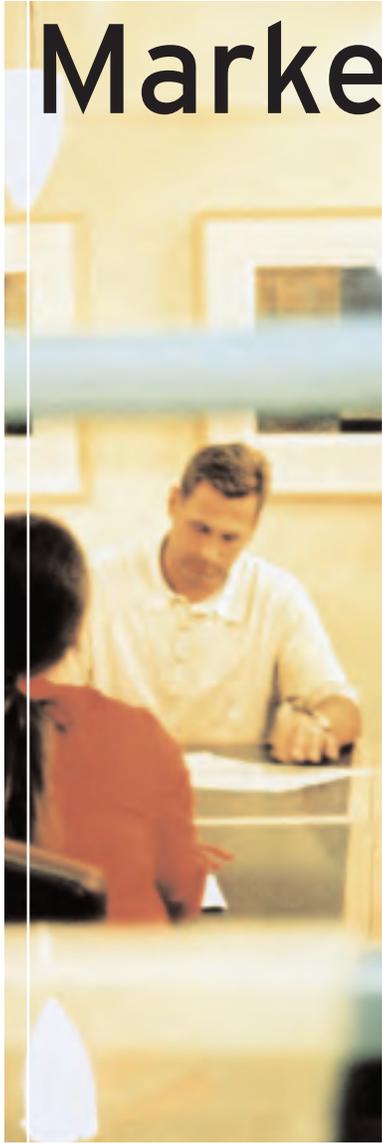


February 2005

Market Diversification Study



For companies in Quebec's
non-residential
construction sector



**World Trade Centre
Montréal**



>> > A BRANCH OF THE BOARD OF TRADE OF METROPOLITAN MONTREAL

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The Board of Trade of Metropolitan Montreal has some 7,000 members. Its mission is to represent the interests of metropolitan Montreal's business community and offer an integrated range of specialized services to individuals, merchants, and companies of all sizes to support them in realizing their full potential in terms of innovation, productivity, and competitiveness. The Board of Trade is the largest private organization in Quebec devoted to economic development.

N.B.:

- This document refers to data collected before November 1, 2004.
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Executive summary

The construction sector is not exempt from globalization, and it is essential for Quebec companies in the non-residential construction industry to deepen their knowledge of the industry's global trends and markets outside the United States to diversify risk and take advantage of attractive business opportunities. More than ever, Quebec's non-residential construction companies must capitalize on their strengths and take their weaknesses into account to better position themselves and take advantage of these increasingly competitive – but more accessible – markets. Aware of this situation, the Association de la construction du Québec, supported by Canada Economic Development, asked the World Trade Centre Montréal to carry out this study of market diversification for companies in Quebec's non-residential construction sector.

Few studies have been done on this industry, which, if well supported, could nevertheless achieve significant successes internationally and generate revenues and innovative training for Quebec industry. This is why a study was done to pinpoint the strengths and weaknesses of companies in terms of their export potential. This analysis reveals that Quebec is well positioned to carve out a niche for itself in international markets. In fact, given the diversification of segments and projects carried out to date, Quebec has all the expertise needed to operate in this sector. But penetrating international markets poses certain challenges. Entrepreneurs must not only continue to adopt innovative products but also innovate within their own companies:

- By sharpening their skills and improving management processes;
- By developing partnerships to create stronger groups internationally with consulting engineering firms, clients, professionals, suppliers, service companies, and enterprises complementary to construction;
- By adopting business solutions supported by information technologies.

More Quebec companies should form consortiums and partnerships to penetrate international markets to compensate for the lack of major firms integrating architecture, engineering, and construction. Continuous innovation should enable entrepreneurs to improve their productivity and thus their competitiveness on world markets.

In addition, the market analysis confirmed strong trends toward public-private partnerships, Build/Operate/Transfer (BOT) projects, and demand for innovative products.

The analysis also revealed markets with high, significant, and limited potential. Brazil, Chile, China, and the Czech Republic are the most promising markets because of their economic growth potential and prospects in terms of non-residential construction. There are also seven markets with significant potential and sixteen with only limited potential.

In each one of these markets, companies will have to seize opportunities and deal with threats, and the penetration strategy adopted will have to be adjusted based on the strengths and weaknesses of each type of company. An offensive strategy should thus be adopted by:

- Companies offering innovative products targeting primarily industrialized markets
- Companies manufacturing high quality, customized products targeting primarily small emerging markets
- Entrepreneurs with export abilities that position themselves initially in Brazil

Nevertheless, a turnaround strategy should be adopted by companies that do not meet the major demand trends on world markets, something that is particularly true for service companies that must expand their expertise, increase their size, and implement continuous improvement processes.



ACQ's action plan, which flows from the business opportunities identified in the markets and strategies to capitalize on them, can be summarized as follows:

1. **Develop markets for product manufacturers and service companies**
2. **Educate companies in the non-residential construction industry about global industry trends and success factors in world markets**
3. **Educate companies in the non-residential construction industry about the possibility of partnerships with consultants and companies in markets with high entry barriers**
4. **Influence and positions**

The World Trade Centre Montréal, the team of international trade experts at the Board of Trade of Metropolitan Montreal, proposes to continue working with ACQ to carry out this action plan by organizing educational and networking events as well as trade missions. In addition, it proposes to offer its consulting and support services for the development of new markets for ACQ members.

The Board of Trade offers services to entrepreneurs with a view to increasing their potential for innovation and productivity and enhancing their competitiveness – services that could benefit ACQ members. The Board of Trade may also contribute to the role of influence and the policy statements developed by the ACQ