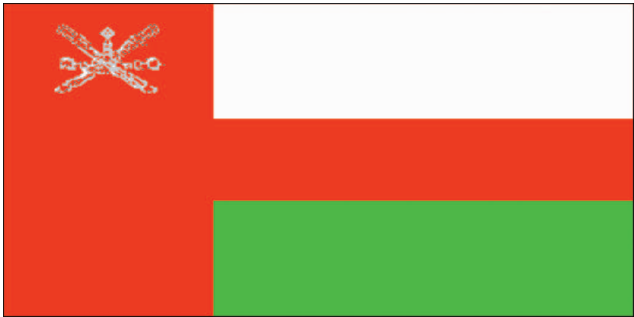


A Report for Potential Investors L E V E L 4

A

A REPORT FOR POTENTIAL INVESTORS

EXPORTING TEXTBOOKS
TO OMAN



CanEd Publishing Company

B

CanEd Publishing Company

Exporting to Oman – Proposal

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EXECUTIVE SUMMARY

The purpose of every company is to make a profit; sometimes this leads a company to outgrow its original market. Such is the case for CanEd Publishing Company, a Canadian company that publishes textbooks and support materials for the primary and secondary school markets. CanEd currently controls a large portion of the market in Canada, and has consistently shown a profit for the past eight years. The limited opportunity for growth in the Canadian market has prompted CanEd to look elsewhere for opportunities to expand the company.

CanEd has discovered a prospect for the growth of the company in the Middle East nation of Oman, that has recently undergone a major transformation from a third world country to one of the most promising economies in the region. Due to the increase in wealth and living standards in Oman, the education system has recently begun to grow and flourish. The development of schooling in Oman has created a major need for educational resources and materials, and Oman is interested in purchasing large amounts of teaching materials. CanEd firmly believes that it can provide the resources Oman is interested in purchasing, thereby capturing a healthy market share in a foreign country.

This expansion for CanEd is not without difficulties. The difference in cultures between the two nations may lead to unintentional disrespect, and the language barrier could prove to be difficult, although the lingua franca in Oman is English. There are, however, many positive and exciting aspects to developing a business in Oman. The nation is just beginning to mature and by gaining control of a part of the market now could lead to future prosperity for CanEd.

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CanEd has developed a comprehensive guideline for the distribution of its product to the Omani market and has made contacts to the appropriate agencies and personnel in Oman to begin exporting the goods as quickly as possible. A network of transportation including shipping, flying, and on-land transport has already been developed between North America and Oman, as well as between the different settlements within the country. Oman has a modern telecommunication network, allowing for communication between the head office in Toronto and Oman.

All the information CanEd has received and discovered has led the company to believe that the best way for CanEd to continue growing and earning a profit is to begin exporting our products. Oman provides CanEd with a developing market in which to enter, and eventually control. Expansion into Oman may possibly lead to future competitiveness not only in that nation, but throughout the rest of the Middle East.

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CanEd Publishing Company

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I. COMPANY PROFILE: CanEd PUBLISHING COMPANY**Background Information**

CanEd Publishing Company was founded in 1985 and is a privately owned and operated Canadian company which publishes educational resources, such as textbooks and support materials. CanEd has its main headquarters in Toronto, Ontario, with regional offices in Vancouver, British Columbia, Halifax, Nova Scotia and Edmonton, Alberta. CanEd currently employs over two hundred personnel, not including authors, who are contracted out. In 2001, CanEd had a revenue of \$11 million¹ and a net income of \$3 million. CanEd's largest markets are Ontario and British Columbia, and it controls a large portion of the market share in those markets.

Product

CanEd publishes textbooks and support materials for the elementary (kindergarten through grade eight) and the secondary school (grades nine through twelve) markets. CanEd currently has 326 titles in print, with over 70 new titles published in 2002. CanEd publishes textbooks in the following subjects: math, science, social studies, geography, history, business education and family studies. Support materials include CD-ROMs, answer books, teacher guides, test banks and student study guides.² CanEd publishes books in both English and French, and is capable of publishing in other languages. CanEd does not maintain a staff of writers; instead authors are contracted out, allowing CanEd to publish textbooks in a variety of subject areas.

