

**FOUR CONCEPTS TO PROMOTE
TRADE OF CANADIAN
HOUSING IN
INTERNATIONAL
MARKETS**

FINAL REPORT

**A deliverable prepared by
Perwit International**

**Submitted to:
Housing Innovation Division
Canada Mortgage and Housing Corporation**

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NOTE: DISPONIBLE AUSSI EN FRANÇAIS SOUS LE TITRE:

**QUATRE CONCEPTS VISANT À PROMOUVOIR LE COMMERCE D'HABITATIONS
CANADIENNES SUR LES MARCHÉS INTERNATIONAUX: RAPPORT FINAL**

Canada Mortgage and Housing Corporation (CMHC), the Federal Government's housing agency, is responsible for administering the National Housing Act.

This legislation is designed to aid in the improvement of housing and living conditions in Canada. As a result, CMHC has interests in all aspects of housing and urban growth and development.

Under Part IX of this Act, the Government of Canada provides funds to CMHC to conduct research into the social, economic and technical aspects of housing and related fields, and to undertake the publishing and distribution of the results of this research. CMHC therefore has a statutory responsibility to make widely available, information which may be useful in the improvement of housing and living conditions.

This publication is one of the many items of information published by CMHC with the assistance of federal funds. The views expressed are those of the author(s) and do not necessarily represent the official views of Canada Mortgage and Housing Corporation.

TABLE OF CONTENTS

	Page
I. EXECUTIVE SUMMARY.....	3
II. INTERVIEW FEEDBACK SUMMARY	6
III. CONCLUSIONS AND RECOMMENDATIONS	7
III.1 THE MARKETPLACE CONCEPT	6
III.2 THE WORLD HOUSE CONCEPT.....	9
III.3 THE CANADA/EXPORT HOUSE CONCEPT.....	9
III.4 THE SHOW COURT CONCEPT.....	10
III.5 KEY ROLE FOR CMHC.....	10
1.0 INTRODUCTION.....	11
1.1 BACKGROUND AND PURPOSE.....	11
1.2 SCOPE.....	12
1.3 STUDY OBJECTIVES AND METHODOLOGY.....	12
2.0 THE AIDA BUSINESS TRANSACTION MODEL.....	14
3.0 THE FOREIGN MARKET PRODUCT/SERVICES ADOPTION MODEL.....	16
4.0 THE MARKETPLACE CONCEPT	18
4.1 THE MARKETPLACE	18
4.2 THE MARKETPLACE - IMPLEMENTATION.....	20
4.3 THE MARKETPLACE - CMHC'S ROLE	22
4.4 THE MARKETPLACE - INTERVIEW COMMENTS.....	22
4.4.1 GOVERNMENT INTERVIEWEES.....	22
4.4.2 INDUSTRY AND ASSOCIATIONS INTERVIEWEES.....	24
5.0 THE WORLD HOUSE CONCEPT.....	28
5.1 THE WORLD HOUSE.....	28
5.2 EXPECTED LEVEL OF SUPPORT AND PARTICIPATION.....	29
5.3 THE WORLD HOUSE COMPONENTS CONCEPT.....	29
5.4 INTERVIEW COMMENTS.....	29
6.0 THE CANADA/EXPORT HOUSE.....	31
6.1 THE CANADA/EXPORT HOUSE.....	31
6.2 THE CANADA/EXPORT HOUSE IMPLEMENTATION	33
6.3 INTERVIEW COMMENTS.....	34
6.3.1 GOVERNMENT INTERVIEWEES.....	34
6.3.2 INDUSTRY AND ASSOCIATIONS INTERVIEWEES.....	35

7.0	THE SHOW COURT CONCEPT.....	37
7.1	THE SHOW COURT.....	37
7.2	THE SHOW COURT - INTERVIEW COMMENTS.....	38
7.2.1	GOVERNMENT INTERVIEWEES.....	38
7.2.2	INDUSTRY AND ASSOCIATIONS INTERVIEWEES.....	38
8.0	CMHC HAS A KEY ROLE TO PLAY.....	40
8.1	CMHC'S ROLE.....	40
8.2	IMPLEMENTING CMHC'S ROLE.....	40
8.3	CMHC'S ROLE - INTERVIEW COMMENTS.....	41
8.3.1	GOVERNMENT INTERVIEWEES.....	41
8.3.2	INDUSTRY AND ASSOCIATION INTERVIEWEES.....	42
	BIBLIOGRAPHY.....	44
APPENDIX - INTERVIEW SUMMARIES (Commercial confidential, under separate cover)		

I.

EXECUTIVE SUMMARY

In the process of reassessing the thrust of its activities and of strengthening its position in the area of international competitiveness, CMHC is considering options to assist the export development activities of the Canadian housing industry. In this context, CMHC wishes to review a number of ideas which would enhance trade in the building components, building technologies and services sectors and strengthen its role as a supporter of the Canadian housing industry export efforts.

This study is intended to assess the feasibility to develop the following ideas:

- The "International housing industry marketplace" would bring together selected Canadian suppliers of housing components, technologies and services with pre-qualified importers in an environment designed to favor business transactions.
- The "World houses", "Canada/Export Houses" and "Show court" programs are intended to be international promotional/demonstration vehicles for innovative housing components, technologies and services.

The study involved a review of the pertinent documentation and 15 interviews with 23 federal and provincial civil servants, as well as industry executives.

A confidential interview summary has been provided under separate cover.

The study uses two conceptual models: the "Foreign market products/services adoption model" which is used in conjunction with the "Awareness, Interest, Decision, Action (AIDA) model" to assess the compatibility of proposed marketing actions with specific market conditions.

The Marketplace concept was received favorably, but it is clear that a Marketplace is not a short term solution and that it alone will not ensure the opening of non-traditional markets. For a successful transaction, all other steps in the AIDA model must be dealt with as well. It is recommended that the Marketplace first focus on core markets and then nurture emerging markets. It is also recommended that it be grafted to a trade show.

A successful marketplace will require the participation and cooperation of all the housing industry stakeholders. The actual management of the marketplace should be entrusted to a private sector licensee.

Response to the World House concept was negative. Respondents felt that the Canadian housing industry did not stand a good chance of winning such an international competition and would be uninterested and uncooperative.

An interesting alternative concept which was named "World House components" did however evolve from the study. It would see a federal, provincial and industry strategic alliance aimed at promoting the overall Canadian housing industry model as "best in class" to a number of foreign governments, especially in emerging markets.

The "Canada/Export House" was the next concept to be studied. Participants felt that the Canada/Export House concept was a good demonstration program, provided that units are compatible with the local market and fit into an overarching strategy which covers all the steps of a good marketing plan.

The last concept to be studied was the "Show Court". First reaction to the Show Court concept was positive. Respondents cited several successful examples of show courts, but few believe that an Ottawa based Show Court can have a significant effect on exports.

The study concluded that CMHC has an important role to play in promoting and facilitating exports by the Canadian housing industry. In addition to spearheading the development of marketing tools such as the Marketplace, CMHC can facilitate exports by acting directly on the market environment in foreign countries. It could also join NRC and the Canadian Construction Materials Centre (CCMC) in becoming the Canadian source of information on the total system environment in foreign housing markets.

INTERVIEW FEEDBACK SUMMARY

	Need for assistance	Suitability			
		Marketplace	Canada/Export House	World House	Show Court
A WARENESS	40%				
I NTEREST (Cognitive info)	40%		30%	6%	6%
D ECISION (Normative info)	75%	6%	80%	12%	25%
A CTION	30%	55%			6%

II.

INTERVIEW FEEDBACK SUMMARY

The Interview Feedback Summary was compiled from the 15 interviews with 23 government, association and industry interviewees.

- The need for assistance includes established markets (US, Japan, Western Europe), as well as emerging markets (Eastern Europe, Latin America, Asia).
- The low rating for the "Action" step is due to the fact that most respondents felt it was too early. Outside Canada and US, the industry has not yet completed the key "Decision" step. In emerging markets, the process is still at the "Awareness" stage. Furthermore, norms, culture, tradition and building practices are seen as considerable barriers to accessing emerging markets. Respondents felt that these issues must be dealt with in a satisfactory manner before an "Action" effort is justified.
- Transmitting technical information to new markets was not seen as a major problem. Respondents stated that providing this type of information was less important than providing see/touch opportunities aimed at influencing acceptance.
- The Marketplace concept was seen by a small majority as an interesting tool to achieve an environment favorable to action. Most saw it as a useful tool to develop trade in more mature markets.
- The Canada/Export House concept was seen as a very suitable promotion/demonstration means and a good way to make people more familiar/comfortable with Canadian technology and building systems as well as efficient means to influence value formation.
- The World House concept, as presented, did not attract any significant support. Respondents did however make a number of suggestions which led to the development of the World House components concept (see further).
- The Show Court concept was seen as a good promotion/demonstration tool, with little or no potential impact on export, either to developed or emerging markets.

III.

CONCLUSIONS AND RECOMMENDATIONS

III.1 THE MARKETPLACE CONCEPT

- **THE MARKETPLACE IS DESIRABLE**

The idea of an International Housing Industry Marketplace was viewed favorably for what it could contribute in terms of trade facilitation, but respondents made it clear that a marketplace alone will not ensure the opening of non traditional markets.

- **BUT NOT SUFFICIENT**

In the context of the Awareness, Interest, Comparison/Decision and Action business transaction model, the marketplace is clearly focused on facilitating the action step. For a successful transaction, all other steps must be dealt with as well.

- **IT MUST FOCUS ON CORE MARKETS FIRST**

Although it has the knowledge to develop an industry based on "Light frame" construction, Canada is still specialized in wood frame construction. Our housing industry must therefore focus first on our core "Mature" markets: Canada and the US. It must also focus on its "Growth" markets: Japan and the European Community.

- **AND NURTURE EMERGING MARKETS ALONG**

The advantage of the marketplace is that it allows the industry to focus on its core and growth markets while nurturing emerging markets at very little additional cost.

- **HELPING EARLY ADOPTERS MEET EARLY ADAPTERS**

The marketplace allows niche market representatives, local entrepreneurs and other "early adopters" to meet with Canadian companies which are in the forefront in terms of "adapting" their products and services to local needs.

- **IT COULD PROBABLY BE GRAFTED TO A TRADE SHOW**

The housing industry is a very visual industry, people like to see and touch, not to read. The marketplace could possibly be started as an addition to an existing trade show. The trade show would help the Information Comparison/Decision steps and the marketplace could focus on the Action. This would allow the marketplace to start small and reduce the travel and accommodation costs, Individuals could make a go of it even if they had only a handful of appointments.

- **IT IS NOT A SHORT TERM SOLUTION**

If the marketplace is to be used as a tool to assist in the development of emerging markets, it must be understood that wood framing and the entire Canadian housing industry system are major innovations of a fundamental nature and that it may take thirty years or more until a significant market share is achieved.

- **GOVERNMENTS CAN SET THE RULES, BUT CANT PLAY THE GAME**

The marketplace is in essence a trading floor. There is an advantage in having the Canadian government involved in setting the rules under which the marketplace will operate, and even more so in having the government lend its credibility to the selection of participating sellers and buyers. There is an argument to be made in favor of having government support the initial participation costs of some sellers and the travel costs of some buyers from developing countries. But, there has to be a clear realization that buyers and sellers will only come if there is profitable business to be done.

- **THIS WILL REQUIRE AN ALL PARTIES EFFORT**

A successful marketplace will require the participation and cooperation of all the housing industry stakeholders: External Affairs, ISTC, CMHC, EMR, Provincial and Territorial governments, major industry associations, banks, shipping companies, insurance companies etc. A key element of success will reside in the fact that the actual implementation and operation of the marketplace will be entrusted to a private sector licensee which will be protected from political and lobbying influences.

