



Amazon Canada-Company Analysis

Student's Name

Intuition Affiliation



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Canada Business Environment

The Canadian economy is one of the fastest growing economies in the entire world, with 2014 ranking showing that it is the 15th largest one regarding GDP, (Unit, 2015). It is one of the richest nations in the world; it is also a member of the famous G7 alliance (Group of Seven). Its economy is dominated by private sector that employs almost two-thirds of the Canadian citizens, and its biggest income generating sectors are logging and oil industries. Apart from these two sectors, it also has one of the largest manufacturing sectors, automobile industry that manufactures vehicles and aircraft industry that majors in aircraft parts. Also, it is the eighth largest commercial fishing nation and second producer of entertainment software, (Nadeau & Blais, 2014). The above information shows that Canada has several investment opportunities, both for the locals and foreigners. It has too much at its disposal to offer. Consequently, most of the foreign investors have invested billions of US dollars in its private sector. According to Caves, Porter, and Spence (2010), almost 40% of the Canadian economy is contributed by the foreign investors, with more than 50% of the people employed in private sector. In this paper, business environment in Canada will be considered. Moreover, the advantageous factors that have attracted investors and the problems faced by investors or problems that hinder investment in this country will be paid attention to. Also, a closer look at the industry and e-commerce sectors in Canada will be taken.

Advantageous Business Factors in Canada

There are several factors that make Canada the preferred destination for many investors and business people. One of the main factors includes its vast economy, which is approximated to be \$1.6 trillion. The economy is combined with very profitable banks and other financial institutions known to give loans at very low-interest rates. Also, Canada has an excellent business infrastructure, which is accommodative of all kind of businesses (Caves, Porter & Spence, 2014). A summary of the advantageous business factors is given below.

Canada offers unique tax incentives to its nationals and foreigners who want to start businesses and investments in the country. The Canadian government has a National Federal Tax Incentive Program, Business Scientific Research Program together with the Experimental Development Tax Incentive Program (SR&ED). All these programs are funded by the Canadian government to promote businesses regardless of the size or the sector of involvement (Anderson,



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Dana & Dana, 2006). They give funds to individuals and firms who want to venture into new business fields in order to conduct market research and sometimes provide starting capital upon some agreements. This program also aims at giving the businesses cash to cater for the expenditures incurred for the payment of workers' wages, purchase of the machinery used in the business operations, and also facilitating purchases of raw materials used. SR&ED is the world's largest program that is supported by a single government for funding business research and development (Miller, 2005). It has ensured that Canada remains on top of the list regarding innovation and research that has led to the invention of new and technologically improved products.

One of the strongest pillars of the Canadian economy is its banking system (Howlett, Ramesh & Netherton, 2009). World Economic Forum once stated that Canadian banks are the soundest in the world. The banking system is set in a way that it will accommodate everyone in society, starting with people who are low earners to the highest earners. Additionally, these banks provide loans at very competitive rates and flexible payment periods. The fact that these banks are ranked as the safest in the world, possess the best balance sheets, and they have best financial regulations attract foreign investors because they feel that their financial security is always assured (Hill & Kabir 2006).

Canada has the most educated workforce in the world. In general, the education system in Canada is very developed, where it is mandatory for every citizen to get at least basic education. According to Armstrong, Armstrong, and Coburn (2009), more than half of the entire working population in Canada has at least tertiary level education. As it is widely known, the growth of a firm is determined by the competency of its workers. Moreover, investors consider putting up their capitals in areas where they will get adequate and high-quality labor (Globerman, 2012). This is one of the main reasons why investors prefer Canada, and it's the reason why most businesses put up in this country do not fail.

Lastly, Canada has subsidized taxes on imported and local raw products. The tax force in Canada is the lowest among the G7 countries, and it is 47% lower than that of United States (Hill & Kabir, 2006). Low taxes imply low business expenditure, thus high profits. Also, this country has a great environment to live, invest, and work. The country is characterized by its vast multicultural community setting, with high-class housing systems, world class health care systems, and ever clean cities.



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Problems and Risks

Despite Canada being one of the leading countries regarding its good business environment, it is faced with some problems as any other country is. These problems impact negatively the economy as well as its potential investment opportunities. Some of the problems are general to all developed countries, while others are specific to this country only. Therefore, FDI should be ready to come across one of the following challenges, and it should have countermeasures in place.

