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Squirt Air

A Report for Potential Investors

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Company Profile

Name of Company

Squirt Air

Background Information

This business was founded in 2002; it is currently situated in Ottawa, Ontario, Canada. The product is manufactured in Canada, and there are 10 employees on the payroll not counting the 2 family members who help when they can.

Product

This product is called the Squirt Air Portable Mist Fan. It is a small, plastic, battery powered fan, which has a bottle attachment for water, allowing the user to spray a refreshing mist, which will be cooled by the fan.

Current Canadian Market

Situated in Ottawa, the business is doing very well. The main thought is that the business has done so well in the Canadian market that it is time to seek new business in another market. That is why this business is expanding internationally to Portugal. The competitors in Canada are not doing as well as Squirt Air Portable Mist Fans, or doing just as good yet only seeking business in Canada. That is why it is a smart decision for this company to go international. The current Canadian Dollar Value in Portugal is: 1 CAD = 126.330 PTE.* Compared to the Canadian Dollar Value in the United States: 1 CAD = 0.736403 USD. This is good because selling the product in Portugal would be better than selling the product in the United States, which is where most people tend to want to expand their business to. Therefore this is a direct advantage for the business being in Portugal, because exported goods give more profit to the company when the dollar value in the expanding company is less.

Rationale for Expanding into an International Market

This business will be very successful in Portugal because it is hot for a majority of the year. It is hoped that there is a demand for the product in Portugal, because the Squirt Air Portable Mist Fans have been so successful in Canada. In Portugal the weather is warm for seven out of the twelve months. From April until October the weather is 22-33° C. That means that Portugal has more summer months than Canada. If Canada has been so successful in providing consumers for this product then it will be even more successful in a country like Portugal that has four months more of summer compared to Canada. Research showed that there is only one current competitor in Portugal called Arktikooling. We have an advantage here though, because Arktikooling is a manufacturer of fans in general and the small amount of portable fans they produce do not have

*The euro was not in circulation in Portugal at the time the student conducted his or her research for the exemplar task.

HIGH LEVEL 1

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mist. The disadvantage for them is that only the customers that go into their store to purchase household fans will only purchase the portable fans if they catch their eye. Squirt Air Portable Mist Fans on the other hand produce only portable mist fans and that will be the only thing customers will look for in the business.

Businesses usually go international to expand the market size and expand the sales. Squirt Air Portable Mist Fans is moving to Portugal for just that reason. This company wants to increase the market size which will allow them to have more customers to sell to and an opportunity to make more money since they will have a greater amount of people to produce the product for.

International Location

Name of Country

Portugal

Existing Market Conditions to Consider

Legal Factors

For the legal factors the owner of the business has to get his/her building inspection and permit complete. This is done through the Government of Portugal. Acquiring contracts with people to unload and stock the product after it has arrived in Portugal is also another legal factor. The rental cost for truck transportation and boat transportation will also be dealt with as legal factors.

Cultural Factors

The different cultural factors that should be considered is the different types of clothing people choose to wear in the country, the different religion practices are also a factor to consider because the product that a country produces may be against or offensive to their religion. Squirt Air Portable Mist Fan does not fit under any of these religious beliefs because it can be compared to all the other things that Portugal produces for their people such as, house fans. Holiday dates should also be considered such as, when they dedicate a day of peace to the Virgin Mary (Miriam in Portuguese). This is in Mid May, when all shops must be closed and all in the streets must be in total peace or in the church expressing their belief. Language barriers are also a factor to be considered in any country a business expands to.

Economic Factors

The economic factors of expanding to Portugal are, how much it will cost to add a new location in Portugal. The currency in Portugal is currently 1 CAD = 126.330 PTE. This is good because it is

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cheaper for the business owner to hire people to service the product in Portugal because the Canadian dollar is worth more than theirs, so it will cost less.

Existing Competition

The only major competition found in Portugal is “Arktikooling”. That company mainly work around supplying household fans and air conditioning. Although they have minimal sales of portable fans, Squirt Air Portable Mist Fans will only sell portable fans and the accessories that may go along with the product. This is an advantage for us; it is just a difference that will help ease the tension of the competition. The evidence of this minimal sale of portable fans by Arktikooling is seen through their website because they say that they give them out with the purchase of a household fan which ranges from \$15-\$200 American dollars. They do not specialize in the portable fans therefore Squirt Air is at an advantage.

Other Factors

Other factors that should be taken into consideration are whether or not there is available land in Portugal and if this land is at a good location for business.

Needs and wants of Consumers in the Targeted Market

The customer that purchases the Squirt Air Portable Mist Fan wants to cool down in the hot summer weather of Portugal. Some customers will want to buy the accessories that come with the product to increase the luxury of the product. These products include necklace straps to hold the fan, a belt pouch, additional water jug sizes so that the customer can store more water at a time to allow fewer stops to refill the bottle.