- **EXTERNAL AFFAIRS HAS A KEY ROLE TO PLAY**

The selection and invitation of sellers can be done by Provincial /Territorial governments, by industry associations or even passed on to the licensee, but the identification, qualification and inviting of prospective foreign buyers can only realistically be achieved with the direct assistance of External Affairs. At the present moment, construction is an External Affairs priority sector, but housing is not.

- **DO WE HAVE THE MONEY AND THE WILL?**

Starting a marketplace will require a long term financial commitment on the part of the sponsoring group. Even a modest marketplace co-located with a trade show and limited to one hundred participants would require a multi-year commitment of several hundred thousand dollars (from \$ 2,000 to \$ 4,000 per participant) and might not be self supporting right away.

Respondents indicated that, in its present state, and given the rather low priority it gives to exports, many sellers may balk at the \$ 5,000 to \$ 10,000 cost (of a self-standing marketplace). The MHAC's difficulties in obtaining subscribers to its directory (less than \$ 400.00 per page), and the failure of industry to support the proposed Export Council (\$ 200.00 subscriptions) point to serious difficulties in attracting paying participants early-on.

III.2 THE WORLD HOUSE CONCEPT

- **WORLD HOUSES, A NO SHOW**

The response to the concept was fairly restrained. Respondents felt that Canada did not stand a good chance of winning. Several respondents feared that this could be used to promote more imports to Canada rather than the opposite.

- **KEEP A WATCHING BRIEF**

There is an alternative concept, also called World House which is being considered by the (Ontario's) Premier's Committee on economic renewal. This group is looking into the possibility of developing a house built of common components and yet adaptable to a wide variety of market conditions.

- **WORLD HOUSE COMPONENTS**

An interesting concept which evolved from the study would see a federal, provincial and industry strategic alliance aimed at promoting the overall Canadian housing industry model as "best in class" to a number of foreign governments, especially in emerging markets.

III.3 THE CANADA/EXPORT HOUSE CONCEPT

- **A YES, AND A BUT!**

Study participants pointed to a number of examples of this concept, including the COFI house in Japan and the R-2000 house in Eastern Europe. Participants felt that this was a good demonstration program, provided that it involves houses which are compatible with the local market and programs which are well staffed locally.

- **CAN'T EXIST IN A VACUUM**

According to most respondents, the Canada/Export House idea is valid, but it cannot exist in a strategic vacuum. To be useful it must fit into an overarching strategy which covers all the steps of a good marketing plan.

- **MORE IS BETTER**

If the purpose is technology /capability demonstration, then there would be a considerable advantage to having more than one house at each location. This would allow for the display of a broader range of Canadian products components and options. It would also increase the attractiveness of the site. In a way, this tends to merge the Canada/Export House concept into the Show Court one.

III.4 THE SHOW COURT CONCEPT

- **YES**

The overall reaction to this concept was positive. Respondents cited several examples of similar concepts which have had good results.

- **BUT NOT FOR EXPORTS**

Few respondents believe that an Ottawa based Show Court can have a significant effect on exports. Respondents felt nonetheless that it could have a positive effect on technology transfer and innovation diffusion on the domestic market on the short term, and a long term export effect through enhanced competitiveness.

III.5 KEY ROLE FOR CMHC

- **SETTING THE STAGE, PROMPTING THE PLAYERS**

CMHC has an important role to play in promoting and facilitating exports by the Canadian housing industry. First, it can facilitate exports by acting directly on the market environment in foreign countries. This can be done by giving technical and administrative assistance to countries which are interested in modernizing their norms, codes and housing industry support institutions. Second, this can also be done by joining NRC and the CCMC in becoming the Canadian source of information on the total system environment in foreign housing markets. CMHC's information gathering, analysis and dissemination effort would cover such areas as local codes, building practices, industry organization, norms, structure and responsibilities of existing trades, their organization, role and strength of existing industry associations and support institutions, as well as diffusion related information such as: penetration of wood frame construction, opportunities for light frame based products, etc.

- **BUILDING ON WHAT IT DOES BEST**

In post war Canada, CMHC put on courses to train developers and builders in all the relevant aspects of their trade. As a result, Canada developed a homogeneous housing industry wedded to a full range of highly compatible products, techniques and processes. If CMHC decides to influence foreign markets so as to make them more compatible with our products, technologies and services, it should again consider opting for the training route.

1.0

INTRODUCTION

1.1 BACKGROUND AND PURPOSE

As the Canadian population ages and the family formation process slows down, it is expected that the Canadian demand for new housing will decline over the next two decades. While this occurs in Canada, and to an extent in the US, it is expected that Latin America, Asia and Central and Eastern Europe will undergo a building boom caused by the combined pressures of an inadequate housing stock, pent-up demand and higher incomes.

Canadian suppliers of components, technologies and services, as opposed to producers of commodity type building products (such as softwood lumber, plywood, etc.), tend to be small or medium sized companies with little or no exposure to markets outside Canada, and the US. As a result, they are in danger of being bypassed by this opportunity for continuous growth because, as a rule, they are not active in the upcoming growth markets.

Worse still, if Canadian suppliers fail to participate in those growing markets they will lose their ability to maintain a competitive edge through continuous investments in new technologies and Canada may end-up as a substantial net importer in a sector where it has been a traditional exporter.

Canadian suppliers of housing components, technologies and services need to become better exporters. To do so they need the support of innovative, effective, efficient, low-cost targeted marketing support mechanisms.

In the process of reassessing the thrust of its activities and of strengthening its position in the area of international competitiveness, CMHC is considering options to assist the export development activities of the Canadian housing industry. It is CMHC's desire that its involvement be in partnership with major industry stakeholders and that it be not in conflict with the mandate of other federal institutions. In this context, CMHC wishes to review a number of ideas which would enhance trade in the building components, building technologies and services sectors and strengthen its role as a supporter of the Canadian housing industry export efforts.

This study is intended to assess, at a preliminary level, whether it would be feasible, and desirable for CMHC to undertake the development of an "International housing industry marketplace", a "World house", a "Canada/Export house" and a "Show court" demonstration programs.

The "Marketplace" would bring together selected Canadian suppliers of housing components, technologies and services with pre-qualified potential importers in an environment specifically designed to favor efficiency in business transactions.

The "World house", "Canada/Export house" and "Show court" programs are intended as international promotional/demonstration vehicle for new and innovative housing components, technologies and services.

1.2 SCOPE

This preliminary feasibility assessment is intended to cover the following areas:

- concept description, limitations and risks,
- applicability to the building components, technologies and services industry sector,
- advantages to the Canadian industry and to CMHC,
- tentative profile of potential stakeholders and main reasons for their participation,
- fit with the CMHC mandate and priorities,
- potential for cooperation with other departments and other industry stakeholders,
- opportunities for strategic partnerships,
- impact on CMHC visibility and relationship with stakeholders.

1.3 STUDY OBJECTIVES AND METHODOLOGY

- The study involved a review of the pertinent documentation and 15 interviews with 23 participants. Interviews were conducted with federal and provincial civil servants from the relevant directorates of ISTC, EMR, External Affairs, CIDA, the Ontario and Alberta ministries of housing and interviews with industry associations representatives, including the CWDMA, the HVAC, the MHA, the Ottawa CCA, the CMHI and the CHBA. There were also interviews with industry CEO's and export/sales executives representing the industry sectors under consideration.
- Interviews were conducted both face-to-face and by phone. All interviewees were contacted in advance, they were informed of the objectives of the study, of its methodology and of the fact that this study was being conducted on behalf of CMHC and they were asked to set up an appointment for the interview itself. Interviews were intended to obtain the respondents views on the proposed concepts, they do not necessarily represent nor commit their organizations.
- A commercial confidential summary of all interviews has been provided under separate cover.

THE AIDA BUSINESS TRANSACTION MODEL

Steps	Requirements	Results
A wareness	<ul style="list-style-type: none"> - Short messages - Product/service outline - Source recognition 	Potential client becomes aware of existence and basic characteristics of product/service and supplier.
I nterest	<ul style="list-style-type: none"> - Detailed cognitive information (characteristics, performance, price, etc.) 	Potential client accumulates enough technical information to begin comparison process.
D ecision	<ul style="list-style-type: none"> - Detailed normative information - Opportunities to see, touch, discuss with peers and opinion leaders - Opportunities for comparisons of norms, traditions, practices, values 	Value comparisons lead to "cultural" risk reduction and to a favorable disposition to act.
A ction	<ul style="list-style-type: none"> - Capacity to act (resources) - Absence of barriers - Opportunities to act - Stimulus to act 	Capacity, lowering of barriers and presence of accelerators lead to purchase.

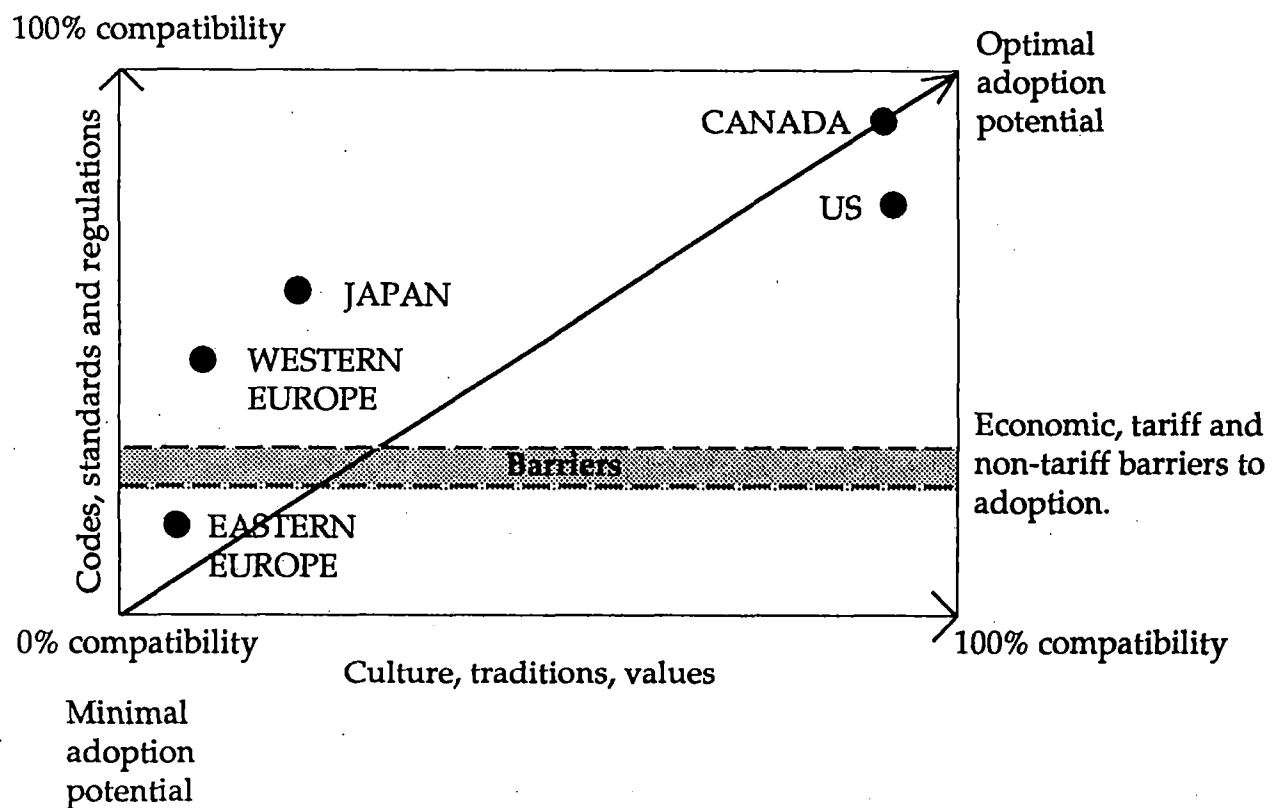
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THE AIDA BUSINESS TRANSACTION MODEL

- In order to complete a business transaction, a certain number of steps must be completed. First, the seller must ensure that the potential buyer knows of his existence and that of his products. This is done through short, to the point messages which outline the products/services and briefly highlight their main features and advantages. This is the "Awareness" step.
- Second, the seller must provide enough detailed technical information to allow the potential buyer to begin a comparison process between what is being proposed and what is currently being utilized. At this point, the comparison process mainly involves so called "technical information". This cognitive comparison process is known as the "Interest" step.
- The third step involves a different type of comparison process: the potential purchaser evaluates the "social risks" involved. The client seeks out opportunities to see, touch, and discuss with peers and opinion leaders to determine if such a product or technique is compatible with traditions, practices, norms and values. If the comparison is favorable, the buyer will develop a favorable disposition toward the product and will reach a "Decision" to purchase.
- Once potential buyers have decided that what is being proposed is more advantageous in terms of product performance and price, and that it is acceptable, they still have to go through the last step, the "Action" step.
- There are many cases in which information and promotion have brought potential buyers to the point where a purchase is actually being considered, but, because the seller is not available, or hard to reach, or because the whole thing would be time consuming, or risky, or costly, the decision to favor a certain product is never acted upon. Worse still, there are many documented cases in which one producer goes through the expenses and efforts required to bring buyers to the point where they are ready to purchase, only to see them favoring a competitor which is more accessible.
- In this study, we have used the Awareness, Interest, Decision, Action model (the AIDA model) as a framework to understand the purpose and the strategic positioning of the proposed marketing concept.

