvanor is company located in Saint Georges, Quebec, near Quebec City. It has about 110 employees and it was founded in 1977. Company produces prefabricated metal-plate floor and roof trusses and prefabricated wall panels. (Clyvanor 2011.)

DAC International is located in Ottawa, Ontario. It was established in 1994 by Drerup Armstrong Ltd. The company was established because they wanted to export Canadian wood products to the world. Nowadays it exports to Russia, Japan, the United Kingdom and the United States. The name of the DAC International's prefabricated house method is the DAC System and it is based on Super-E program. Company is co-operating in UK with Crendon Timber Engineering. (DAC International 2011.)

Located in Princeville, near Montreal, Quebec the Demtec Inc. has produced prefabricated timber frame products from 1986. Company exports products to various European countries, including the United Kingdom, and also to Japan,

China, the Bahamas, Egypt and the United States. Company has over 100 employees. It produces both timber frame homes and commercial / industrial buildings. The timber that company uses comes from FPS Certified forests. (Demtec 2011.)

Distribution Open Joist is located in Trois-Riviers, near Montreal, Quebec. Product was developed in 1980's by major truss manufacturer, Distribution Toiture Mauricienne. The Open Joist 2000 is open-web floor joist, and company has also new version of the joist called Open Joist Triforce which can be adjusted for better fitting on-site. The company uses the unused portion of wood and fingerjoints it for columns and trusses. At the moment they are not producing panelized walls. Company's targeted export markets are Europe, China and the United States. All together company employs 800 workers. Some of them are working in forestlands and sawmills. (Distribution Open Joist 2011.)

Faberca Inc. is located in Shawinigan, Quebec. It was founded in 2003 and it has about 20 employees. Company is quite active exporter and the countries which are exported are Iceland, Germany, Spain, France, Australia and the United Kingdom. The name of the company's affordable housing is Faberhaus. According to the company Faberhaus combines European design and Canadian house manufacturing. It can be purchased as basic version when indoors has to be built differently, or as ready-to-move house. (Faberca Inc. 2011.)

Company called Freneco Ltée was established in 1965 and it works in Portneuf, near Quebec City, Quebec. The number of employees is 40. They produce roof, and floor trusses, prefabricated walls, and L.V.L beams and columns. They are seeking out the market in the United States and the United Kingdom. (Freneco Ltée 2011.)

Based in Halifax, Nova Scotia, Interhabs Ltd. was established in 1975. It has about 40 employees in the company and it exports goods to several countries in Europe, for example, to the Netherlands, the UK, and Sweden, and also countries such as The Republic of Korea and Argentina. "With walls" is the name of the brand of the company and they also offer other timber products. (Interhabs Ltd.2011.)

La Charpenterie is located in Saguenay, near Chicoutimi, Quebec. Altogether, including sawmills and woodlands, company is employer of 65 persons. La Charpenterie was founded in 1972. In addition to prefabricated wall panels, roof trusses, and openjoists, and metal plate floor trusses, company also produces laminated beams. Main target to their export is Europe. (La Charpenterie 2011.)

Linwood Homes is operating from Delta, British Columbia. It is employer of about 100 employees. Linwood Homes Ltd. export to over 10 countries, including the UK, Germany, and Japan, and it is actively seeking chances of business from almost 30 countries, including Russia and France. It was established in 1968. The company offers a selection of cedar homes, post and beam homes, log homes and cabins. Houses can be sold either elements or full-constructed. However, interiors do not include to the package. (Linwood Homes 2011.)

Located in Montmagny, near Quebec City, Quebec, Maisons Laprise is employer of about 300 employees. It was established in 1989. Yearly sales are over 50 million CAD and the company export to France, Slovakia, the UK, Switzerland, Belgium and Saint Pierre & Miquelon. The company is actively seeking interest from the markets of the United States. Laprise manufactures pre-fabricated elements to residential, commercial and Habitaflex foldable module-based houses. (Maisons Laprise 2011.)