¹ All figures in Canadian dollars, unless otherwise stated

² based on McGraw-Hill Ryerson textbook subject areas

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Current Canadian Market

In Canada, the book publishing market is valued at over \$1.7 billion, and the export of Canadian books has tripled since 1989.³ In 2001, there were 2,777,230 secondary school students across Canada.⁴ Total expenditures on elementary and secondary education was \$36 744.7 million, with operating expenditures, which includes textbooks, amounting to \$9 788.1 million in 1997.⁵

The market for textbooks across Canada, especially in Ontario, is expected to change dramatically over the next few years. The increase of Internet learning and CD-ROM textbooks will also affect the market in Canada. It appears as if there will not be an increase in the funding for textbooks across Canada. In British Columbia for example the specific funding for the purchase of learning resources, such as textbooks, has been discontinued and replaced with the allocation of funds to individual districts to spend as they see fit, which may result in less spending on textbooks in British Columbia.

It is expected that Ontario will cause the largest change in the textbook market in Canada, because of the government's decision to reform its high school curriculum into a four-year program from a five-year program. Last year, in Ontario, there was an additional \$15 million investment in new grade twelve textbooks, but because there will be one less year of secondary education in Ontario, the number of textbooks required in our largest market will decrease.

³ Association of Canadian Publishers. <<http://www.publishers.ca/TenFacts.html>>

⁴ Stats Canada. <<http://www.statcan.ca/english/Pgds/educ40a.htm>>

⁵ Stat Canada <<http://www.statcan.ca/english/Pgdb/educ10a.htm>>

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II. RATIONALE FOR EXPANDING INTO AN INTERNATIONAL MARKET

There are three main factors that CanEd considered when deciding to expand into the international market: lack of opportunity for expansion in the Canadian market, the increase in the use of technology for learning in Canada and the perceived emergence of a large market for educational resources in developing countries, such as Oman, a small country in the Middle East.

In Canada, the room for growth and expansion is very small. The population of Canada, at 31 million, is comparatively small. Virtually all children attend elementary school, and the vast majority attends secondary school. However, enrolment is on a downward trend⁶, which results in schools closing, causing less of a need for textbooks. We do not perceive that CanEd's market share in Canada will increase by a great margin in the near future, so we must look for other opportunities in which CanEd may grow.

In Canada, there is a transition away from traditional learning formats, such as textbooks, to more technologically advanced resources, such as textbooks available on the Internet or in CD-ROM format. Most homes in Canada have a computer and access to the Internet. These new forms of learning materials will quickly become competition for, and in time replace, traditional resources, diminishing the domestic textbook market. Developing countries, such as Oman do not have the infrastructure for technical capabilities to support online learning or other computer-based learning resources. Oman will require something more accessible to all, which CanEd will be able to provide through its textbooks.

⁶ <http://www.statcan.ca/english/Pgdb/educ40a.htm>

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Oman will provide CanEd with an emerging market. In Oman, the education system has changed dramatically since 1970⁷, and is just beginning to develop its formal education system. Because the government currently has few educational materials it must purchase all the resources for the students during the next few years. If CanEd can capture a large part of the educational textbook market during these formative years, then it is felt that CanEd should be able to control, or dominate the market as it continues to grow and prosper.

⁷ Allen, Calvin H., Jr. *Oman: The Modernization of the Sultanate, 1987*

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III. CURRENT MARKET CONDITIONS IN OMAN**Legal Factors**

All companies and personnel working within Oman are expected to comply fully with Omani law. It is useful in Oman for foreign companies to retain legal counsel for guidance on labour, investment and tax laws, as well as information on the licensing procedures and resolution of commercial disputes.⁸ A foreign company must be registered with the Ministry of Commerce and Industry and the Oman Chamber of Commerce and Industry, and a fee must be paid. In Oman, there is protection against trademark infringement, but there is no similar protection for copyrights or patents.⁹

Cultural Factors

Oman has gone through a radical change since Sultan Qaboos came to power in 1970. Since that time Oman has been transformed from a country with no infrastructure to a nation that has modern healthcare and communications. As a result, the population of Oman has soared. Over fifty percent of the population is under fifteen and the birth rate for the past ten years has risen between three and four percent annually.¹⁰ The large proportion of youth in Oman creates a large market for educational resources for elementary and secondary schools, from which CanEd hopes to benefit.

The culture of Oman is far more conservative than that of Canada. Beginning in grade five, children are separated based on gender.¹¹ From that point on, males and females are taught separately, using different curriculum.