THE FOREIGN MARKET PRODUCTS/SERVICES ADOPTION MODEL

An application to the Canadian housing industry ⁽¹⁾



⁽¹⁾ Based on interviews

3.0

THE FOREIGN MARKET PRODUCT/SERVICES ADOPTION MODEL

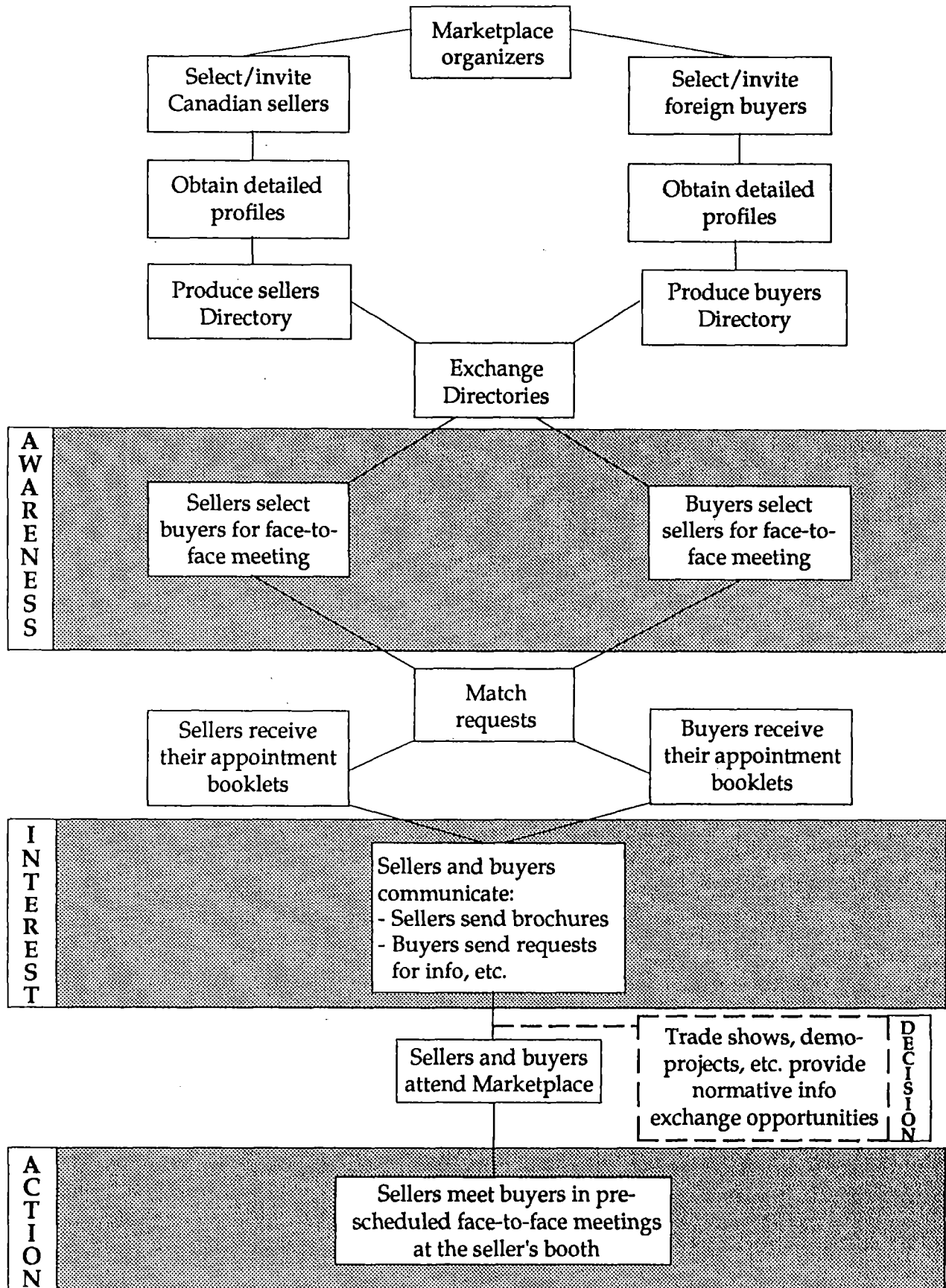
To have one's product or services adopted in a foreign market, it is necessary to fulfill three basic requirements: technical and regulatory compatibility, cultural compatibility and absence of barriers to market access.

- **Technical and regulatory compatibility** is measured in terms of objective product characteristics (dimensions, standards, etc.), performance, norms (e.g. CSA) and conformity with codes and regulations. The more a product is technically compatible and compatible with codes and standards, the easier it is to integrate into the local industry.
- **Cultural compatibility** expresses itself in terms of culture, traditions and values. The greater the cultural compatibility, the lesser the risks of socially (i.e., non-technical) motivated rejection.
- **Barriers to market access.** What we cannot obtain or cannot afford, we cannot adopt. There are a number of variables such as income, tariff and non-tariff barriers which determine if there is an opportunity and a capacity to adopt. If barriers are too strong or too high, the whole AIDA process becomes meaningless, people may be aware or interested, but they cannot act.

There are two basic approaches to achieving compatibility: one is through **adaptation**, the other through **education**.

- In housing industry terms, **adaptation** means using the Canadian knowledge of light-framed housing systems to develop products and services which meet the cognitive and normative needs of selected target markets (recognizing that some markets are too "foreign") and at the same time offer interesting opportunities to export Canadian resources, technologies or services.
- **Education** involves a sustained communication effort directed by the seller to the buyer and other relevant stakeholders. The intent is to show that what is being proposed is superior and should be adopted even though it requires changes in tradition, norms, practices and values.
- As a rule, a seller can pursue a strategy of adaptation on his own. A strategy of education generally requires at least an industry wide effort.
- In this study, the foreign market products services adoption model is used in conjunction with the AIDA model to gain a clearer understanding of what should be done in specific markets. For example, the US and Canadian markets are at the Action stage, while Eastern Europe is at the Awareness stage and Japan and Western Europe are at the Interest/Decision stages.

THE MARKETPLACE CONCEPT



4.0

THE MARKETPLACE CONCEPT

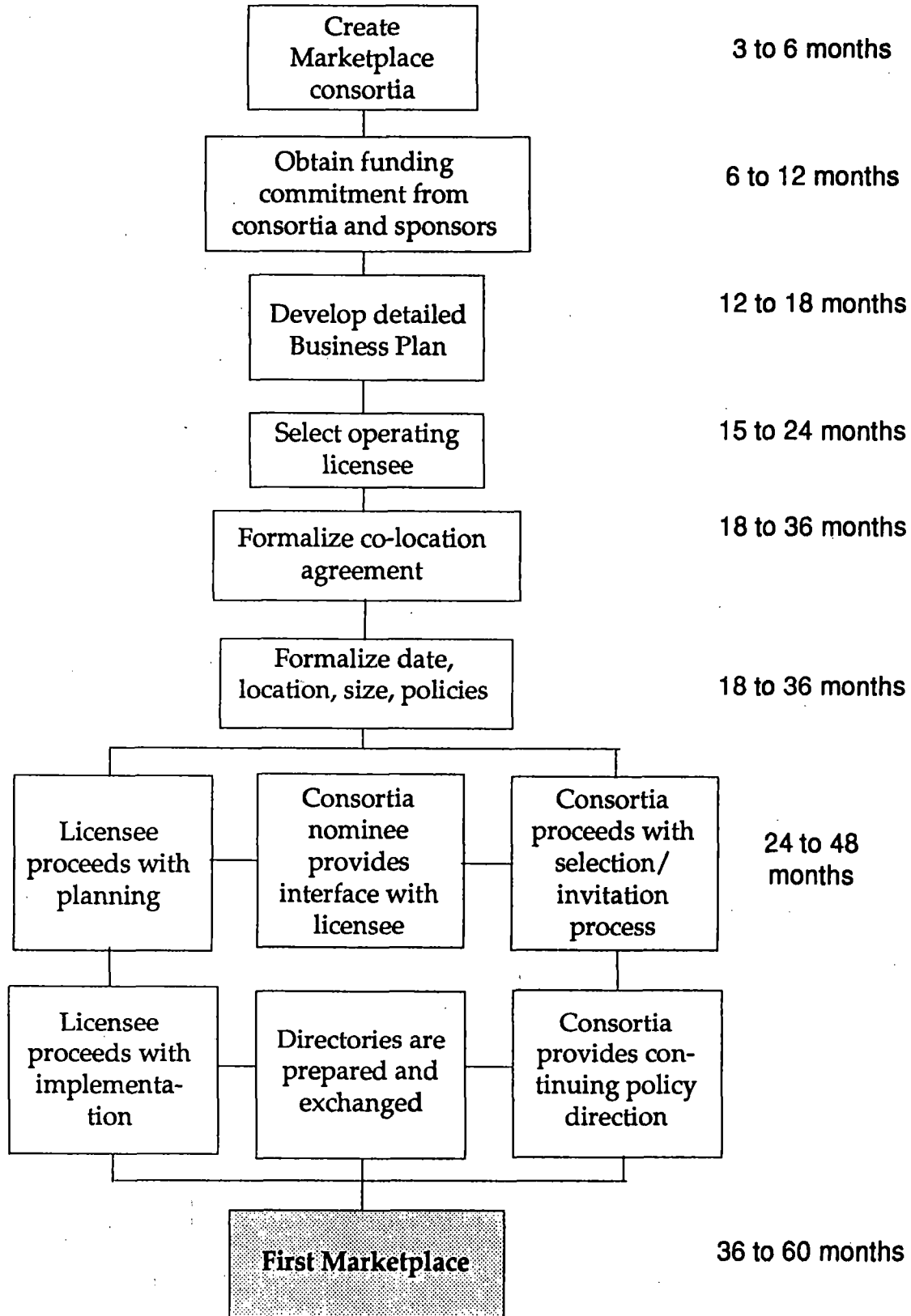
4.1 THE MARKETPLACE

- An "International housing industry marketplace" can be defined as an event which creates large numbers of short face-to-face business meeting opportunities between Canadian sellers of housing related components, technologies and services, and interested, qualified prospective foreign buyers of components, technologies and services.
- The concept of marketplace is primarily focused on the "Action" step, but it is also able to facilitate the "Awareness" and "Interest" steps. It does not however eliminate the need for a favorable comparison / decision step. It therefore not a substitute for having the right product at the right price at the right place at the right time and it does not diminish the need to make it known and appreciated through appropriate communication and promotional means.

