

**FEASIBILITY STUDY: IMPORTING AND SELLING INDIAN
FURNITURE AND ARTEFACTS TO CANADA**

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ABSTRACT

The purpose of this feasibility study is to explore the potential opportunity along with operational and resource requirements necessary to import and sell ethnic India furniture and artifacts in the Vancouver market. Vancouver's diverse and multicultural demographic profile has greatly influenced the use of and demand for ethnic furniture and artifacts from around the world. Indian merchandise ranks high in this demand due to the exposure to the enormous East Indian population and their tastes.

This niche market is not close to its saturation and holds significant growth opportunities if the number of players and their awareness increases. At the same time there are entry barriers such as artistic sensibilities and desire to work cross-culturally that limit the general public from entering. This was identified as a crucial intrinsic success factor in this study. Competitive advantage is largely based on the merchandise sourced. The unique nature of the merchandise along with quality is a key differentiating factor within this industry. Uniqueness of merchandise here is defined by authentic, artistic and not mass produced or reproduced products.

The operation of sourcing and importing the merchandise are riddled with logistical complexities and requires lead times of at least 4 months as it includes travel to and around India, transport of merchandise to the Indian port, shipping

merchandise to Vancouver and refinishing the merchandise before it is available at the store for sale.

Based on our research and interviews with the existing ethnic furniture store owners and operators the conclusion clearly supports opening of our dream store, Ethnic India Ltd. in Vancouver.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

GVRD – Greater Vancouver Regional District

EIL – Ethnic India Limited

MBA – Masters of Business Administration

CCRA – Canada Customs and Revenue Agency

GIC – Guaranteed Investment Certificate

HSBC – Hong Kong and Shanghai Banking Corporation

CHAPTER 1: INTRODUCTION

Ethnic India Ltd (EIL) was an idea we were interested in exploring further long before we came across the final project. This project was the perfect medium for us to take our idea to the next level. Given both our backgrounds and experiences, we felt not only qualified but also confident we had the right attitude and ingredients for a successful business. Therefore the next logical step was for us to carry out a feasibility study to prove the viability of our idea and bring it a step closer to commencement.

EIL is poised to be a brand that will deal in ethnic Indian furniture and artefacts that would be imported from India, refinished and restored and sold in the Vancouver market. As part of this feasibility study we will analyze the market potential, competitive environment, industry structure and arrive at strategic decisions of location, pricing, products, logistics, financial projections and concerns and limitations of the business. Post our analysis, it is obvious that this is a viable business opportunity for those who have the necessary background and eye for ethnic merchandise. Now we are standing on the threshold of the commencement of Ethnic India Ltd.

CHAPTER 2: MOTIVATION

Our main aim to carry out a feasibility study for importing and selling Indian ethnic furniture and artefacts in Vancouver is clearly to maximize return on investment within an entrepreneurial setting. We, as founding partners of the business have the necessary background to enter the business from a potential investor's perspective, the lack of which acts as an entry barrier to those interested in competing in this business environment. By background we mean our previous experience in importing similar merchandise into the Canadian market, sourcing and merchandising for ethnic furniture and artefacts from across India and an understanding of consumers' interior furnishing tastes and preferences. Together, we have been exposed to all these elements necessary for exploring this business potential by entering the market.

Hence our motivation is clearly the financial rewards that we see as the biggest carrot. In addition to the economic gains, we would have the flexibility and freedom of being our own boss and lastly we would be having fun while working.

CHAPTER 3: INDUSTRY ANALYSIS

Industry analysis is mostly based on our research of available data in different governmental and non-governmental sources on the Internet. To complete the information we have used the information obtained through interviews of shop owners of similar niche market. There were also very few parts that we had to base our statements on two weeks of observation of the market in the months of April and May 2004. These parts are all clearly identifiable with statements such as “we think...”, etc.

