

A Report for Potential Investors L E V E L 1

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**A REPORT FOR POTENTIAL
INVESTORS**

ENVIROPOWER

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Company Profile

Name of Company:

Enviropower

Background Information:

Enviropower started out in Toronto Ontario (Canada) in 1986. For the first couple of years the company sold to all of Toronto and the surrounding area and did not do overly well. However as time went on the company grew and gained recognition and business started picking up. The company also gained from the Kyoto Protocol and then started selling to all of Canada. Due to the need for environmentally friendly, renewable resources, we then started to sell to the northern United States.

Product:

Wind turbines that are environmentally friendly sources of renewable energy.

Current Canadian Market:

In Canada there are currently about two hundred and fifty different types of wind turbines manufactured by more than sixty different companies. Each wind turbine that is used to power industrialized areas costs approximately four to five hundred thousand dollars. This price however, is steadily decreasing because turbines are being used more and more. (Soren Krohn, managing director, Danish wind Industry Association.) In Canada, wind turbine companies are doing very well. This is due to a couple of things. The first reason is that there is a high demand for renewable resources since the Kyoto Protocol. The second reason is that there are many campaigns such as Greenheat, which promote the idea, and the last reason is that the government promotes it too. The way that things are going right now renewable energy sources such as wind turbines could provide twenty-one percent of Canada's energy by the year two thousand and fifty. (Canadian association for renewable energies, paragraph 5). It is clearly evident in Canada that there are many people interested in this trend because there are more turbines being bought every day. It can be seen that wind energy is becoming one of the main sources of energy both in Canada and across the world.

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Rational for expanding into international markets:

After research it was noted that there was a need for renewable energy in Sweden. According to the Canadian foreign affairs agency, Sweden is very concerned with taking care of the environment (Government of Canada, "Trade with Sweden", paragraph 5).

International Expansion

Location:

Stockholm, Sweden

Legal Factors:

The country of Sweden is a free enterprise economy. It promotes free trade and its also known to be a firm supporter of the World Trade Organization (Government of Canada, "About Sweden", paragraph 4).

Cultural Factors:

When in Sweden it is important to know that people expect to be addressed by their surnames. Other factors that should be taken into consideration are that people in Sweden do not talk with their hands or participate in any physical contact except handshakes. Men should also remove their hats when socializing with or addressing women (Axtell, R. 1998).

Economic Factors:

Sweden is a country heavily dependent on trade. The country also has a very developed industrial sector resulting from the country's natural resources (Government of Canada, "About Sweden", paragraph 4).

Existing Competition:

In Sweden, about eighty percent of all wind turbines are owned individually, not by companies. Sweden however wants fifty percent of their energy to come from renewable energy sources. This means that there is room for growth in the market which Enviropower is part of. There are also very good wind speeds in Sweden, which would make expansion a smart move (Soren Krohn, paragraph 1).

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Needs and wants of new customers:

According to the Foreign Affairs Agency of Canada, Sweden is very interested in wind energy because it is an environmentally friendly source of renewable energy. Currently wind turbines are primarily used for residential use. However, there is a growing need for turbines for industrial use (Soren Krohn, paragraph 1).

Modifications:

There are not many modifications that would be necessary in order for Enviropower to expand its markets to Sweden. The first thing necessary is that the anchoring of the turbines must be different because of different soil types, location of bedrock, etc. The second modification necessary is that labels would have to include Swedish and German, rather than only English. The last modification would be to change the Canadian dollar into the Swedish krono. (www.infoplease.com/countries.html)

Distribution plan:

Enviropower plans to distribute their product to any buyers in Stockholm, Sweden. Sweden has a very well advanced infrastructure, which includes one or more telephones per house. It is also a fact that about six percent of the eight point eight million people in Sweden have the Internet. Sweden also has 210,760 km of highways, many harbours, and a good train system. All of these factors make it very easy to do business in Sweden. (www.infoplease.com/countries.html)

Mode of Delivery:

The mode of delivery that I chose is as follows. Enviropower would truck the turbines from their plant in Toronto to the harbour in Halifax. From there it would be shipped to the port in Stockholm, Sweden and then could be trucked again to any location in Stockholm. I chose this method because the amount of accessible highways both in Sweden and in Canada. ((www.infoplease.com/countries.html)

Cost Factors:

The costs involved in expanding into Sweden are the costs for shipping the product, the cost of the product, and tariffs, which would be minimal.

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Biography

www.renewables.ca

www.infoplease.com/countries.html

www.dfait-maeci.gc.ca/canadaeurope/sweden/tradewith_sweden/-en.asp

www.windpower.dk/articles/wtmindk.htm

Roger E. Axtell, *Gestures: The do's and TABOOS of body language around the world*, 1998.

Teacher's Notes**Knowledge/Understanding**

- The student describes current market conditions in Sweden with limited accuracy. He or she provides minimal information about legal, cultural, and economic factors and does not relate it to the product (e.g., “Men should also remove their hats when socializing with or addressing women.”). The student recognizes that Sweden is “a free enterprise economy” and also a country that is “heavily dependent on trade”. However, he or she does not identify any existing competition but merely states that Sweden has a target of 50 per cent renewable energy.

Thinking/Inquiry

- The student interprets the needs and wants of new consumers with limited effectiveness. The student establishes that “Sweden is very interested in wind energy” because it is “environmentally friendly”. The student also establishes the fact that, at the present time, “wind turbines are primarily used for residential use” and that “there is a growing need for turbines for industrial use”. However, he or she does not explain how and why Enviro-power might fulfil such a potential need in the market.
- The student analyses modifications to the existing product with limited effectiveness. He or she indicates that “the anchoring of the turbines must be different because of different soil types”, but this would be true of installing turbines in many areas of Canada as well. There is no information as to whether the Canadian turbines would have to be modified in order to be integrated into the power system in Sweden; nor is there any mention of the assembly and installation required, and no locations are mentioned.

Communication

- The student communicates the potential of the proposed expansion for success with limited clarity. The report contains a table of contents and is organized into appropriate sections. The student explains why wind turbine companies are doing well in Canada, but does not successfully establish

that there is Swedish interest in importing turbines from Canada. The tone of the report is factual, but lacks a persuasive element. The student states that Sweden’s “210,760 km of highways, many harbours, and a good train system” will assist in the delivery of the product, but he or she also includes statistics that are not relevant to the report (e.g., “one or more telephones per house”, “six percent [of the population] have the Internet”).

Application

- The student provides a rationale for the international expansion of limited effectiveness. The report identifies a new market that may have potential, but does not provide the kinds of details or analysis needed to make a good case for expansion. For example, the student identifies the product as “turbines that are environmentally friendly”, but he or she does not clearly describe the types of turbines that are being marketed or relate this information to demand in the Swedish market. The company profile indicates that more turbines are being sold every day in Canada but gives no details about the company’s market share or why the company needs to expand internationally. The student provides a limited amount of information that could be used by investors to make sound decisions.

Comments

This work is representative of a level-1 performance. The student demonstrates a limited degree of achievement of the expectations in all four categories of knowledge and skills.

The result is a report that only partially makes the case for international expansion.

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Next Steps

In order to improve his or her performance, the student needs to:

- conduct more in-depth research into all requirements of the task;
- be more precise in statements that describe the current market situation;
- clearly define the nature of the product;
- be more selective in the types of information included in the report;
- provide more detail concerning the company's proposed marketing strategy in the target market;
- further develop product modification plans based upon a European market;
- further develop arguments justifying international expansion from the investor's perspective;
- provide more specific and referenced data for investors.