As stated, the "International Housing Industry Marketplace" is intended to provide a trading floor where selected Canadian sellers of housing components, technologies and services can meet qualified foreign buyers in short face-to-face meetings during a three-day event to be organized yearly in a major Canadian city.

- The Marketplace is primarily focused on the "Action" step. As such, it is well suited for mature markets such as US and "early adopters" from Japan and Western Europe. The Marketplace also provides opportunities at the "Interest" and "Decision" steps suitable for emerging markets. The Marketplace also creates considerable opportunities for communication between interested parties, thus providing a chance for buyer and seller to learn about each other, a key element in achieving compatibility, either through adaptation or education.
- The exchange of directories and the process of selecting partners for face-to-face meeting is a prime opportunity to achieve basic awareness.
- The exchange of communications which goes on from the receipt of the appointment booklets to the Marketplace itself (up to 6 months) is an excellent opportunity for the exchange of information and the fulfillment of the "Interest" step.
- The Marketplace does not resolve the normative comparison/description/decision process. This must be achieved through other activities. A Marketplace co-located with a Trade Show could help, so would other promotional see/touch activities as the Canada/Export House.
- The Marketplace does not resolve problems related to capacity to act (financial ability, tariff and non-tariff barriers, cultural and structural barriers) nor will it make Canadian products attractive, competitive or compatible if they are not. It does however offer a selection, qualification and prior communication process which ensures that those who meet are interested and qualified. The Marketplace, with its up to 50 face-to-face business opportunities for each participant offers a strong action-oriented business transaction environment.

THE MARKETPLACE - IMPLEMENTATION



- The Marketplace concept can be implemented in steps. One reasonably low-cost first step would include the development and exchange of directories which in themselves are an excellent tool for building awareness and interest.

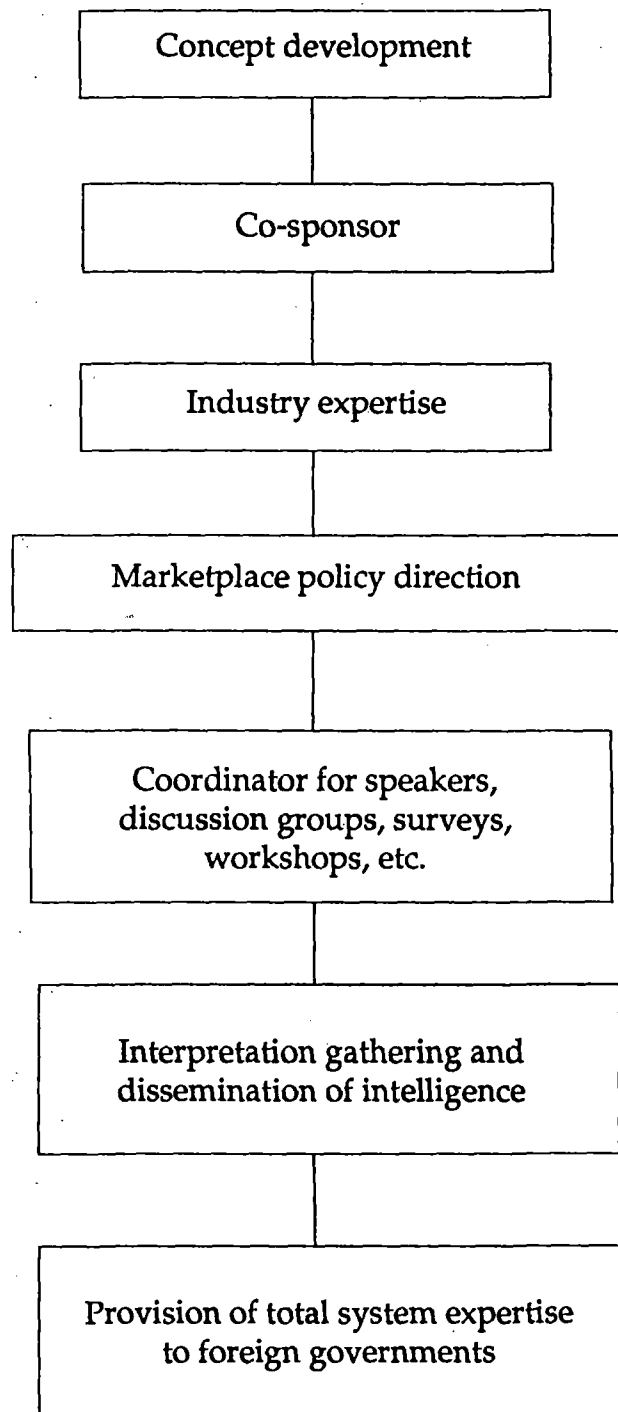
4.2 THE MARKETPLACE - IMPLEMENTATION

- Step one involves the creation of a Marketplace consortia composed of CMHC, ISTC, External Affairs, provincial, territorial and industry representatives. This step could take 3 to 6 months.
- Step two requires the development of a full business plan for the Marketplace. This would in all likelihood be out-sourced. It will also require the selection of a nominee acting on behalf of the consortia. Funding commitment from the sponsoring consortia will also be required. The combination funding, commitment and business plan development may require 6 to 18 months, depending on uptake and availability of resources. The required budget for a full business plan would be in the \$ 50,000 range.
- Step three requires the issuance of an RFP and the selection of a licensee who would undertake the actual management of the Marketplace on a commercial basis. The Marketplace consortia would remain as licensor and retain powers in the area of policies and selection.
- There is also a requirement to formalize the situation with respect to format, location and dates. It is suggested that during the first few years, the marketplace be co-located with an existing, successful housing trade show (to be determined).
- Depending on the trade show option being considered, or of the decision to go at it alone, the licensee selection and site/date formalization may take from 3 months to a year.
- While the licensee proceeds with the planning and organizing of the Marketplace, the consortia will need to complete the selection and invitation process. Selection criteria for buyers and sellers should be determined by two sub-committees composed of consortia representatives, but the selection process itself should be left to External Affairs for buyers, and to provinces/territories for sellers.

Formal invitations would be issued by the licensee. Depending on the target number of participants (suggestion: at least 50 buyers and 50 sellers at the first Marketplace, with a long term target of 300/400 each), the selection/invitation process may take from 6 months to a year.

- Buyers and sellers prepare their profiles for the directories. These are produced and distributed by the licensee. Requests for face-to-face appointments are gathered and processed (up to 50 appointments over a three-day period for each participant). Appointment booklets are distributed. Buyers and sellers communicate and prepare for attendance at the Marketplace. Expected time required for this step: one year. As indicated earlier, the Marketplace concept could be implemented in two steps, with the first step being limited to the exchange of directories.
- Within 36 to 60 months from inception, the first Marketplace takes place. The out-of-pocket commitment from sponsors (excluding staff assigned to the project) is expected to be \$ 2,000 to \$ 4,000 per participant. In the long term, the Marketplace is expected to be fully self-supporting. Sellers should expect expenditures of \$ 5,000 to \$ 10,000 for fees and booth rental, in addition to their travel costs. Buyers would be assessed a token participation fee and may have their travel expenses supported by External Affairs or CIDA.

THE MARKETPLACE - CMHC'S ROLE



4.3 THE MARKETPLACE - CMHC'S ROLE

There are seven areas where CMHC can make a substantive contribution:

- Assist and, if necessary, spearhead the concept development phase.
- Become a co-sponsor of the Marketplace.
- Provide industry expertise to other stakeholders in terms of selection criteria.
- Provide continuing Marketplace policy direction.
- Become the coordinator for all auxiliary Marketplace activities such as luncheon speakers, parallel workshops and discussion groups, on site surveys, etc., on behalf of the consortia.
- Assume the responsibility (possibly jointly with ISTC and NRC) for interpreting and disseminating a variety of market intelligence to be gathered at the Marketplace (sales, trends, opportunities, technological developments, compatibility levels, etc.).
- Provide total housing system expertise to foreign governments in order to increase the compatibility of their housing industry environment with the capabilities of the Canadian housing industry.

The system oriented global housing industry expertise is seen by many study participants as the single most important contribution that CMHC could make for the long term facilitation of housing industry exports. It is also perceived as the one area where CMHC has the clearest comparative advantage in terms of resources and mandate.

4.4 THE MARKETPLACE - INTERVIEW COMMENTS

In order to protect the confidentiality of the interview process, interviewees are identified in two categories: government, industry and associations.

4.4.1 GOVERNMENT INTERVIEWEES

INTERVIEW 3.1.1. With respect to the "Marketplace" concept, respondents indicated that they could not understand why CMHC would be involved if the focus was on products, but they might see it if the focus was on the housing envelope. Respondents indicated that they are already involved in focused mini trade shows in Japan. The Department is also trying to invite people to attend the National Home Building Trade Show.

The respondents felt there is a strong need for more coordination rather than new initiatives. They consider that there is already too much competition between the federal government, the provinces and industry associations in overseas market activities. They feel the key is to develop a joint marketing strategy. ISTC and External Affairs are presently developing a joint strategy for exporting building products to Japan.

One of their concerns with marketplaces is that in many places you are marketing to the government, and not to individual clients. The respondents indicated the "Marketplace" might not be the appropriate tool for such countries.

INTERVIEW 3.1.3. It is the opinion of the respondents that the housing industry is different from other industries. Buildings tend to be site specific and difficult to export. Demand in Eastern Europe is probably considerable, but their capability to pay is extremely limited.

On the Japanese market, we are fighting with US exporters who tend to play political cards (they put pressure on the Japanese to even out the deficit with the US).

We also lack the volume capability to sell on these markets as we do not have the resources for long-term investments.

The French and the Germans are already present in the East European market and the remaining available market share may not be worth the effort. On the other hand, Canada has made a commitment to help Eastern Europe and housing should probably be the area where this commitment should be carried out.

The "Marketplace" concept will only be successful if the industry is well aware of its clients' needs and capabilities. This requires a much broader range of mechanisms to exporters and a broader range of information to both importers and exporters. The "Marketplace" is too limited in scope to satisfy all these requirements.

It is also necessary to consider the requirement of after-sales services.

INTERVIEW 3.1.4. The respondent is familiar with the concept of "Marketplaces", having served in a tourism related capacity in Canada's embassy in Japan. According to the respondent's recollection, the External Affairs used to pay for the buyers' travel cost in the initial years of Rendez-vous Canada. One of the major attractions of Rendez-vous Canada is its size and tight organization. It is much smaller than its US counterpart, known as Pow-Wow, and is considered by participants to be much better organized, more orderly, and as a result, a better place to do business.

According to the respondent, one of the drawbacks of the "Marketplace" concept is that by bringing all buyers and sellers together in one place at one time, buyers are in an environment where they can negotiate the lowest prices possible.

The respondent indicated he was not sure whether the concept of "Marketplace" could be applied to the housing industry. In the case of Canadian tourism products, it is clear that importers come to buy products which are specific to Canada. His concern is that a lot of what is involved in the housing industry, is available and can be supplied from a wide variety of sources around the world.

From the respondent's personal experience, it takes a lot of effort and considerable up-front costs to launch a successful "Marketplace". It takes years to establish a marketplace's credibility as a good place to do business and to grow it to the point where it becomes a cost effective one. In the beginning, there are few cost sharing opportunities; it is difficult to attract sponsors for lunches, dinners, evening attractions, publications, etc., and the convener may have to support at least part of the cost of bringing some or all of the buyers.

With regards to the Eastern European market, the number of buyers willing to pay their own way would probably be very low and convincing them to come and pay their own way would be a hard sell.