As it is common to most of the developed countries, the imports and exports are usually in large quantities especially if the sea is the main mode of transportation. A country that records large volumes of imports must be faced by problems of clearance and shipping (Orr, 2004). As we all know, most of the raw materials in Canada are imported through sea because it is the cheapest way of transportation available. Canada's clearance systems are a bit slow; they are faced with regular breakdowns and involve several processes and procedures (Campa, & Goldberg, 2013). A person takes an average of two weeks for his/her goods to be cleared, which is relatively longer as compared to other countries.

Another problem Canada is facing is unfair treatments of the businesses both by the government and the locals. According to Orr, 2004, new foreign investors find it hard to get a market share in Canada, especially while venturing in manufacturing and oil industries, which have been dominated by the government. This unfair treatment is observed when it comes to granting of tax incentives by the government and also in tender allocation processes. Therefore, FDI should be prepared to deal with these problems, and perhaps it should come with strategies that would make it stand out from its competitors.

Over the past few years, Canada has been faced with raising levels of interest rates (Campa & Goldberg, 2013). These rates have been at their peak in 2015. The same trend is observed in the United States. The increase in interest rates makes companies pile up their loan debts and take a large sum of money in mortgages. This has led many businesses turning to bankruptcy while some housing firms have been forced to quit. Therefore, FDI should be ready to pay more interest rates, and, therefore, it should come with countermeasures.

Also, Canada is faced with global instability and terrorism threats. During the past few years, it has been receiving constant threats from ISIS and other affiliated terrorist groups, and this has slowed down the investment. Its neighbor countries have unstable governments, and it is



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assumed that this instability may spill over. As we know, instability turns down investments. Although these are just threats and no attacks have been witnessed, FDI should take it seriously and probably put in place appropriate security measures.

There is a problem of warehousing and storage in major cities and urban areas in Canada. Most of the businesses are located in urban areas. Therefore, such facilities are in high demand. Some of them being available are charging high prices while those which are cheaper do not have modern storage facilities. Lastly, Canada is faced with serious insurance and claim coverage problems. The insurance premium cost is very high, which is a result of the increasing interest rates and increased demand for these services. Moreover, the claiming process is very complicated which make many of the firms' quit business when an accident happens. Therefore, FDI should look for a reliable insurance firm, which will be able to step immediately in when an accident occurs.

In conclusion, Canada is a great place to invest. Most of the problems mentioned above are witnessed in any of the developed countries and are common to most of recently established firms. Therefore, FDI should venture in Canadian business sector and be ready to overcome these problems.

Industry and Market Outlook

Industry Perspectives

As it was mentioned above, Canada has many industries, some of which are the best performing in the world. These industries include Aerospace industry, automotive industry, bioproducts and pharmaceutical industry, chemicals and plastics industry, and, finally, mining industry. Here, each of these industries is going to be analyzed, and the most appropriate options for FDI Company will be offered.

To start with, one should look at the aerospace industry that is one of the largest manufacturers of the airplane parts. It comprises of over 700 companies, which generate an average of \$25 billion annually. The industry has over the years generated links all over the world, and it exports over 80% of its manufactured products (Zahra & Sharma, 2014). It is estimated that having venturing in this industry and being competitive, a new company must have a starting capital of over \$1.25 billion (Orr, 2004). Despite this high starting capital, the returns are good. The only hindrance in this industry is mentioned high starting capital. Therefore, FDI might consider this opportunity.



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The second largest automotive industry in the world is Canada Automotive Industry. It is comprised of 450 world class companies and 1250 facilities. The amount of revenue generated by this company is over \$84.7 billion annually. Canada is known to offer the most strategic position to new businesses that are willing to venture into this industry, while it has a well-qualified workforce with over 22 local universities teaching postgraduate motor manufacturing courses. Also, this industry does not require large starting capital as compared to the automobile industry, but the returns are relatively the same. The only limitation of his industry is stiff competition from the local and other international companies, but it can be a new company coming up with new tactics which will overcome the competition. Therefore, this might be a good choice for FDI Company.

Canada is currently the world leader in the production and development of the bio-based products. The leading products this country produces include the biopolymers, biochemicals, biofuels, with the leading bioproduct being ethanol. The entire industry has over 300 firms and employs over 1.6% of the total Canadian workforce, which is approximately 30,000 people. It generates over \$1.3 billion in revenue annually (Levitt, 2014). Almost 75% of this industry is comprised of small scale firms, making the venture a bit easier. The starting capital is estimated to be approximate \$500 million since most of raw materials are found locally.