⁸ Trade and Investment Canada. <http://strategis.ic.gc.ca/cgi-bin/sc_mrkti/ibin/ddc/searchCCG.pl>

⁹ U.S. Department of Commerce. <<http://strategis.gc.ca/SSG/dc9198e.html>>

¹⁰ Trade and Investment Canada <http://strategis.ic.gc.ca/cgi-bin/sc_mrkti/ibin/ddc/searchCCG.pl>

¹¹ Allen, Calvin H., Jr. *Oman: The Modernization of the Sultanate*. Colorado, USA: Westview Press, 1987.

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Economic Factors

The government of Oman has been spending increased amounts of money on education since 1970. In 1975 education accounted for 2.4 percent of total government expenditures. In 1990, spending on education had increased to 11.2 percent. While an improvement, it fell far short of the government's plan to spend 28 percent.¹² By 1997, education accounted for 22.1 percent of total government expenditures. While the lack of the predicted increase in education funding can be troublesome, it may be accounted for due to the decrease in oil prices over the past decade.¹³ Because Oman relies so heavily on oil for revenue, this has been a significant factor of the nation's economy.

In the future, the government is expected to increase education spending. Its medium-term goal is to ensure all six-year-old children are enrolled in primary school, expand primary and secondary education into rural areas and introduce new student testing and curriculum programs.¹⁴

Existing Competition¹⁵

While the Omani government does not publicly release the winners of government contracts, there are around a dozen companies which have begun to dominate Oman's education market, albeit in many different capacities. These companies include: Suhail and Saud Bahwan, Oman Zawawi Establishment (OMZEST), Subair Enterprises, Khimji Ramdas, Mohsin Haider Darwish (MHD), W. T. Towell and Tawoos. Because the use of English is so widespread in Oman, a number of British textbooks and support materials are exported to Oman each year.

¹² Library of Congress Country Studies. <[http://memory.loc.gov/cgi_bin/query/r?frd/ctdy:@field\(DOICID+C+om0031](http://memory.loc.gov/cgi_bin/query/r?frd/ctdy:@field(DOICID+C+om0031)>

¹³ Allen, Calvin H., Jr. *Oman: The Modernization of the Sultanate*. 1987.

¹⁴ Library of Congress Country Studies. <[http://memory.loc.gov/cgi_bin/query/r?frd/ctdy:@field\(DOICID+om0031](http://memory.loc.gov/cgi_bin/query/r?frd/ctdy:@field(DOICID+om0031)>

¹⁵ Trade Partners UK. <<http://www.tradepartners.gov.uk/text/education/oman/doingbusiness/doingbusiness.shtml>>

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Current Education System in Oman

The education system, like much of the infrastructure in Oman, has changed dramatically since 1970, with the ascension of Sultan Qaboos. Prior to 1970, there were only three primary schools in Oman, a religious institute, three private schools and one United States missionary school. 16 Within the first five months of the Sultan's rule school enrolment increased by 662 percent. By 1997 there were 557,884 students in 1,098 schools in Oman, including 139,000 females.

The education system is directed by the Council for Education and run by the Ministry of Education and Youth. Education is divided into three sections: primary (six year program, ages 6 to 12), preparatory (three year program, ages 12 to 15) and secondary (three year program, ages 15 to 18). Upon graduation, students receive a Thanawiya Amma, or Secondary School Leaving Certificate. 17

1V. NEEDS AND WANTS OF CONSUMERS IN OMAN

Because of the rapid growth of the education system in Oman, the government will be required to purchase a large quantity of additional learning resources, which CanEd will be able to provide. Oman will require learning resources for all grades and subject areas, some of which may be different than areas currently covered in Canada. In Oman, pupils in elementary are taught subjects such as Islamic education, Arabic language and vocational activities, which are not taught in Canada. These subjects continue through the preparatory and secondary education, with the addition of home science for the females and agricultural activities for the males. 18

¹⁶ Library of Congress Studies. <[http://memory.loc.gov/cgi_bin/query/r?frd/ctdy:@field\(DOCID+om0031\)](http://memory.loc.gov/cgi_bin/query/r?frd/ctdy:@field(DOCID+om0031))>

¹⁷ Higher Education System Database. <<http://www.usc.edu/dept/education/globaled/wvcu/background/Oman.htm>>

¹⁸ International Bureau of Education. <<http://www.ibe.unesco.org/International/Databanks/Dossiers/mainframe.htm>>

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V. MODIFICATIONS TO THE PRODUCT

There are many necessary modifications to CanEd textbooks that will be required in order to market them in Oman. Oman is an Arabic-speaking nation, and books will need to be published in Arabic. However, because English is such a common language in Oman, English textbooks are required as well. In order to overcome the language barrier, CanEd will contract Arabic-speaking educators to author new books or translate existing ones. Production and manufacture of the texts is not expected to be an issue, as CanEd has published in different languages for many years.