On the bright side, External Affairs may be interested to pay some of the costs involved in bringing buyers to the "Marketplace", based on the fact that it already bring buyers missions to some Canadian building shows. For that matter, External Affairs also subsidized some Canadian suppliers to attend the St. Petersburg trade show.

INTERVIEW 3.1.5. In China, construction is in cement or bricks and mortar, not in wood. A lot of work must be undertaken before Canadian companies can begin to sell into the Chinese housing market (the situation with regard to high-rises is different). Either the Chinese adapt to our building practices or we offer them products which are compatible with their current ones.

Either option will take a considerable amount of effort to be expended before a marketplace can be envisaged.

There is already a program to help developing countries attend trade shows and to participate in reverse missions.

Trading with developing countries (and with China in particular) requires a long-term approach, plenty of resources, a lot of experience. A company should not expect results before three to five years at the earliest. Under those circumstances, a "Marketplace" for China is highly premature.

INTERVIEW 3.1.6. It is the opinion of the respondent that the costs to implement such a concept may be high. The respondent suggested that a "Marketplace" could be accommodated within a larger event, such as a trade show, provided it operated in a separate enclosure and excluded non-invited participants.

The respondent felt that it was important to have space available for exhibits, as this is an important consideration in the housing industry.

The respondent felt the concept of "Marketplace" is appealing because it is highly structured and disciplined, but reiterated that housing industry people need to "see and feel".

The respondent wished to make clear that these are individual perceptions and not Branch views.

INTERVIEW 3.1.7. The respondent indicated that he was very intrigued by the concept. He felt that it had merit inasmuch as it would be in a position to improve on the quality of currently available "Dating services". The respondent gave the example of a recent meeting between Alberta housing industry and Asian trading houses representatives which was organized by the Alberta Economic and Trade Development Organization. There was no match between what was been sought and what industrialists present at the meeting had to offer. This shows the need for a better screening process which the "Marketplace" appears to offer.

The respondent noted that although Alberta would probably be in a position to hold a petrochemical or even a food marketplace on its own, its participation in a housing industry marketplace would be fairly small. According to the respondent, Alberta has only about twenty-five companies which might be interested.

The respondent also commented that the proposed marketplace was somewhat similar to the Alberta Design Centre concept. That centre would see permanent booths in a permanent display area with rotating exhibits of innovations. Buyers, including foreign buyers, could come and visit.

4.4.2 INDUSTRY AND ASSOCIATIONS INTERVIEWEES

INTERVIEW 3.2.1. The respondent considered that one of the drawbacks of the proposed concept is the large amount of work and the requirement for strong coordination. The respondent indicated that the Association had tried to arrange some appointments at its conventions with limited success. One of the key considerations for success is the amount of travel assistance available to importers. The respondent commented that companies who are successful on their own may be resentful of the assistance being extended to others.

INTERVIEW 3.2.2. With respect to the marketplace concept, the respondents indicated that a CMHC sponsorship would enhance the credibility of participants to the "Marketplace". This would facilitate sales.

The respondents indicated that if the cost for participation is in the \$ 10,000 range, they would probably not participate because they already have enough contacts (cash flow is also very tight). They would however consider participating for the added credibility.

INTERVIEW 3.2.3. The concept of "Marketplace" is better suited to a Canadian company which does not have established contacts abroad. Lennox already has networks of distributors in most world markets (excluding Eastern Europe). The respondents felt that the first priority was to adjust the products to the requirements of the off-shore market.

If Lennox were to participate in a "Marketplace" it would be to develop contacts which would then be sent to their local representatives for follow-up.

Other building material manufacturers who do not have an international network of representatives should be very favourable to this concept.

INTERVIEW 3.2.4. The "Marketplace" concept is basically a good idea. Consulate officers, when visiting Canada, meet with industry representatives on an appointment basis (with no great results).

If the cost of participation is between \$ 5 to 10,000, it is rather high. The respondents feel they would be more comfortable with a package under \$ 5,000, at least for the first few years, because there is a need for a commitment up-front before the participant can assess the value of the contacts which will be generated.

A further limitation comes from the fact that most companies are small and do not have money to invest in export efforts.

As an example, the Association produced a directory which could be used to promote its members and had a tough time collecting the \$ 375 fee per member involved. The respondents felt that given the above considerations, the start-up may be difficult to achieve, but if there are early successes, the concept may well be accepted.

The respondents suggested that one approach may be to give companies a loan to pay for their participation during the first couple years.

INTERVIEW 3.2.5. External Affairs already brings its Technology Development Officers back to Canada for information missions where they meet Canadian manufacturers by appointment. This service is seen as having a limited usefulness. The respondent expressed his concern that "Marketplaces" will not work because the industry is too complacent. In his opinion it already takes a lot of work to convince them to go some place to see a new technology and he doubts that they will make the effort to go to a "Marketplace".

According to the respondent, out of 17 prefab manufacturers, only 2 are interested in exports. It is the respondent's opinion that few would be willing to pay to participate. The respondent commented, however, that in Europe the industry goes to shows all the time

INTERVIEW 3.2.6. The respondent considered the "Marketplace" concept as a "great idea". He suggested that great care should be involved in choosing the selection criteria for including companies in the "Marketplace". In his opinion, scheduled appointments are far superior to the traditional environment provided by trade shows. The key to the "Marketplace" success would appear to reside in the professionalism of its execution.

It is the opinion of the respondent that small firms need this type of assistance, since it is too difficult for them to meet with clients otherwise. The "Marketplace" concept also appears to promise considerable cost effectiveness.

INTERVIEW 3.2.7. The "Marketplace" concept appears to be a good idea, but the timing for its introduction may be inauspicious. The industry is smarting from a long drought period and everybody is watching pennies to survive until things turn around. The industry may be reluctant to make the investment needed to participate and to make it a long term success. One of the problems is that participants are being asked to commit to the expenditures before they have any idea if anybody will even be interested in meeting with them. For that matter, it is assumed that they will not even know who the "foreign" participants will be.

The industry needs education in all the steps required to make a "Marketplace" a success. Who will support this initial investment?

INTERVIEW 3.2.8. The respondent expressed a strong positive response to this concept. He commented that the problem with doing business in many foreign countries is that as Canadians we tend to operate with a cultural and economic environment paradigm which may be inadequate. He gave the example of marketing to Japan, where a Canadian businessman with a good product and a good price is still years away from doing business because of the prevailing culture.

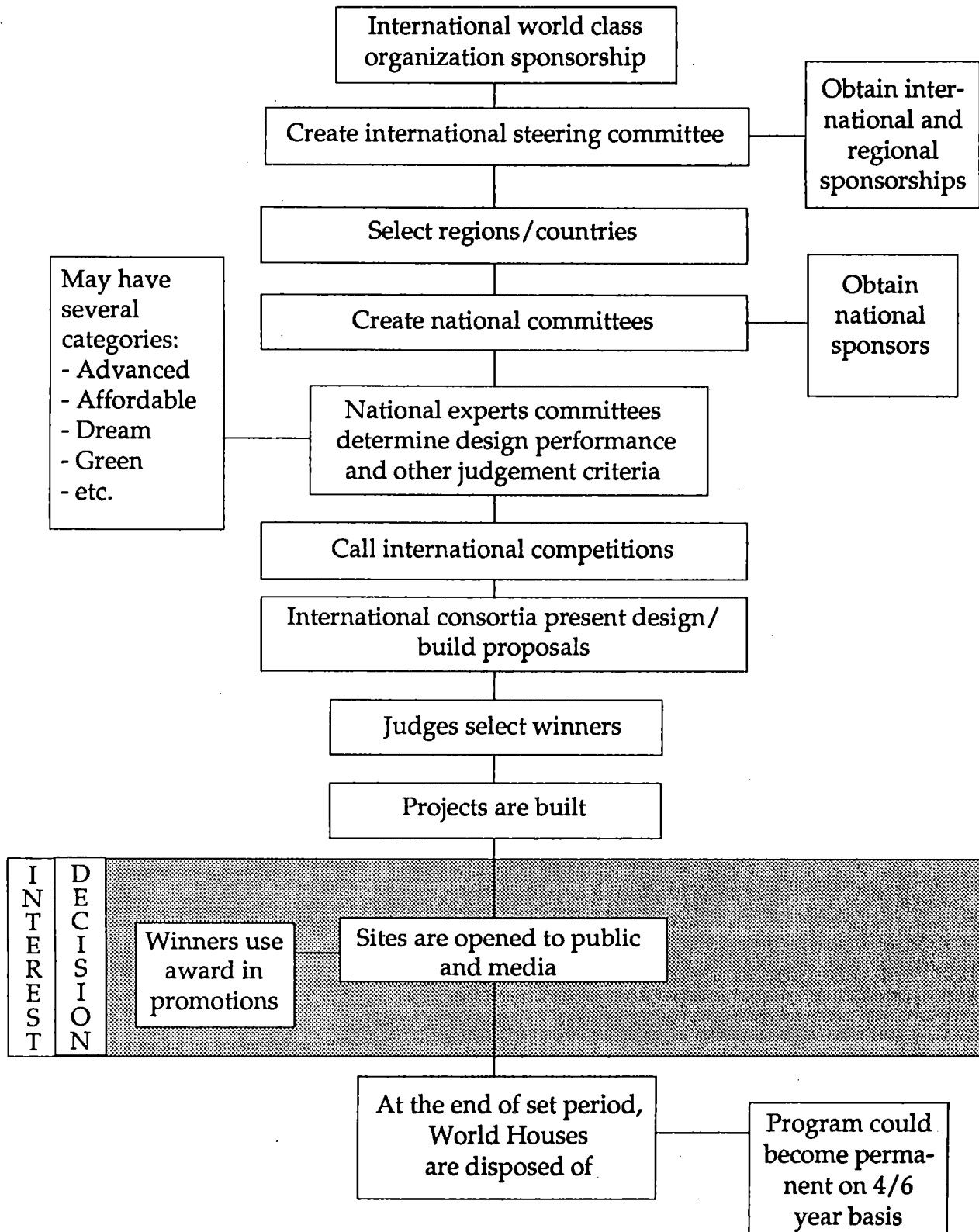
The Japanese, who have been dependent upon import for most of their raw materials for centuries, have developed a reliable supply infrastructure which they value greatly and are leery to abandon. They are afraid of finding themselves with nothing. As a result they are very slow in initiating volume purchases and becoming dependent, but when this situation is achieved, they tend to stick with their suppliers for the long-term.

One of the considerable advantages seen in the "Marketplace" concept is that it uses the government representatives abroad as surrogates. The Canadian embassy and its trade officials create the necessary continuity and project the necessary credibility.

The situation in Eastern Europe is completely different. There, we are faced with economic and structural chaos. There is no infrastructure that can process business transactions we could recognize. To the extent that the "Marketplace" could establish clear trading relations and a more favourable trading environment, it would be contributing in ways possibly more important than the mere existence of properly designed and priced products.

Porting the concept of "Marketplace" to the housing industry may be a complicated task. Standards and regulations are a special issue in the housing industry. We manufacture to CSA standards, which we are trying to harmonize with USA standards. The European Community has the ISO and DIN standards, which are not yet harmonized. Eastern European standards, to the extent that they may exist, are at best a puzzle.

THE WORLD HOUSE - CONCEPT



5.0

THE WORLD HOUSE CONCEPT

5.1 THE WORLD HOUSE

- The World House concept involves an international design/build competition for one or more houses in such key regions as North America, Western Europe and Japan. The World House competition would be sponsored by an internationally recognized organization. Design criteria would vary for each house. Criteria would be based on local market requirements and might include such categories as dream houses, green houses, advanced houses, etc.

International consortia would submit proposals for design/build. Houses would be built in select compounds which would be staffed and opened to the public. Winning consortia would use this information in their promotional material.