Modulex Inc. is located in Quebec City, Quebec. It has about 50 employees and it was established in 1965. It manufactures public, commercial and residential houses. Most of the production, about 75 %, goes to export. The countries exported are France, the UK, The United States of America, Germany, Spain, Switzerland and Japan. Also, company has carried out projects, for example, in Russia, China and Poland. Prefabricated panel production is based in Quebec but homes can also be manufactured in France. Products are transported in modules or as individual components. The company has a low-energy housing system called Polar Thermo-Plus.(Modulex Inc. 2011.)

NLBIC stands for Newfoundland & Labrador Builders International Corporation. It is located in St. John's, Newfoundland. The company was founded in 2005 with an objective to export Super E manufactured prefabricated products to for-

oreign markets. It is owned by 10 Newfoundland and Labrador companies. These companies together can offer what is needed to build a home. They can supply only one component, such as roof truss, or full-panelized home package. The community has exported goods to countries like Slovakia, the UK, Spain, France and Chile. (NLBIC 2011.)

Company called Noramerica is located in Gormley, near Toronto, Ontario. Company employs about 60 employees. It was established in 1979. It exports to various range of countries in Asia, Africa, and Europe and to the United States. Noramerica offers a wide collection of timber products from timber building packages and timber frame only and timber roof systems to pressurized timber and glulam timber. Therefore, it has quite variable combination of products. (Noramerica 2011.)

Nordic Engineered Wood was founded in 1961 and it is located in Montreal, Quebec. Including woodlands and sawmills, company has 650 employees. They are making effort to break in to the markets of the United States, the United Kingdom, France and Asia. Currently they are producing I-joist floor trusses, prefabricated wall panels and glulam-timber. They do not deliver prefabricated roof trusses. However, they can offer glulam roof-rafters. (Nordic Engineered Wood 2011.)

This company, Panexpert, is located in Saint-Isidore-de-Laprairie, about 30 km from Montreal, Quebec. They employ about 20 employees and they have been in business since 1974. Panexpert produces I-joist and metal plate floor trusses. Also, prefabricated roof trusses and wall panels are manufactured. Their price for wall, truss and panel combination includes windows, doors and siding. Panexpert do business at least in France, Switzerland, the UK and Spain. (Panexpert 2011.)

Located in Enfield, Nova Scotia, the Scotian Homes International offers job to over 50 employees. The company has been in business since 1946. Exports include various European countries such as Germany, the Netherlands and the UK. The company offer hardware for ready to move houses through sister com-

pany Enfield Hardware Ltd. The houses are being delivered either panelized or as a pre-cut material package. (Scotian Homes International 2011.)

Established in 1971, Structures St-Joseph ltée is employer of 90 persons. It is located near border of the United States in Saint-Joseph-de-Beauce, not too far from Quebec City, Quebec. They sell goods to North America and also to Europe and Asia. Company manufactures roof trusses, openjoist and metal plate floor trusses and wall panels. (Structures St-Joseph ltée 2011.)

Structures RBR was established in 1974 with name Les chevrons RBR. Company has now 60 employees and it is located in Saints-Agnes, about 50 km from Quebec City, Quebec. They export their prefabricated timber to the United States and Europe. (Structures RBR 2011.)

Ultratec Structures is located in Laurier-Station, near Quebec City, Quebec. It is employer of about 60 persons. They produce roof and metal plate floor trusses and also I-joists. Wall panels, and beams, and columns are also produced. (Quebec Wood Export 2011.)

Established in 2001, The Canadian Timber Company is located in Hamilton, Ontario. This city is about 30 miles from Toronto and Buffalo in the state of New York, USA. The product catalog seems quite the same with Leon Chouinard & Sons. However, the company only employs about 20 persons. Most of the export goes to the United Kingdom. The company uses prefabricated walls but they do not manufacture prefabricated floor systems. (The Canadian Timber Company 2011.)

Timberblocks head office is located in Mascouche, sub-urban of Montreal, Quebec. The corporation mostly produces log homes. They are exporting to the markets of the United Kingdom. (Timberblocks 2011.)