Another issue with exporting CanEd textbooks and support materials to Oman is the difference in culture. Compared to Canada, Oman is a conservative country. This cultural difference must be kept in mind when writing the text and selecting the illustrations. For example, in Oman it is considered in bad taste for a woman to expose her shoulders. 19 Therefore, CanEd will ensure that all images are acceptable to most Omanis.

The textbooks will have to be modified to reflect the fact that subjects taught in school in Canada and Oman can be quite different. Certain subjects taught in the Omani curriculum, such as Islamic education, Arabic language and Oman studies (civics) are not commonly used in Canada. This will require CanEd to become accustomed to these new topics in order to hire qualified authors to write new texts. Other subjects such as mathematics and science, are taught in Canada, but the teaching style and content may be radically different in Oman. CanEd must be able to recognize these differences in education, and revise existing texts to reflect the education style in Oman.

¹⁹ Chamber Oman. <http://www.chamberoman.com/glance_occi_society_culture6.asp>

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CanEd Publishing Company

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V1. DISTRIBUTION PLAN**Mode of Delivery**

There are two possible ways to export CanEd products into Oman, by air or sea. Over the past few decades Oman has greatly improved both modes, by building larger airports and deepening the seaports. Because shipping the products by sea is less expensive than air, CanEd will be delivering the textbooks to Oman by container transshipment, landing at either Port Raysut in Salalah or Sultan Qaboos Port in Muscat.²⁰ This should benefit CanEd increasingly in the future, because of plans for a free-trade zone in the seaport areas.

Because there are no railways in Oman, the goods will need to be transported via moving vans to their destinations. This is achievable because of the modern roadways going to all major population centres in urban areas. The government is working to further improve the existing highways and link small villages by paved road.²¹ The goods will be stored in warehouses until delivered to their final destination.

Regional Host

In order for foreign companies to do business in Oman, they are required to obtain an Omani agent. The agent must be an Omani citizen, and the agency must be majority Omani owned and operated. Agents are especially useful when selling to the Omani government, the main economic force and buyer of educational materials. The agreement between the agency and company must be approved by and registered with the Oman Chamber of Commerce and Industry.²²

²⁰ Trade and Investment Canada. <http://strategis.ic.gc.ca/cgi-bin/sc_mrkti/ibin/ddc/searchCCG.pl>

²¹ The Omani Centre For Investment Promotion and Export Development. <<http://www.ociped.com/investments/infrastructure.asp?ulink=1>>

²² Trade and Investment Canada. <http://strategis.ic.gc.ca/cgi-bin/sc_mrkti/ibin/ddc/searchCCG.pl>

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Cost Factors

The cost factor of exporting the products to Oman is relatively low. Oman has a general import duty of 5 percent ad valorem of cost, insurance and freight (c.i.f).²³ However, because books are considered an essential consumer item, the tariff is waived. There is also 5 percent commission on goods imported via land, however, this fee is not applied to goods brought in by air or sea.²⁴ Tariffs are expected to change as a result of Oman joining the World Trade Organization (WTO).

Taxes in Oman are moderate, with corporate tax ranging between 5 and 50 percent, determined on a progressive scale. If the company does not have permanent status in Oman, it is not taxed on corporate income. If it is a permanent company, it is only taxed on income derived in Oman.

Government Process and Other Factors

In 1975 the Tender Board was created to issue contracts for all government projects. The company must have an Omani sponsor or agent and register with the Ministry of Commerce and Industry and the Tender Board. Contracts are usually awarded to the lowest bidder, however past performance and financial responsibility are also taken into account.²⁵

Foreign goods coming into Oman must present three copies of a certified commercial invoice, a bill of lading, certificate of the country of origin and a description of the foreign content of the product and labels must be in both Arabic and English. There are no controls on the repatriation of profits, or currency controls.²⁶

²³ U.S. Department of Commerce. <<http://strategis.gc.ca/SSG/dc9198e.html>>

²⁴ Trade and Investment Canada. <http://strategis.ic.gc.ca/cgi-bin/se_mrkti/ibin/ddc/searchCCG.pl>

²⁵ Trade and Investment Canada. <http://strategis.ic.gc.ca/cgi_bin/sc_mrkti/ibin/ddc/searchCCG.pl>

²⁶ U.S. Department of Commerce. <<http://strategis.gc.ca/SSG/dc9198e.html>>

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CONCLUSION

As CanEd continues to develop and grow as a company, it must look beyond the domestic market, and begin to consider other nations. The Canadian market is crowded with competitors and the market share is not expected to change, in fact, the market for textbooks will likely decrease over the new few years. However, other nations are just now beginning to develop their formal education systems, and CanEd can use these markets to further their own customer base. An example of a country with an emerging education market is Oman.

