Clothing Factory Feasibility Study in Canada

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The topic of the research is the economic and geographical factors that directly or indirectly have an influence on the plan of starting a business outside the country. My research is on finding and discussing the factors that my business outside the country will face. I want to start a clothing factory in Canada, and for this purpose, I have to take into account all the geographical and economic factors that will be responsible for the success and failure of my International business.

Successful companies are those that see the developing trends and deal with the changing environment accordingly. When a company learns to understand the effects of the environment, which have a direct influence on the growth of the international business, it is very good for any business to make sense abroad as it is a major part of a good marketing education.

Geographic Influences Affecting International Business:

Like the economic factors, there are also many geographic factors that serve as a problem for the development of business in a foreign country. These geographic factors include:

- Climate and weather of the country and the effects of weather on agriculture, transportation and buildings (construction).
- The time gap and the distance to travel or to transport goods from one place to another.
- The condition of the mountainous regions and the flat lands (topology) which can affect the transportation and the means of transportation.
- Latitude of the country, whether it is arctic or it is tropical, how much sunshine does the land need?

Geography has a great impact on the trade sector. All the geographical factors affect the business directly; the transportation of materials needed by the company is made difficult by the change in climate. Rain and floods can destroy the company’s products during transportation.

Geography affects weather, and the internet is also severely affected by the change in weather. This can disrupt the communication lines, which can make it difficult for the company to trade between two regions. The web becomes down, and it becomes impossible for the employees to contact their clients, and the whole system of the company gets disturbed. Sometimes, due to earthquakes and floods, the telephone and internet lines become disrupted for weeks and sometimes even for months, which can cause a great loss to the company.

Major Products And Industries In Canada:

The major industries in Canada at present are:

- Real estate industry
- Manufacturing industry
- Mining industry
- Oil or gas extraction industry
- Health care industries
- Social assistance industry
- Finance and insurance industry
- Automotive industry

All of these industries are working in Canada and contributing a lot towards the growth of the economic sector of the country. The automotive industry is the major industry in Canada. It is helping a lot in driving the economic health and prosperity of Canada. This sector is Canada's biggest contributor to the manufacturing industry. And it is manufacturing greatest GDP rate. (Statistics Canada, n.d.)

The main agricultural products of Canada are:

- Grain and oil seeds
- Red meats (livestock)
- Dairy
- Horticulture
- Poultry and eggs
- The major imports and exports of the country are:
- Exports are automotive. Cars, vehicle parts, automobiles, etc.
- Imports are electronics and machinery.

Economic Factors That Affect International Business:

The economic/ financial factors that influence International business are GDP and the financial condition of the area where the company is meant to start. As the company we have to start in Canada is related to a clothing factory, the major factor in this concern is the land where the business is going to be started and the financial status of the land where the factory will be built. The gross domestic product rate. Another economic factor affecting the business in other countries is the financial condition of the company. Is the company making enough profit to hire a lot of workers? Is the company able to give enough salary to their employees? The currency exchange rate is another important factor influencing international business. (Innovation, Science and Economic Development Canada, n.d.)

- Is the company able to use the current currency of the country where the new clothing business is to be started to import the goods for the company?
- Convertibility of the currency of the country, i.e., Canada in this case.
- The inflation rate of the country is an important economic factor to be considered because the inflation rate of the country directly influences the success of a business, especially when it is to be started in a foreign country.
- The minimum salary, which the company can give to its employees.
- The government policies of providing infrastructure to the company are also a major factor because starting a new business in a foreign country depends greatly on the will and permission of the government. Otherwise, it is nearly impossible to start a business abroad.
- The government policies that are important to start an international business include the taxation policy and the money supply policy, which is fiscal and monetary policy.
- Balance in the records of the payments should be maintained. The record includes the payments for importing goods and giving the salaries to the employees. All the payments involved in the access of expenditure and surplus payments.
- The big question regarding the economic factors affecting international business is whether the region where the business is to be started is attracting investment. Investment is significant to consider while starting or planning to start a business. Because the financial and economic state of the business depends upon the investments, as we are to start a clothing factory, it should be considered what other companies or organizations are ready to help us in our business by investing in the company's success. Only then can we think of our company's success because merely on personal financial conditions, a company cannot progress and flourish.
  In many countries, the company's economic progress depends upon its financial and political conditions. The government rules and regulations of how the businesses make money and how the businesses are taxed also have a great impact on starting an international business.
- Consumers' feelings about current and future economic conditions are the economic indicators of overall consumer confidence about the condition of the economy of the country and the company. Confident consumers are the ones who are more excited to spend their money than consumers who are less confident about their economic and financial status, which means businesses are more likely to flourish when consumers have high confidence. When the consumers and the clients are happy and satisfied with the economic and financial state of the economy, they are much more likely to invest in the company, and because of the high confidence of consumers in the company, the company can flourish and progress at a rapid pace. So, the consumers should always be satisfied with the conditions of the company.
- The interest rate is also a significant factor regarding the economy of the company. An interest rate is an amount that is charged to the lender or the individual who needs to borrow the money. Some small businesses tend to borrow money from bigger and successful companies,

and because of this, they rely on loans from banks or other financial institutions as a source of financing. When a company borrows finance from other companies, it results in the accumulation of a high amount of debt for the borrower. Higher interest rates result in higher total business expenses for companies with debt. High-interest rates can also reduce the interest of the consumers and consumers start spending less on a company with a large amount of debt. When companies start borrowing money, they increase the rates of their products, and consumers find the company's products expensive, so they start spending less on their products.