Truss Experts is a company located in Saint-Lin-des-Laurentides, near Montreal, Quebec. There are about 180 personnel working in Truss Experts. They produce I-joist, spacejoist, and metal plate floor joist, roof trusses, and panelized

walls. In addition, LVL beam and columns are also manufactured. They export their products to France, the United States, and the United Kingdom. (Truss Experts 2011, Quebec Wood Export 2011.)

Viceroy Homes Ltd. is business in Mississauga, Ontario. The city is sub-urban of Toronto. The company has founded over 50 years ago. The manufacturing of timber frame is either panelized or pre-cut. The company offers ready-to-move houses, therefore interior packages are also delivered by the company. It exports goods to about 35 different countries. (Viceroy Homes Ltd. 2011.)

10 INTERNATIONALIZATION PLAN FOR LEON CHOUINARD & SONS

This part discusses the researcher's opinion of getting into the United Kingdom market. The current situation is like Table No 3 shows:

	Strenghts	Weaknesses
Internal Surroundings	Comparatively Unique Product	Amount of Resources? (For example, Aquiring CE-mark costs)
	Experience in manufacturing of the Product	Inexperience of market in Europe
	Enough Capability to Increase Production	Lack of Personal Contacts
	Common Language	
	No Big Differences in Culture	
	Finished Product	
	Better Quality than Local Rivals	
External Surroundings	Improving Knowledge and Reputation of product this kind	Possible lack of interest and negative public opinion
	Positive Environmental Reputation of Raw Material	The Product Isn't Convince Enough
	New Building Regulations Give More Opportunities to Wood	What If There's No Enough Customers And All the Costs Are Higher Than Profit?
	Already Few Contacts to the Market	The Negative Reputation of Durability of the Raw Material
		Long Distance to Transport the Product
		Differences inside the UK (England, Scotland etc.)
		A lot of competition in manufactures producing from other materials

Table N:o 3. Leon Chouinard & Sons right now (Leon Chouinard & Sons 2011.)

10.1 Need of Internationalization

At this point, the company should investigate if there is a possibility to grow business in Canada. The industry is highly competitive and chances of increasing trade in the domestic market are a challenging task. The problem about changes of demand related to seasons in the domestic market, there is no change to that situation.

If the targeted market offers better potential than the domestic market it should be considered as a place for business. In this case targeted market offer potential place for business and also answers to the problem why there is need of internationalization. (Pelkonen 2010, 74–75.)

10.2 Resources

Before undertaking integration to the UK market, Leon Chouinard & Sons should make sure that they have enough resources to do that. For example acquiring the CE –marking is a pretty expensive and lengthy process. Also, transporting the product takes more money than in the domestic market so, it should be considered in pricing. However, company already has some experience of doing business abroad, and this information is priceless in this case.

If the business in the United Kingdom starts to produce orders the sufficiency of employees should be put under consideration. Is there enough staff to manufacture the product with increasing demand? And if there is not, is there a possibility to hire more personnel to work without problem. Should Leon Chouinard & Sons consider hiring a person responsible of foreign markets? The current situation where responsible of foreign market is also responsible of staff is not going to work if more trade with foreign countries will come. At least the responsibility of foreign trade should be divided between several people so information is not only one person's problem.

The products Leon Chouinard & Sons manufacture are relatively large and the distance to the targeted market is pretty long, almost 3000 miles, so shipping and trucking costs are relatively high. First the products will most likely be transported by road to Halifax, Nova Scotia where is a large harbor. There, the products will go to ship and they travel across the Atlantic Ocean and most likely land to the Western part of the United Kingdom to a big port such as ones in Liverpool and Southampton. Then the product has to be transported to the customer through roads or railways so it travels at least twice with truck and once in a ship.

The company already owns few trucks so it is easier and possibly little cheaper to transport products in Canada. Finding the best company to transport could be difficult task and in addition to price of the transport manufacturer should also consider the quality of transport. Packing the products well and right handle of them is priority. It takes long time to bring new products to replace the broken ones if there found some troubles with transport. Also the price of sending everything twice is expensive and argues with Transport Company about the reason of the accident takes a lot of energy.