- Because it is essentially an opportunity for see/touch, the World House concept is seen as being primarily focused on the "Decision" step. Depending on how it is staffed it may offer an opportunity to distribute technical information ("Interest" step) and could also be extended to the "Action" step.

The World house concept, as defined in this study, involves an international design and build competition for a number of houses to be located in a variety of regions and countries, such as US, Canada, Western Europe and Japan.

- Sponsorship of the World house competition would be by a world class organization (to be determined).
- The program would be coordinated by an international steering committee which would, among other responsibilities, be in charge of obtaining funding from governments or industry sponsors.
- Local competitions would be coordinated by regional or national committees who would also have to obtain funding for activities at their level.
- National expert committees would determine the design, performance and other judgment criteria for the competitions. The competitions may have several categories such as advanced houses, affordable houses, dream houses, green houses, etc. National committees would have the option to open competitions in only those categories appropriate to their environment.
- National and international consortia would present design/build proposals.
- Eminent panels of judges would select winners. Winners would receive cash prizes and international recognition.
- Projects would be built on selected sites. If at all possible, various houses would be grouped in each compound.

- Winners would be licensed to use the World house winner logo.
- Compounds would be promoted and staffed by the national committees; an entrance fee would be charged.
- At the end of a set period, units would be disposed of.
- The program could be repeated every 4 to 6 years.
- No budget estimate has been established.

5.2 EXPECTED LEVEL OF SUPPORT AND PARTICIPATION

- Overall response to the concept was fairly negative.
- Respondents felt that Canadian housing industry products were not compatible enough with European and Japanese housing markets requirements. As a result, there was no expectation that such a program would attract significant Canadian support or participation.
- Respondents felt that such an international competition would be dangerous to the Canadian housing industry because there is a possibility that it might promote foreign producers in the Canadian or North American market.

5.3 THE WORLD HOUSE COMPONENTS CONCEPT

In the course of the study, a new interesting World house concept emerged. This concept is an evolution of the one being investigated by Ontario's Premier's Council on Economic Renewal. The Council is looking into the possibility of developing house components compatible with a wide variety of international housing market conditions.

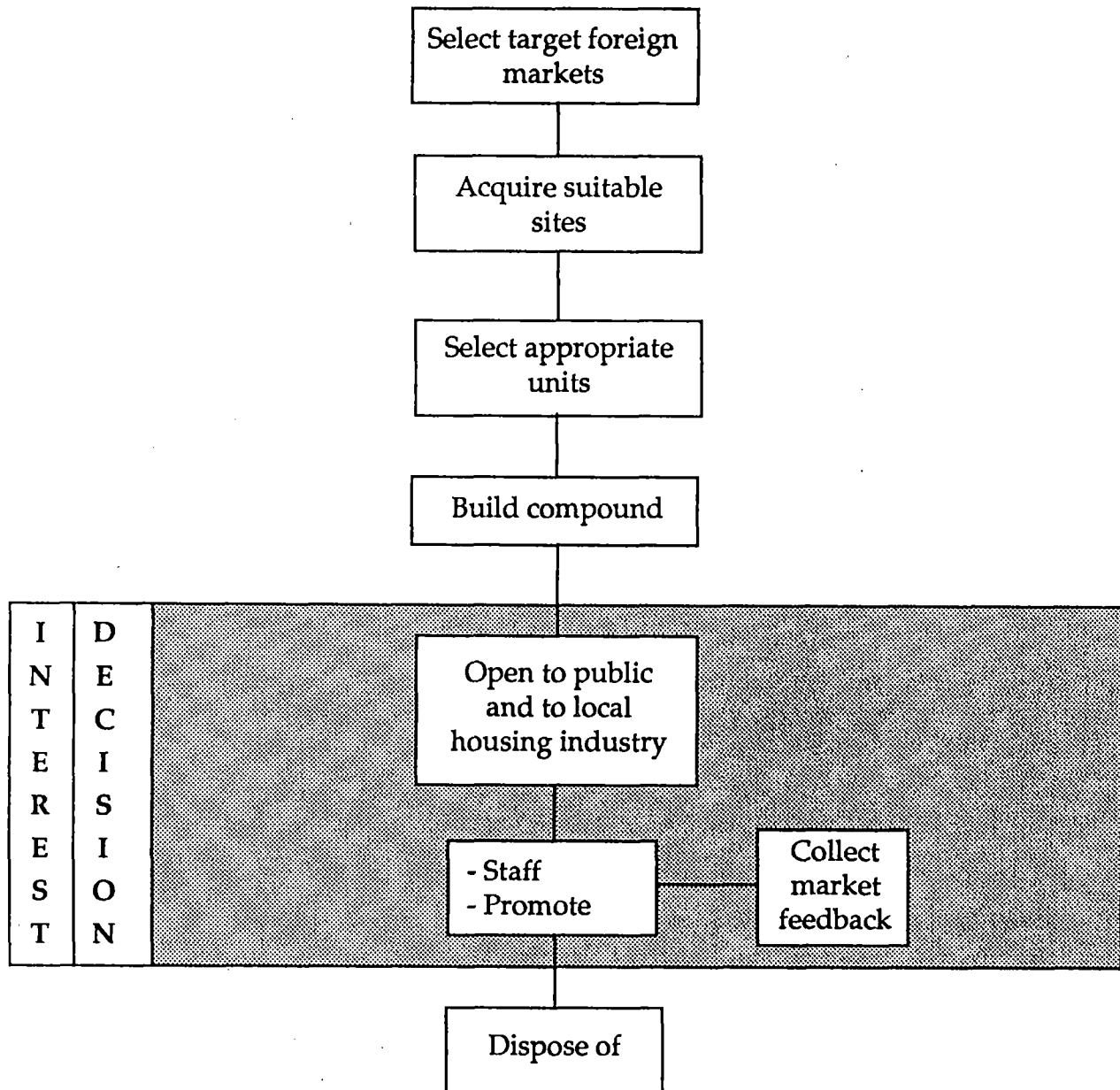
The World house components concept is based on the belief that while it may not be feasible to design a single housing unit adaptable to most markets, Canada has evolved a sophisticated light-frame housing industry sector which should be able to expand its reach beyond wood-frame construction and be capable to develop housing components and housing assembly options compatible with a wide variety of markets.

The World house components program would see a concerted effort between industry and such institutions as CMHC and NRC for the purpose of adapting the capabilities of the Canadian housing sector to the peculiarities of selected foreign markets. At the same time, CMHC, NRC, ISTC, CIDA and External Affairs would undertake a sustained effort aimed at foreign governments and housing industry circles to bring to their attention the fact that the Canadian housing industry would constitute a good model for the modernization of their housing industry sector. This would also have the effect of increasing the long-term compatibility between Canada's housing industry and its prospective markets.

5.4 INTERVIEW COMMENTS

Interviewees commented on the World house and Canada/Export house concepts in relation to each other. As a result, interview comments on both concepts are presented at the end of Section 6.0 - THE CANADA/EXPORT HOUSE.

THE CANADA/EXPORT HOUSE CONCEPT



6.0

THE CANADA/EXPORT HOUSE

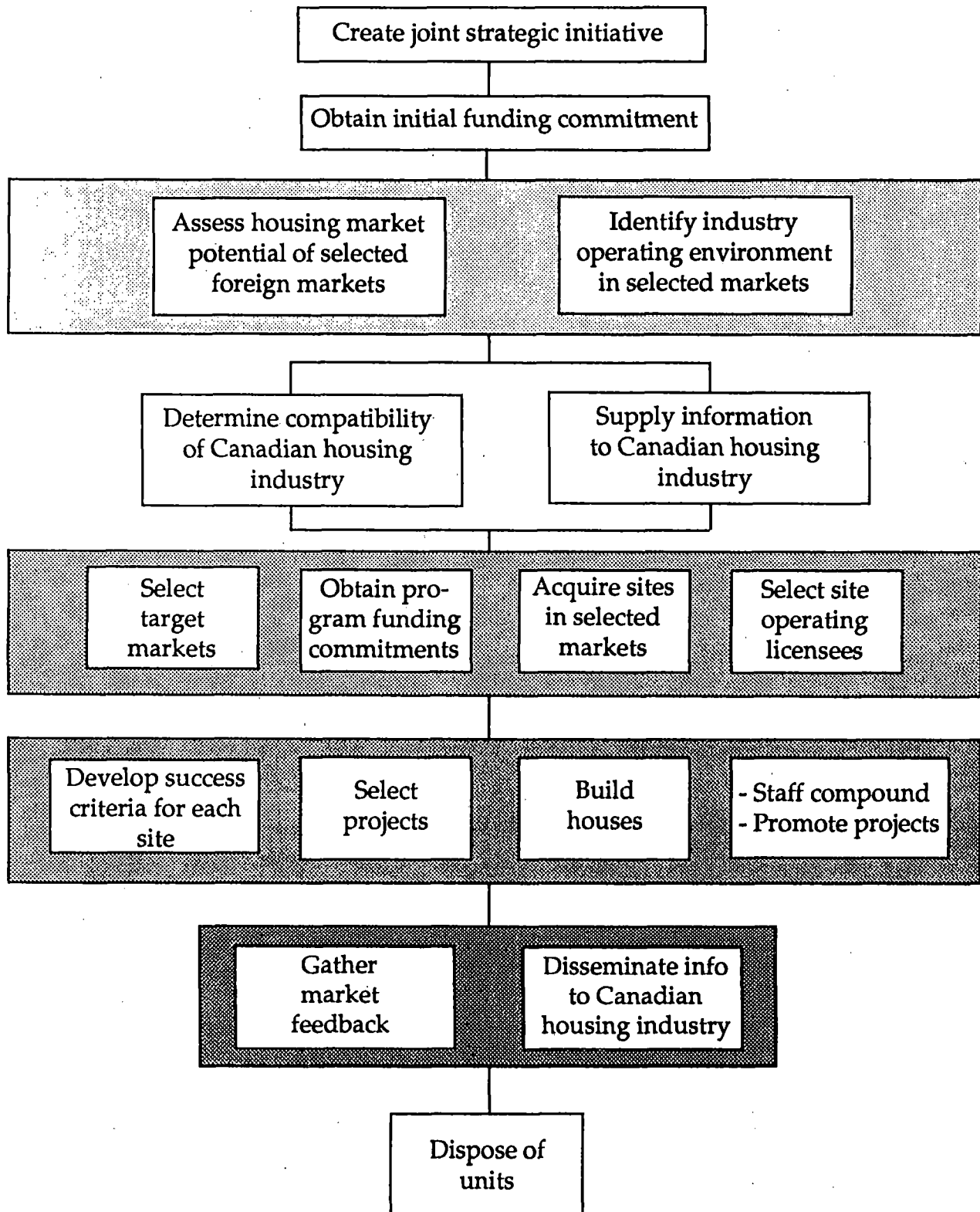
6.1 THE CANADA/EXPORT HOUSE

- The Canada/Export House concept involves the development by Canadian housing industry consortia of housing components and/or housing units adapted to the need of particular foreign markets. A number of houses would be built in each compound. Specific components, groups of components or housing units could target different segments such as social housing, green house, advanced house, accessible house, etc. Compounds would be staffed and promoted, there would be a fee for entrance.
- The Canada/Export House focuses on the "Decision" step but also offers opportunities for the distribution of technical information ("Interest" step). If appropriate personnel is on staff, there could be opportunities for actual sales oriented activities ("Action" step).