Current Economic Conditions:

Current economic conditions of Canada, the country where the business is to be started, are:

Canada's economic condition has an important position in an open-market system. The economy is open to global trade. The government's policy towards income balancing is adjusted and maintained through paying taxes and increasing the amount to be spent. The income tax rate of Canada has been raised to 33 percent, and there is no plan to reduce the amount of tax for small businesses.

The income tax rate has been raised to 33 percent. The amount of the corporate tax is 15 percent. Other taxes include property taxes. The overall tax is equal to 30.8 percent of total domestic income. The amount of government expenditure has amounted to 39.9 percent, and the budget includes a total of 1.4 percent of GDP. Debt on different companies is equivalent to 91.5 percent of the total GDP rate. An important factor that supports Canada's economy is Trade. The amount of expenditure used for exports and imports altogether equals 65 percent of the total GDP rate. The tariff rate is almost 0.8 percent. The sector of banking in Canada is stable.

All of the above-mentioned current conditions of the country's economy can deter financial investment because the financial state of the country is good and stable, and the country's total income rate tax has been raised over the years. The GDP rate of the country is also good enough to attract consumers and investments. Foreign investment in Canada is direct as well as the one made for interests. It is important to note that most of the Canadian economy is stabilized by foreign investments. There are branches of US companies in Canada which are playing a vital role in the development of the economic sector of the company.

Infrastructure:

Strong infrastructure is the key to achieving a stronger economy and a clean environment. It also provides a clear and safer communication. The sector of infrastructure in Canada is responsible for a better system of communication and transportation, which has helped a lot in trade between different countries, and the infrastructure of Canada is also beneficial for us to start a business in Canada.

Accessing The Social Cultural Environment

Social Factors:

There are many social and cultural environmental factors that directly or indirectly influence international business. The social environment includes the social, cultural and economic aspects of the daily life of the people of a country. It includes all the institutions and organizations of the country and the ways of the interaction of individuals with each other. All the social groups of the country are part of the social environment. The following factors represent the physical and social environments that affect the individuals directly or indirectly, such as through exposure to toxins or indirectly through access to resources, for example.

Every human needs shelter to make him safe. However, Canadians have less access to an acceptable rate of housing. The primary factor to be considered for adequate housing is the affordability. Another important social factor in the way of starting a new business in Canada is employment, which is positively associated with health. The third major social factor is the education sector. Education is directly linked with employment. A higher rate of education will result in a higher rate of employment. The total percentage of young people who have completed secondary school is an indicator of the health of the social environment.

Cultural Factors:

Culture is considered to be the heart of a nation. Cultural expressions are used to maintain a country's sovereignty and sense of identity. Canadian culture affects the business in culture in many ways. The culture of Canada can also be seen in the style of people speaking and communicating with each other. Communication barriers are one of the cultural problems that may be faced by us by starting a business in Canada.

Books, magazines, songs, films, new media, radio and television programs show how the people of Canada are. Cultural industries help shape our society and develop our understanding of one another, which can help a lot to make a business successful in Canada. The government of Canada uses the incentives of finance, taxes, and intellectual property to promote the culture of Canada. By working together, the government of Canada and the cultural sector have been able to regulate the environment and ensure that Canadians have access to the best products in the world.

Demographic Changes In Canada:

The birth rate in Canada is not growing over the years because there are equal births and deaths every year. This is one of the demographic changes that affect the business in Canada in many ways. The birth rate has declined in Canada over the years.

Trade Barriers:

There is a trade barrier because of the different social and cultural trends of countries other than Canada. The trade will face difficulties because of the cultural changes, which include the language, religious beliefs, etc.

Accessing The Political-Legal Environment Of Canada

Government And Politics Of Canada:

The government of Canada is a Federal government that is responsible for all the factors of citizenship, immigration, trade and many other factors. The provincial government is responsible for health, education, and highways for transportation. The municipal government is responsible for streets, firefighting, etc.

Government plays a vital role in making business in Canada successful because without the permission, support and will of the government, it is impossible to start a business. The majority of companies in Canada are privately owned, but the government does play a significant role in the economy. When the two main levels of government are combined, they make a total of 21 percent of the country's GDP. Most of the time, the provincial and national governments do not agree with the economic policy. Most of the Western provinces want control over their mineral and energy deposits, while the central region of the nation seeks increased government spending to support economic development.

Formal Trade Barriers:

Restriction on free trade is one of the official trade barriers that are imposed by the government. The main formal trade barriers are the quotas, tariffs, and embargoes. Restrictions may include taxes, and there may be non-tariff obstacles to trade, like licenses, including import licenses, export licenses, and quota licenses. Trade restriction and currency evaluation are some other formal trade barriers. A tariff is a tax imposed on imports by the government, and this tax is collected by the government. This is an important formal trade barrier.

Promoting Global Business:

The government plays a significant role in developing global business by attracting investments from foreign countries. A country's economy is controlled by its government, so the better the economic state of the government is, the better will be the rate of foreign investment for the promotion of global business in Canada. Just like many other activities financed by governments, investment promotion is a task typically carried out by the government but others that are commonly associated with functions usually located in the private sector. All the activities of this type are mostly financed by the government because profits are generated.

Intellectual Property:

The state itself owns almost 89 percent of Canada's land, and the rights to the property are 11 percent that is closed and well protected. Intellectual property rights are touching world standards. Canada has a reputed government.

The income tax rate has been raised to 33 percent. The top corporate tax rate is 15 percent. Other taxes include a value-added tax and a property tax.

In Canada, intellectual property is a part of innovation; it includes activities that are protected by trademarks, patents, copyright, etc. Software, music, and games in Canada are guaranteed in the brand names and many other intellectual property rights like patents, copyrights, etc. There are law enforcement agencies in Canada that take care of the public's interests and their writings and innovations. So, the protection of intellectual property is significant in making a business successful.

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