Oman provides CanEd with an opportunity to gain control in, or even dominate, a market outside Canada. Oman's public education system only began in 1970, and the enrolment rate has grown ever since. The government's commitment to have all six-year-olds in primary school demonstrates its continued efforts to further educate its own population.

The government must purchase the educational resources and accompanying supplementary materials to support the rapid growth in education. CanEd believes that it can provide the appropriate resources to the Oman government to enable it to properly educate its youth. While this will cause CanEd to adjust its usual manufacture and production of publications, we firmly believe that it will nonetheless provide an excellent opportunity for CanEd to expand.

P

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Trade Partners UK. Education & Training Market in Oman. May 30, 2003.
 <<http://www.tradepartners.gov.uk/text/education/oman/doingbusiness/doingbusiness.shtm>>

U.S. Department of Commerce. Oman (Muscat): International Business Practices.
 May 29, 2003. <<http://strategis.gc.ca/SSG/dc9198e/html>>

Teacher's Notes**Knowledge/Understanding**

- The student describes current market conditions in Oman with a high degree of accuracy. He or she explains that, due to newly acquired wealth from oil, the country “has recently undergone a major transformation from a third world country to one of the most promising economies in the region”, resulting in an improved infrastructure, a “modern telecommunication network”, and a focus on developing a comprehensive educational system in the country. The student provides details of education spending and enrolment in Oman, and further explains that Oman immediately needs imported textbooks and other resources to meet the demands of its rapidly expanding education system. The student identifies a number of companies that “have begun to dominate Oman’s education market”, but points to the widespread use of English in Oman as a factor in the company’s favour.

Thinking/Inquiry

- The student interprets the needs and wants of new consumers with a high degree of effectiveness. He or she explains that “the government will be required to purchase a large quantity of additional learning resources” as quickly as possible to meet the needs of the rapidly expanding school system. The student has researched the education system in Oman and sees the need for materials at the primary (ages 6–12), preparatory (ages 12–15), and secondary (ages 15–18) levels. The student also understands that some of the subject areas “may be different than areas currently covered in Canada” (e.g., “Islamic education, Arabic language and vocational activities”).
- The student analyses modifications to the existing product with a high degree of effectiveness. He or she understands that Oman is an Arabic-speaking nation and that existing books will need to be translated, although English textbooks will be required as well “because English is such a common language in Oman”. The student also understands that books on subjects other than those taught in Canada will need to be written, and that in subjects such as mathematics and science “the teaching style and content

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may be radically different in Oman”, which will require revision to existing texts. Finally, the student is aware of the fact that there are cultural differences between Canada and Oman and that everything, including illustrations, needs to be scrutinized so as not to cause offence.

Communication

- The student communicates the potential of the proposed expansion for success with a high degree of clarity. He or she provides an excellent executive summary and adopts a confident tone throughout the report. The student displays sound knowledge of practical business matters such as the need to acquire an Omani agent and the process involved in bidding for government contracts. He or she also appropriately emphasizes the company’s track record (e.g., publishing in “different languages for many years”) in referring to its ability to meet specific market needs. In concluding, the student confidently asserts that entering the Omani market will “provide an excellent opportunity for CanEd to expand”.

Application

- The student provides a highly effective rationale for the international expansion. The student explains that there is a declining opportunity to maintain growth and profitability in the textbook market in Canada. As contributing factors, he or she cites materials available on the internet or in CD-ROM format, a change in the funding formula in some provinces, and less demand in Ontario for textbooks at the senior levels. Oman, on the other hand, is just developing a formal education system throughout the country and does not have the learning resources it needs. As a long-established and experienced company in the educational textbook field, CanEd believes that it can meet the challenge of international expansion, thereby securing a more prosperous future for the company.

Comments

This work is representative of a solid level-4 performance. The student demonstrates a high degree of achievement of the expectations in all four categories of knowledge and skills.

The result is an informative and persuasive report, well supported by relevant statistics and logical arguments.

Next Steps

In order to improve his or her performance, the student needs to address how CanEd will deal with the existing competition in Oman.