The Canada/Export House concept is a variant of the World house. The main difference being that participants will be primarily from the Canadian housing industry. The Canada/Export House demonstration program is aimed at:

- providing a see/touch opportunity in selected foreign markets for Canadian housing products, technologies and services;
- showing that the Canadian housing industry is capable of providing housing which is compatible with local requirements and values;
- providing Canadians with exposure to the requirements of selected target markets.
- Compounds located in key markets would contain a number of houses which would encompass a varied range of Canadian products and technology.
- Housing units displayed in compound would have to be compatible with local market norms, regulations and standards, as well as desirable from the cultural, traditional and other relevant socio-economical and environmental market factors.
- Housing units may incorporate special themes such as advanced houses, accessible houses, energy efficient houses, green houses, log houses, social housing, etc., provided there is a local market opportunity.
- Building costs would be supported by participating private sector consortia, with possible assistance from official sponsors considering the pioneering aspect of the program.
- Staffing and promotion costs might be shared between private sector and official sponsors.
- Staffing would be provided by a local or Canadian licensee.
- Licensee might derive revenues from visitors' fees and sales of promotional material.
- Licensee might also derive revenues from sales in that market by participating consortia.

THE CANADA/EXPORT HOUSE IMPLEMENTATION



6.2 THE CANADA/EXPORT HOUSE IMPLEMENTATION

As indicated previously, the Canada/Export House demonstration program is a variant of the World house concept and its implementation follows a similar pattern.

- CMHC, ISTC, EMR, NRC, CIDA and External Affairs, in cooperation with provincial/territorial representatives and industry participants should form the Steering Committee. However, support is strongest from industry. EMR and External Affairs are unlikely to support the project financially. ISTC, which would be expected to play the lead role if the program were implemented, is not committed to its support.
- One of the initial tasks of the Steering Committee will be to obtain funding to set up a Secretariat and proceed with the initial steps of the program.
- The two key initial steps are to assess the potential housing market in selected foreign markets and identify the criteria for success in these markets.
- One interesting option would consist in circulating a video of appropriate technologies and determining if generate enough interest to justify the building of an actual house. The use of a video would allow the gathering of market information at a relatively low cost and minimum risk. There is also the possibility that the video itself may prove to be an effective awareness generation tool.
- The next step involves determining the current compatibility of the Canadian housing industry with selected markets and to pass on the information to the industry. ISTC would likely cover the demand aspects, while CMHC/NRC would cover the industry practices and regulatory environment aspects.
- The Steering Committee would select a group of initial target markets, obtain funding commitments to acquire building sites in these markets and select operating licensees for the program.
- A sub-committee would develop the desired criteria for each house. Each site might accommodate more than one house incorporating different characteristics (similar to those applicable to the World house).
- Design/build proposals submitted by Canadian consortia (which may include local suppliers and trades) would be reviewed and winning proposals selected.
- Projects would be built; compounds would be staffed and promoted.
- CMHC and ISTC (through the licensee) would assume the responsibility to gather and disseminate market intelligence.
- After a pre-set period of time, units would be disposed of and new ones may be erected.
- It is expected that the revenues from sponsors, visitors' fees and disposal of units would greatly contribute to the overall budget of the demonstration program.
- No budget has been established for this concept.

6.3 INTERVIEW COMMENTS

In order to protect the confidentiality of the interview process, interviewees are identified in two categories: government, industry and associations.

6.3.1 GOVERNMENT INTERVIEWEES

INTERVIEW 3.1.1. The "World house/Canada/Export house" are interesting concepts, already being considered, in part, elsewhere. For instance, Chesapeake Bay is having an environmental housing show. There are also a number of similar undertakings such as the "green", "advanced", "smart", R-2000 and C-2000 houses. The comment was that rather than promoting existing technologies, CMHC should concentrate on fostering innovation in Canadian housing by supporting the development of alternative options.

INTERVIEW 3.1.3. The concept of "World house" was discarded, but the concept of "Canada/Export house" was considered interesting. Two examples were cited, one being the log house in Japan and the other a demo house in Poland. The difficulties appear to be in finding industry participants willing to make the investments. Success appears to be linked with having the project in the hands of the private sector.

INTERVIEW 3.1.4. There is no interest in the concept of "World house" for Eastern Europe, even the concept of "Canada/Export house" is considered too early for the Eastern European market.

Various contractors have gone to Russia, they have found that there is a need to house returning soldiers, but clearly the key consideration is financial support not product characteristics.

The concept of "Canada/Export house" could work in other markets. It has shown its effectiveness in Japan, but the structure of the Japanese and the Eastern European markets are not comparable.

INTERVIEW 3.1.5. Neither concepts seemed applicable to China. Before this could be recommended, there would be a need for a viability assessment and for the setting up of a marketing plan. To succeed, such a promotional house would have to be staffed with a permanent representative.

The one area where Canadian type houses may have a better chance is in the northern regions of China where the climate is more similar to the Canadian climate.

INTERVIEW 3.1.6. The respondent focused on a project being considered by the Premier's Council on Economic Renewal (see David West interview). The general idea is that a group of Canadian companies would develop a "World house". A "World house" being defined as a house made from standard components but which can be adapted to local conditions. In a way it would be an application to the housing industry of the notion of "World car", which was developed years ago at General Motors.

Under this concept world houses would not be used for promotion or display purposes, but as a way to produce large numbers of low-cost housing aimed at a multiplicity of foreign markets.

INTERVIEW 3.1.7. The respondent did not comment on the "World house", but noted that the "Canada/Export house" concept is very similar to what was done in Antigua, with considerable success.

The respondent noted however that the concept has important limitations. First, the proposed house must, in all likelihood, be focused at the high end of the market. Second, it must be staffed with people who are knowledgeable (about the product as well as the market). In

normal circumstances, this leads to the hiring of local staff, and these are not usually competent enough to turn the project into a success.

6.3.2 INDUSTRY AND ASSOCIATIONS INTERVIEWEES

INTERVIEW 3.2.1. This concept is perceived as an interesting "demonstration project", it is also seen as a project which would benefit only a few companies. The Canadian Wood Council built a promotional house (in Japan) and had it for a year, then sold it. This could be considered as a type of "Canada/Export house".

INTERVIEW 3.2.2. The respondents did not indicate a high degree of interest in the "World house" concept. They felt that it was too complex and that Canadian firms wouldn't achieve a leading position.

Respondents did, however, react more positively to the "Canada/Export house" idea, which they saw as an interesting approach to fighting the resistance to wooden houses which is prevalent in Eastern Europe. They expressed concern about who would pay for the land and the construction, and who would man the demonstration units. They felt that such units would have to be manned by people with considerable product, local market, marketing and linguistic capabilities. These people would require a considerable amount of supporting material. Costs could be high.

INTERVIEW 3.2.3. The respondents considered that the "Canada/Export house" concept was far more attractive than the "World house" concept. Competition would be among Canadians and Canadian suppliers, which is far more desirable than opening it up to foreign suppliers. The respondents considered that CMHC could spearhead the development of such a program.

INTERVIEW 3.2.4. The "Canada/Export house" concept was judged to be far superior to the "World house" concept. The respondent could get his subs together and produce such a unit. There are however several concerns: would the choice be based on the lowest price; and as there are at least half-a-dozen alternative technologies, would the concept be expanded to allow for several houses accommodating the various technologies.

INTERVIEW 3.2.5. The "Canada/Export house" concept is clearly preferable. The idea of having the product on site in either show-homes or show-villages is a good one.

INTERVIEW 3.2.6. The "Canada/Export house" concept was judged superior to the "World house" concept. The biggest concern expressed by the respondent is that while we think in terms of having the best technology in the world with regard to wood-frame houses, the rest of the world does not even want to consider this option. In most countries, a dwelling is a multi-generation type of asset.

If we want to sell wood-framed houses, we have a lot of hard work in front of us in promoting them. The main advantages we should be promoting are affordability and speed of construction. Demo houses will not do the job by themselves, they are but one of the necessary tools.

The other question, from a strategic point of view is: do we want to educate or should we rather meet the client's current needs and wants?

INTERVIEW 3.2.7. The "Canada/Export house" was considered a good idea, but the respondent had no particular views or comments to make.

INTERVIEW 3.2.8. The respondent reacted positively to the "World house" concept and felt that the design competition approach had merit. He was however concerned by several facts, namely:

- that the competition would require consortia and experience has shown that one or more members of a given consortia generally lack the actual capability to supply the products they have presented in large commercial quantities;
- secondly, our production is regionally geared and our producers lack the capacity to supply to the level required by large importers who would be most likely their clients;
- we must be careful not to raise expectations we cannot meet, lest we end up developing markets for our larger US competitors..

The respondent considered however that consortia is a long term necessity if Canada is to gain a strong export presence and that the "World house" design competition concept may be worth pursuing for that reason alone.

The respondent reacted cautiously to the "Canada/Export house" concept. He recognized that a few "Canada/Export house" type projects can be said to have had a measure of success, e.g. the COFI house in Japan, but he believes that our products may not have been sufficiently adapted to conditions prevalent in most emerging markets which are not wood-frame housing oriented. He pointed to a proposal for an R-2000 demonstration house in Poland. In his opinion, this will not lead to significant sales because there is no local capacity to purchase.

In the opinion of the respondent, the use of the "Canada/Export house" concept as a promotional tool must be evaluated in the context of an overarching strategy in which its role would be justified.

7.0

THE SHOW COURT CONCEPT

7.1 THE SHOW COURT

- The Show Court concept is essentially an application of the Canada/Export House concept to the site owned by CMHC on Montreal Road. The Show Court would offer building sites to commercial builders, provided they agree to build units incorporating some desired features and/or some design requirements above and beyond the requirements of the Building Code.
- Additional features could be tied to energy efficiency, etc. All units would be open to the public for 6 months to a year and would then be sold and occupied. A number of units would be wired for long term monitoring purposes. The general purpose would be to establish a housing technology/innovation demonstration site.
- The Show Court is primarily a "Decision" step oriented instrument. It also offers opportunities for technical information dissemination ("Interest" step) and for "Action" oriented sales activities.

The Show Court idea is an application of the Canada/Export House concept to a Canadian site.

CMHC is considering developing some or all the vacant land it owns adjacent to its Montreal road headquarters. There are various possible approaches, one being a straight commercial housing development. Another option would be to use this area as a showcase of Canadian industry capabilities and technology which could be used as a national or even international promotional instrument. This would involve restricting the sale of land parcels to developers committed to building housing units which would embody one or more characteristic such as energy efficiency, alternative energy sources, accessibility, indoor environment quality, allergy free housing, low embodied energy, ecological components, etc.

Buildings in the Show Court would remain open to public visitation for a period of time, but would eventually be sold and occupied. It is expected that the entire venture would be undertaken on a straight commercial basis (financial support, if any, would come from sources other than CMHC).

- Implementation of the Show Court, if it were undertaken, would be a local adaptation of the Canada/Export House implementation program.
- Respondents' reaction was positive. Respondents cited several examples of similar undertakings which have had good commercial results, but none of the respondents saw the Show Court as having any significant impact on housing exports.
- House buyers routinely shun energy efficient add-ons in favor of comfort or life-style oriented options. Study participants wondered why Show Court house buyers would be different, and if they are not, who would pay for the "advanced features".

- At least one respondent questioned the validity of this part of the study because, he was under the impression that a decision to sell for commercial development had already been reached and requests for bids had already been issued.

7.2 THE SHOW COURT - INTERVIEW COMMENTS

In order to protect the confidentiality of the interview process, interviewees are identified in two categories: government, industry and associations.

7.2.1 GOVERNMENT INTERVIEWEES

INTERVIEW 3.1.1. Respondents commented that Toronto is already proposing to develop a technology showcase project. The question is whether it will be commercially viable (in Ottawa). A further question was raised as to the ability of the Show court to attract foreign buyers and therefore as to its impact on exports.

INTERVIEW 3.1.3. The reaction was neutral to cold. The proposed location was considered as lacking in visibility, no additional comments or suggestions were offered.