However, the United Kingdom isn't very large and the roads and the railways of the country are comprehensive and high quality. That is why many great European-based logistic companies operate in the UK. Many of the UK-based logistic companies also operate worldwide. Biggest logistic companies in the country include Deutsche Post, Christiaan Salvesen, P & O European and TNT. At the end of the year 2008 government pointed a billion GBP's to improve country's roads, railroads and airports. (Finpro Country Report 2010.)

The United Kingdom has traditionally been nation which rules the seas. That is why they have a lot of new and efficient harbors. Country is surrounded by sea so it should be easy to find harbor near customer. Harbor industry is best in Europe and there founds most advanced harbors in the world. (Finpro Country Report 2010.)

10.3 The Mode of Operation

The mode of operation should be carefully selected. Because the resources are limited there is no possibility to use the most expensive ways to operate. The ways of operation and distribution are listed in chapter 2.5 and 2.6. Realistic modes are straight export, international licensing and franchising, international sales office, international co-operation and international co-operation contracts.

Export through different retail stores is the most realistic option. It is cheapest and easiest way to do. If the company can find good partners which are willing to do business with, this may be the best way to start the business. There is a risk that this way affects negatively to brand of the company if the product is

sold under some other company's brand. However this is small issue when the big picture is looked. Also other distribution channels are worth looking at. Agents and importers know well the market of the target country. They have important knowledge and experience about importing. If reputable agent is found it may also give important contacts to the market. This is also cheap way to do business but all the disadvantages should be noticed also. Like the knowledge of own staff is important factor.

Also international franchising and licensing should take into consideration. If potential co-operation company can be found this may be good way. If they have factory in the United Kingdom there is no problem about delivery times any more. It is cheap and low-risk option. This is also way to acquire information about the target market. The payment is acquired before the production so there is no risk to lose a lot of money.

If adequate person can be found to run the business, international sales office is also good option. This requires some resources but is still cheaper than establish a production unit to a foreign country and after all there is no sense to do that because there is enough capacity in home country. This option is good because it gives information about market of the target country and some contacts in there. Also brand of the company doesn't get affected by other companies. However delivery time can still be quite long and the nature and opportunities of the market should be discovered through some other method with lower risk.

10.4 The United Kingdom as a market

One of the greatest advantages when Leon Chouinard & Sons plans to integrate to the markets of the United Kingdom is that the targeted country is speaking same language than the company. Even though Leon Chouinard & Sons is mostly French speaking company, it has enough skill to do business in English. Customer support is much easier to handle when there is no need to do it in third language.

Even though the language of English is spoken in every part the country itself is not very united. Practically Scotland, Wales, England, Northern Ireland and

even the Channel Islands are separate markets. It may be profitable to focus to one part of the country and gain experience there and after that try to make business with other parts. Scotland could be good place to start because they have long tradition with timber frame and companies in there does not have as much doubts against timber frame than in other parts of the country. However, in England the market is bigger and it has more companies to do business with. Also, building regulations changed recently and building contractors are finding ways to meet the regulations. The greatest problem is to convince them with advantages of timber frame. Good way to spread information could be through contacts. The company should ask, for example, from the trade commissioner do they know people who have contacts to industry and through that try convince possible customers about the advantages of the Canadian manufactured timber-frame. The building regulations in Scotland also differ from ones in England. Leon Chouinard & Sons should investigate does the differences affect to their products. For example, regulations concerning insulation vary between Scotland and England.

To continue this project, Leon Chouinard & Sons should investigate more closely the market of the United Kingdom. The investigation could be completed with help from Canadian Trade Commissioner in London, England. They have a lot of information about building construction in the United Kingdom. Also, there was a possibility in the Market Research to respondents give their e-mail addresses to receive more information or do business with Leon Chouinard & Sons. That gave the company about ten e-mail addresses and also they received a few enquiries concerning their products therefore, they already have few contacts in the country. Even one UK-based timber frame erector was going to immigrate to Canada and he asked for a job. Therefore, they have already about ten possible contacts and through Trade Commissioner maybe even more. Also, local building trade fairs could be great opportunity to make Leon Chouinard & Sons more visible. Of course, personal visits are the best way to make business affairs, and it would definitely be profitable to send representative to get familiar with the market and companies in the United Kingdom.