Necessary Modifications to the Product

The product will not have to be changed physically to be sold in Portugal because they have no major cultural differences that hold them back from using this product. The only thing that may be changed is the design on the product so that it can relate to the current trends and television shows that they watch. Also soccer is a popular and frequently played sport in Portugal so the fans will have different designs for the different teams that play.

Distribution Plan

The main mode of delivery from Canada to Portugal will be by boat or plane. This is depending on the quantity shipped at once. Plane delivery, which is more expensive, will be used when a large shipment will be needed as soon as possible. Boat delivery, on the other hand, will be mainly used for an order that is made ahead of time and is just being made to be on the safe side for the next month of sales. It is cheaper so it will be better to use this method of transportation as much as possible. Truck or van delivery will be used only to deliver the product to the store.

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Cost Factors

Boat fees, plane fees and truck fees are factors to be considered. The plane is the fastest, therefore making it the most expensive. Boat takes much longer, making it less expensive. Truck transportation may vary according to the distance travelled, although truck is only for short distances that do not involve overseas. Also there are wages for pilots, boaters, and truck drivers.

Other Logical Issues

Sourcing: the similarities and differences between the technology used in Portugal.

Physical Distribution: the labour needed to load and unload the product.

Information Management: the level of communication between the countries.

Bibliography

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Teacher's Notes**Knowledge/Understanding**

- The student describes current market conditions in the selected international location with limited accuracy. He or she identifies both the existing competition and the edge that the Canadian company will have in the marketplace. However, little information is provided about legal, cultural, and economic factors, and the information that is provided is often irrelevant (e.g., the festival in mid-May has no bearing on the sale of portable fans) or not fully integrated into the report (e.g., the student identifies the need for a "building inspection and permit" but does not mention building anything). The student identifies the exchange rate but does not correctly assess its impact on pricing and profitability.

Thinking/Inquiry

- The student interprets the needs and wants of new consumers with limited effectiveness. The student relates the needs of consumers to the climate ("The customer . . . wants to cool down in the hot summer weather of Portugal."). He or she lists accessories that come with the product ("necklace straps to hold the fan, a belt pouch, additional water jug sizes") but does not indicate whether there is a market for such items in Portugal. Apart from referring to the warm weather, the student does not provide any evidence that Portuguese people would use and enjoy portable fans.
- The student analyses modifications to the existing product with limited effectiveness. He or she explains that the only changes needed are design changes to match "current trends and television shows that they watch", but the precise nature of these changes remains unclear. The student makes no mention of developing new accessories or the need to translate documentation into Portuguese.

HIGH LEVEL 1**Communication**

- The student communicates the potential of the proposed expansion for success with some clarity. The student uses a formal report style, though without a table of contents or any kind of summary, and makes a reasonable case for the uniqueness of the product. He or she enthusiastically describes the product in detail and confidently assures potential investors that no other existing company in Portugal specializes in portable fans, thereby indicating that the Canadian company would fill a void in the Portuguese market. However, the student’s reasoning is sometimes hard to follow (e.g., Why are transportation costs considered a legal factor? How will the design of the portable fans be influenced by Portuguese soccer teams? Why is land in Portugal a factor?).

Application

- The student provides a rationale for the international expansion of limited effectiveness. He or she establishes the current situation in the Canadian market but does not provide any detailed reasons for expanding internationally, stating merely that “the business has done so well in the Canadian market that it is time to seek new business in another market”. Moreover, the choice of Portugal is not supported by convincing arguments: the student does not fully understand the significance of exchange rates, and assumes that there will be a strong demand for the product in Portugal “because it is hot for a majority of the year”. There is a limited amount of information that investors could use to make decisions, and the information is not referenced.

Comments

This work is representative of a high level-1 performance. The student demonstrates a limited degree of achievement of the expectations in the Knowledge/Understanding, Thinking/Inquiry, and Application categories of knowledge and skills. However in the Communication category, the student demonstrates some degree of achievement – i.e., achievement that is more characteristic of level 2.

The result is a report that displays originality in the creation of a fictional company but fails to produce any endorsement or compelling reason why anybody would want to carry around a portable mist fan with additional bottles of water.

Next Steps

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

- conduct more in-depth research into current market conditions in Portugal;
- be more selective in the types of information included in the report;
- provide more detail concerning consumer demand for the product;
- further develop product modification plans based upon consumer needs and wants;
- clarify arguments justifying international expansion from the investor’s perspective;
- provide more specific and referenced data for investors;
- proofread carefully to eliminate awkward sentence construction.