INTERVIEW 3.1.4. The respondent indicated that he could not see how such a concept could be used to promote sales of housing, housing components, services or technology to Eastern Europe. However, he commented that the concept itself is interesting and he is personally aware of one example called "Street of dreams" located in Vancouver. All the houses on the "Street of dreams" are for sale, they all incorporate every possible amenity and gadget conceivable. The whole street has been transformed into a promotional area for 6 months before the houses are turned over to the purchasers. The organizers charge \$ 7 per visitor and, according to the interviewee, they are earning considerable revenues from the visit fees alone.

INTERVIEW 3.1.5. In the opinion of the respondent, this concept would have no bearing at all on exports to China. The respondent declined to speculate on the viability or attractiveness of the concept for the local or domestic market.

INTERVIEW 3.1.6. The respondent focused on the idea of "Innovation Centres". The purpose of the proposed "Innovation Centres" is to bring all demonstration projects together in a showplace of prototype innovations. One of the problems is that housing constructed for the purpose of innovation demonstration may or may not meet current code requirement. As of now, there is a question whether these buildings will be erected for eventual occupancy or whether they will be considered as temporary buildings, and therefore not subject to the same building code regulations.

The respondent indicated that the concept of "Innovation Centres" was still in flux and that he would appreciate inputs and feedback on this topic.

INTERVIEW 3.1.7. The respondent compared this concept to the permanent Design/demonstration Centre located in Tokyo. According to the respondent, this centre allows for the exposure of new designs and innovative products on a rotating basis. Its major advantage is that there is an opportunity to renovate the exhibits, something which would not be available in the proposed "World houses".

7.2.2 INDUSTRY AND ASSOCIATIONS INTERVIEWEES

INTERVIEW 3.2.1. This is perceived as a concept which would be of help to only a limited number of people. It is also perceived as not being an important instrument in support of export marketing efforts.

INTERVIEW 3.2.2. The respondents were very favourable to the "Show court" concept and felt that CMHC could take the lead in identifying the appropriate designs.

INTERVIEW 3.2.3. The respondents questioned the export implications of such a concept and suggested that the "Canada/Export house" concept is a far better idea to promote exports. The respondents also mentioned that it was far more important to embody practical market requirements in the houses being promoted, rather than advanced requirements which may or may not correspond to market demands.

INTERVIEW 3.2.4. The respondents indicated that they are familiar with a similar concept called the "Innovation House Centre" and another called the "Green Park". In each case, a number of model homes are built on a site used for promotional purposes for a period of time and then sold.

The respondent would prefer to see such a model home court located in their primary market, but considered that it might be of assistance to the Ottawa market.

INTERVIEW 3.2.5. The respondent commented about a German show-village with more than 300 houses built for promotional purposes only. It costs 10 DM to go into the village. Sweden apparently has complete show-village projects.

Show-homes are only practical before they are sold, people object to having others walking through their home.

The idea of a "Show-court" near Montreal Rd. was perceived as risky because thru-traffic may be limited

A "Show-court" may also have an interesting use for research purposes. Owners may not object to have their houses monitored and it takes many houses to get a good reading.

INTERVIEW 3.2.6. There are several question which require clarification: will this be open to the whole industry or only to selected builders? How will it be commercially viable (clients routinely refuse to pay for energy efficiency and other "socially desirable" costs and systematically prefer to invest in life style and cosmetic items).

There does not seem to be a strong international market development link. Export promotion could not justify such a project on its own.

There is already a large number of R-2000 and other advanced houses and demo houses available, the only advantage of this concept is its capacity to bring them all together into one single location.

Such a project could only be justified if its objective was to introduce new technologies in the domestic market.

INTERVIEW 3.2.7. The respondent wondered why the concept was being tested at all since he thought that tenders for that site had already been let.

INTERVIEW 3.2.8. The respondent was very supportive of this concept. In his opinion this is a continuation of what CHBA has been promoting for years. CHBA has supported a similar project in advanced houses of which there are ten across Canada, the only difference would be that the numbers would be larger and they would be clustered.

8.0

CMHC HAS A KEY ROLE TO PLAY

8.1 CMHC'S ROLE

The Canadian housing industry needs to increase its exports outside of its traditional markets and CMHC could be the one to lead and guide this important effort.

CMHC's main task should be to use its world class expertise in creating an integrated housing industry environment as a lever to facilitate the international expansion of the Canadian housing industry. As repeatedly stated by a number of interviewees, CMHC's role should be to lobby and educate foreign officials involved in setting the legal and regulatory environment for their country's housing industry. This role should also involve direct action at the level of foreign professional associations and housing industry participants. The focus of CMHC's action should be toward creating a legal, technical and regulatory environment as compatible as possible with the one existing in Canada. The prime targets for this effort should be the newly emerging markets of Asia and the reorganizing markets of Eastern Europe.

At the same time as it attempts to make foreign markets more compatible with Canadian capabilities, CMHC should also become the organized repository of information about all innovations and innovators in the housing industry. It should then use this information to develop training and information tools aimed at promoting innovations in the Canadian housing industry. This should be done by disseminating information about all types of housing industry related innovations and by supporting the efforts of innovators through foreign promotions and marketplace mechanisms. Although this challenges falls within its mandate, CMHC should consider involving as many provincial, territorial, professional and trade associations and other Federal departments as possible into the process.

Finally, CMHC may have to play the role of leader, advocate and facilitator in forming Canadian consortia capable of assuming the risks and responsibilities which are part and parcel of the international market scene.

8.2 IMPLEMENTING CMHC'S ROLE

In the context of the AIDA Business Transaction Model, CMHC should consider concentrating its efforts in the Awareness, Interest and Action steps. The Awareness and Interest could be achieved through the development of communication tools such as magazines, newsletters, fact sheets, directories of innovations and innovators, presence at trade shows and other demonstration programs concepts such as those reviewed in this report. It is recommended that CMHC consider taking the lead in implementing the proposed Marketplace as its contribution to the Action step.

By working in cooperation with other departments, other levels of government, trade and professional associations, CMHC should be able to achieve its proposed aims with relatively limited additional funding. High level cost estimates would put the funding requirements of the communication material at some \$ 250,000 per year for four publications (two aimed at the Canadian market, two at the international market), while the first two to three year start-up costs of the Marketplace are estimated at \$ 50,000 to \$ 100,000 a year. For subsequent years, the out-of-pocket commitment from sponsors (excluding staff assigned to the project) is expected to be \$ 2,000 to \$ 4,000 per participant. In the long term, the Marketplace is expected

to be fully self-supporting. It is important to note that this amount would be highly leveraged (5 to 10 times) through cost recovery from the private sector and co-sponsorships. The attractiveness of such an investment can be measured by the fact that Rendez-Vous Canada, Tourism Canada's prime international Marketplace generates up to \$ 300 per dollar of export sales invested by its government sponsor.

8.3 CMHC'S ROLE - INTERVIEW COMMENTS

8.3.1 GOVERNMENT INTERVIEWEES

INTERVIEW 3.1.1 With regards to CMHC's potential role, respondents indicated that they perceive CMHC as being in the innovation support business. They see CMHC as becoming involved in the development of similar national authorities in Eastern Europe and especially in assisting the development of national mortgage markets.

The respondents indicated they perceive CMHC's mandate as improving Canadian housing sector capabilities and not necessarily being involved with exports. In their opinion, CMHC should provide technical support to ISTC and External Affairs.

INTERVIEW 3.1.3 CMHC could have an important role, and it should be as an expert in the area of housing, just as EMR is an expert in the area of energy efficiency. CMHC should offer its expertise in developing an infrastructure for the housing sector, as well as its superb knowledge in setting up a mortgage system and quality control and standards.

Last, but not least, CMHC could promote Canadian exports by encouraging the use abroad of the Canadian Building Code. For example, as a result of Canadian efforts, the Japanese code is now more favourable to Canadian exporters, and a number of non-tariff barriers have been eliminated.

CMHC should not however see itself as having the mandate to play the lead role in the export efforts of the housing industry.

INTERVIEW 3.1.4 If we were to develop a push on behalf of the housing industry in Eastern Europe and especially in Russia, we would have to start with a marketing plan which would determine how Canadian companies could become involved. But before this can occur there is a need for market reforms. Russian ownership rules and regulations are either non-existent or not compatible.

INTERVIEW 3.1.5 The respondent indicated that she was not familiar with CMHC's mandate, but felt that there was nothing wrong with having several Departments involved in promoting the capacities of the Canadian industry in foreign markets.

The respondent felt that CMHC was in a unique position to promote the Canadian housing industry's legal and regulatory environments as a model for developing and Eastern European countries. For example, Chinese fire and hygiene regulations appear to be less than adequate.

INTERVIEW 3.1.6 The respondent indicated that CMHC might wish to become involved in the development of the "World house" and the "Innovation Centres" concepts.

INTERVIEW 3.1.7 There are too many players involved and not enough coordination. Nobody ends up being accountable. In addition, this leads to problems of inter-agency conflicts and turf protectionism.

In the perception of the respondent, ISTC is responsible for exports, but it needs sector expertise. ISTC should concentrate on identifying opportunities. If housing is identified as an

opportunity in a given region, then CMHC should be brought in as part of the promotion/sales effort team.

The basic concept is that there should be a stable core group made up of ISTC staff and that this core group should be supplemented according to sectoral necessities.

In the opinion of the respondent CMHC should not launch its own foreign trade oriented ventures.

8.3.2 INDUSTRY AND ASSOCIATION INTERVIEWEES

INTERVIEW 3.2.1 The Association is not used to perceiving CMHC as being involved in export support activities. The Association is used to think of CMHC as having a support role in the establishment of standards and the evaluation of materials. With regards to the proposed concepts, CMHC could have a role in the "Canada/Export house", it could monitor the project and become the coordinator, along with industry partners.

INTERVIEW 3.2.2 With regard to CMHC's potential role, the respondents indicated that they had participated in CMHC's "Arctic house" contest which they won. They also indicated that their product was shown at the January World Show with good results.

The company perceives CMHC's role as promoting technical development in housing and supporting its promotion by paying for space at the appropriate industry shows.

INTERVIEW 3.2.3. CMHC is perceived as a gatherer of statistics on the Canadian market. The respondents indicated that they had difficulties in perceiving the long-term CMHC role in exports.

INTERVIEW 3.2.4. CMHC could help exports of Canadian housing products by assisting Canadian exporters to overcome the resistance to Canadian products in foreign markets. This could be done by doing research on the causes of such resistance and making suggestions as how to deal with it.

CMHC could also help identify what Canadian manufacturers need to do to meet foreign standards and produce foreign standards booklets.

It would be of great assistance to exporters if CMHC could lobby on their behalf and attempt to introduce Canadian standards in foreign markets.

CMHC could assist foreign countries to develop mortgage markets.

INTERVIEW 3.2.5. CMHC's mandate is to house Canadians. CMHC could help by looking at what other countries do and import the good ideas into Canada. This would help to identify the technologies our industry should adopt to make it more competitive.

INTERVIEW 3.2.6. Fighting the code front tops the list of industry concerns in its drive to export to the US, and CMHC could help. Quite possibly, CMHC could play a similar role in other markets.

INTERVIEW 3.2.8. The Association has been pushing CMHC to become involved in the trade support area. The Association fully understands ISTC and External Affairs roles. It is however convinced that because of CMHC's knowledge of the housing industry, it has a strong sectoral support role to play. Now that CMHC has adopted a trade perspective in its mandate, the Association is happy to be participating in market studies which are focused on developing a strategic approach for export opportunities for the residential housing sector.

In the Association's view, CMHC is the repository of the bulk of Canada's housing R & D expertise and knowledge and therefore has an important role in the inbound and outbound housing related technology transfer process.

The Association sees itself as a partner with CMHC, both playing a facilitator role in the "Marketplace" through joint definition of strategies, development of marketplace policies and the identification of participating companies.