The channel of distribution should also consider very carefully. Should products that the company manufactures be distributed straight to the small builder or should it be distributed through local building material supplier? It could be good idea to offer products directly to large companies because they most likely could buy their goods straight from the manufacturer. More dealers during distributing channel, the higher the final price of the product rises. This is major fact because timber price in the United Kingdom is pretty much same with closest competitors, steel and concrete. Also, the price advantage between pre-manufactured timber frame and traditional brick and block is still unconvincing and unknown.

Financial issues and the size of the markets should not be a problem when considering market of the UK. It is a modern European country and they want to cut their carbon emissions. This requires a change in methods of construction and there is good chance to break into the market. However, even though there is willing people to construct new home there is not enough available land to do it. It is relatively small country and they do not want to use too much land for building. Also, the price of the available land gets higher and higher. Also, the public opinion is questionable concerning timber construction.

The main advantage of the products of Leon Chouinard & Sons is that the producing is fast and assembly is easy. Also, the quality of the product is better than local ones and the company have decades of experience in manufacturing of timber products. The price of the product must be competitive against local competitors and against other Canadian companies and companies who manufacture same kind of products from different materials.

However, the price is key feature in this kind of product, and local competitors have advantage in this. Leon Chouinard & Sons should focus on product ranges where they can add significant value, such as floor systems.

10.4.1 Motives

The motives that should give to the customer to buy the product could be, for example, environmental issues. Wood is considered energy efficient and eco-

logical material in the United Kingdom and this is a fact that should be used in marketing product. Also, customers should know that prefabricated products are fast and easy to assemble. These are the facts that motivates customer to buy product this kind.

10.4.2 Message of the Company

The main message how the company is going to attract attention of the customers should be fast and easy assembly of the products and their good quality compared to local manufactories products. Also reducing effect to carbon emissions of wood should put to frame. The tradition of Canadian timber construction and experience of the manufacturer are good things to put weight on. However, it is not profitable to advertise ecological effects too much because some customers might think it is not energy efficient solution to transport timber all the way from Canada to Europe.

10.4.3 The Ways of Marketing Communication

In this case, when the targeted market is in other side of the world possible way of marketing could be through Internet. That is good because it offers way of communication which is cheap and almost all potential customers use it. Today, there founds many ways to do that in Internet. The possibilities are for example, e-mail advertising, banners and sponsoring your company to be first one in search engine results. However, Internet-based advertising is usually easy to ignore. The amount of junk e-mail and different banners is so large that the commercials of the company can be ignored by the customers. Sponsoring the search engine links is profitable when customer is actively seeking information about the products. If they are not interested or they are not aware about the product, this is not good way of marketing.

Advertising in industry magazines (such as Building and Premier Construction Magazine) might be good addition. It is pointed straight to the customers that company wants. However, it could be pretty expensive method of advertising. The number that it is needed to pay is comparable how large the magazine is and how many potential customers it will reach.

Direct Marketing is considerable now when there is no need to reach big masses. The letters of advertising can be sent through mail and it will reach the potential customers much more personally than e-mail advertising. The problem of this kind of advertising is that it will most likely not reach the people which make decisions in big companies. For reaching smaller companies this could be method of success.

Television advertising is not good method when in this situation. The amount of potential customers is relatively small and TV advertising is quite expensive. Radio is cheaper but it is not appropriate strategy because the product is not for masses.

Personal visits are efficient but expensive way of marketing. However, if company can find possible contacts this may be good way of advertising. Especially, if the contacts have already expressed their interest to products that company has to offer.

Trade fairs are also good way of advertising the product. They are not too expensive but they are directed straight to the persons who are involved in the industry. However, the company participating in trade fair has to make sure that they are in right type of fairs. If the fair is not planned for their product then it is not profitable to go there.