Lastly, we look at the mining industry in Canada. This industry is one of the word most open industries with most of the natural resources not yet exhausted. It has over 50 minerals with the highest produced minerals being diamond, aluminum and platinum group metals. The mining industry contributes over \$25 billion to the total Canadian Gross Domestic Product and accounts for over 30% of all the exports. It is one of the largest mining supplies, where it has a total of 4000 worldwide suppliers. There are other minerals that are not yet explored, which include Nickel, Zinc, and Uranium. Therefore, FDI might venture into this new business because it does not involve high starting capital, and the competition is not as high as compared to other industries.

E-Commerce Market in Canada

E-commerce is primarily buying and selling goods and products online, where the buyer and the seller conduct all their transactions via the internet. Canadian e-commerce business is growing fast, and 2015 statistics shows that over 6% of all transactions are conducted via this platform. According to Damanpour and Damanpour (2011), over 15% of all businesses offer



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their products through this service. FDI might also consider using this platform for selling its products. There are several advantages associated with e-commerce including convenience. It is time saving because the customer or the seller does not need to travel. Finally, it is possible to conduct a 24-hour business throughout the year. There is a graph of the statistics below, which shows Canadian e-commerce sales from 2012 to 2015 and the predictions of 2019.

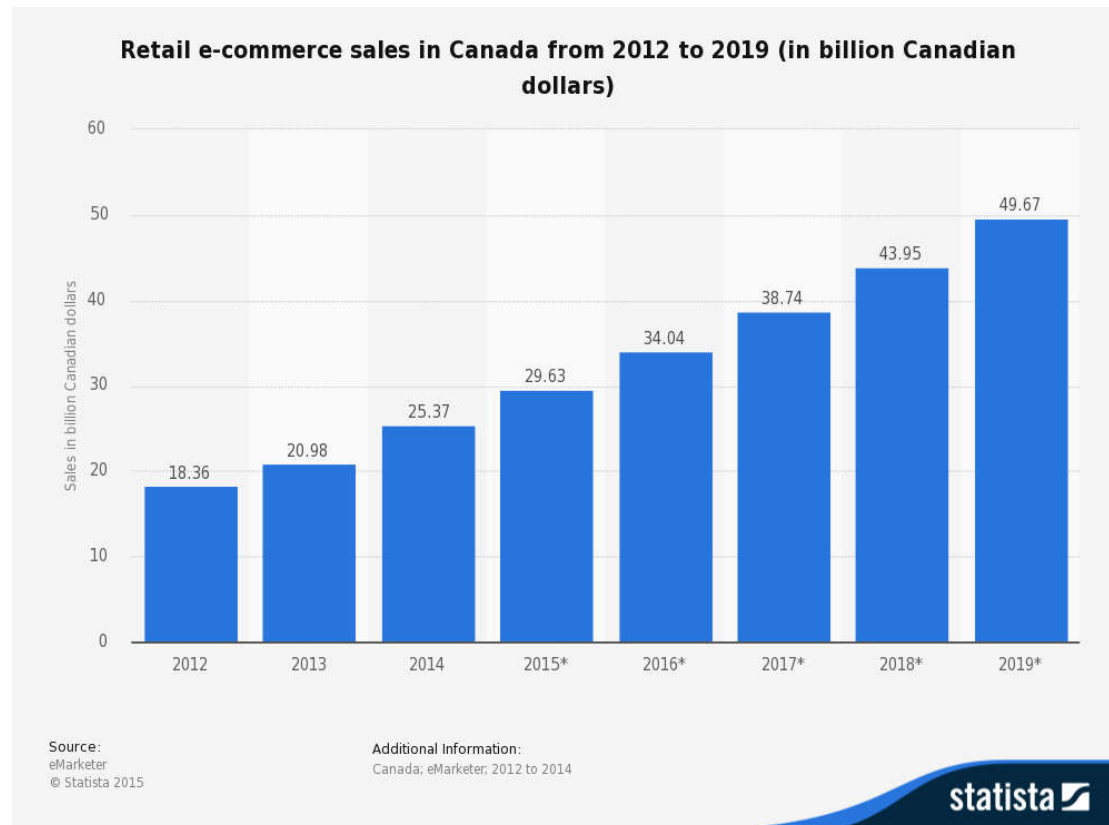


Figure 1. E-commerce sales.

From the Figure 1, one may notice that the proportion of transactions conducted by the Canadian firms is increasing year by year. This is one of the main reasons why FDI should consider these transactions.

In conclusion, venturing in Canadian business has many advantages. Moreover, there are many fields that any company might consider while investing into some industry. Canada has the most productive and highest growing businesses in the world. Furthermore, as it was shown above, Canada offers the best business environment any investor might wish to have.



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