10.5 Recommends

The company should focus especially to Internet, Magazine, Trade Fair, Direct Marketing and Personal visits. Especially, last three are the ones that should be focused. They are relatively effective ways of advertising when targeted customers are so highly bordered. Magazines are also good option but it should be investigated how much it costs to advertise and what is the magazine which reaches most of the potential customers. Internet advertising and especially e-mails are realistic way of advertising for the company but it is not so effective. Usually e-mail advertising does not gather too much interest from potential customers because the number of e-mails received is large. Advertising through mail could be good, though it is slow and it may be hard to reach large compa-

nies because the number of post they receive is so large also. To reach smaller companies this may be way to try.

10.6 The importance of planning

Careful planning before making any move is priority in this project. All the possible do's and don'ts should be researched. The company should make a concrete strategy for the market of the United Kingdom where all predicted incomes and outgoings are listed and do the math is it profitable to transport the goods across the Atlantic Ocean. There founds risks with this kind of project, such as lack of partners, lack of resources and quick change in attitudes to negative way in the UK. Also, a local lawyer could be good to hire because contract negotiations are so complex. All together, the UK feels potential country to do business with, as long as limits of the business have been noticed. The products of Leon Chouinard & Sons fills definitely all the requirements needed to break in to the new market.

10.7 For further research

Further research ideas could include all the financial issues concerning import. That part was not included in this project. Also, the market study failed, so it may be good to perform again, for example, through telephone. Field study would be good to perform in some stage to have some touchable information. Other companies in New Brunswick area with interest to go to the UK should be discovered. Partner companies in domestic market are not bad thing at all.

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Market Research for Leon Chouinard & Sons

Dear receiver, What it comes to building, timber is the best product to build an energy efficient home. Leon Chouinard & Sons manufactures wooden roof trusses, insulated wall panels and openjoist floor systems. The company has over 30 years of experience in wood products manufacturing. We operate in Eel River Crossing, New Brunswick, in eastern part of Canada and our company employs 80 persons. Now we are searching customers and distributors in the market of the United Kingdom. It takes only a few minutes you to answer this questionnaire and by answering you will help Leon Chouinard & Sons to import a new, more ecological and energy efficient method of construction to the markets of the United Kingdom. For more information please do not hesitate to contact me. Thank you for your answers and have a nice summer! Yours faithfully, Sami Toppinen www.leonchouinard.com sami@leonchouinard.com

1. Your position in the company?

- ☐ Manager
- ☐ Responsible of purchasing
- ☐ Other responsibilities
- ☐ Other:

2. The number of persons your company employs?

- ☐ 1-49
- ☐ 50-99
- ☐ 100-500
- ☐ over 500

3. In which part of the United Kingdom is your company located? If several places, mark the main location.

- ☒ Channel Islands
- ☐ East Midlands
- ☐ East of England
- ☐ London
- ☐ North East

- ☐ North West
- ☐ Northern Ireland
- ☐ Scotland
- ☐ South East
- ☐ South West
- ☐ Yorkshire & the Humber
- ☐ Wales
- ☐ West Midlands

2(2)

4. Would you believe you are interested in buying or using Canadian wood construction products?

1 2 3 4 5

No interest at all ☐ ☐ ☐ ☐ ☐ I am very interested in these products

5. Do you think the market of pre-assembled wood products will develop in the United Kingdom?

1 2 3 4 5

No development at all ☐ ☐ ☐ ☐ ☐ They will become the most popular construction product

6. What is the main thing you appreciate in this kind of product?

- ☐ Fast Delivery
- ☐ Great Quality
- ☐ Reasonable Price
- ☐ Good Service
- ☐ Environmental Issues
- ☐ Other:

7. Would you believe you have interest in distribution of our products?

- ☐ Yes
- ☐ Perhaps, but I would like to receive more information
- ☐ No, I'm not interested
- ☐ No, our company is only a building contractor

8.If you are interested in doing business with our company or you would like to receive more information, please enter your email on field below.