Industry

The total Canadian households spending on furniture and appliances during 2002 was \$24.5 billion (Statistics Canada, The Daily: 13 May, 2004). The furniture industry in Canada was over \$4.8 billion in 2001, half of which was wooden furniture (Industry Canada, 2003). An estimated 472,886 households who bought houses in 2002, spent \$1.3 billion on furniture (Statistics Canada, 13 May, 2004).

The above numbers do not include any antique or ethnic furniture and artefacts, but generally reflects the size of furniture industry in Canada. As we can see in table 1, in 2002, over 120 companies and organizations, including for-profit and not-for-profit organizations, across Canada imported \$40,634,313

worth of antiques of an age exceeding one hundred years – not including paintings, drawings, engravings, decorative plaques, sculpture, stamps, and collector’s pieces of various scientific disciplines (Industry Canada, Canadian Importers Database). In BC the number of importers was only 15, which shows little competition in BC (Industry Canada, Canadian Importers Database).

Table 1: Import of antiques of an age exceeding one hundred years to Canada in 2002 (Industry Canada, Canadian Importer Database, 2003).

Number of Importers	Value of Imports (\$CA)	Cumulative % of Imports
3	7,895,591	19.43
6	11,422,667	28.11
10	15,021,110	36.97
15	17,804,862	43.82
20	19,858,415	48.87
25	21,438,896	52.76
110	32,650,325	80.35
All	40,634,313	100.00

According to Joan, Panache’s manager, some retailers buy their items from other importers in BC, other Canadian provinces or even England and the U.S. Table 2 shows imported antiques including “furniture, antiques exceeding one hundred years”, “tableware, antiques exceeding one hundred years”, and “antiques, other than furniture or tableware, exceeding one hundred years” from world to Canada, from world to BC, from the U.K to BC., and from the U.S. to BC during 1988 to 1998 (University of Toronto, search Canada Imports). U.K. during this period is the single largest importer of antiques to Canada followed by the

U.S., but India, on the other hand, is not among the top importers to Canada.

Therefore EIL would be among the very few direct importers of Indian antiques and artefacts to Canada. This will help us in sourcing the items of our choice instead of items that are available through other importers. In doing so, we will also save the middle-person's commission. Unfortunately, most recent data and the origin of goods is not available, but according to few shop owners majority of them supply their inventory from wholesalers in the U.K., the U.S., and Toronto.

Table 2: Historical data for import of antiques to Canada, B.C., from India to B.C., and from the U.S. to B.C. (University of Toronto, 2004), Value in CA\$.

Year	Canada	BC	BC from India	BC from UK	BC from US
1988	47,722,212	4,121,580	31,712	1,767,204	898,553
1989	47,568,791	7,738,314	23,690	1,667,827	1,383,600
1990	70,425,254	5,487,406	3,835	2,014,416	1,801,935
1991	27,417,716	3,542,739	9,929	1,103,593	1,290,659
1992	19,037,216	3,494,207	8,950	1,302,481	853,776
1993	17,517,608	3,227,014	17,022	1,297,284	810,999
1994	19,485,199	5,375,708	30,074	1,026,341	845,093
1995	21,259,876	4,430,589	63,745	1,471,241	1,149,328
1996	23,797,106	4,494,001	8,944	934,409	1,623,479
1997	4,338,026	564,217	-	-	564,217
1998	6,908,039	385,246	-	-	385,246
Total	305,477,043	42,861,021	197,901	12,584,796	11,606,885

The data includes “furniture, antiques exceeding one hundred years”, “tableware, antiques exceeding one hundred years”, and “antiques, other than furniture or tableware, exceeding one hundred years”

Market Trends

One of the most important trends in the market in home design is the fact that there are more and more people who believe in “do-it-yourself” (DIY). The kind of DIY that we talk about here is the kind that have more artistic qualifications and believe that they can design their house (choose their furniture and decide on where to place them with what combination, as oppose to hiring an interior designer to it for them) themselves. Also, people want to own something unique. There is a certain status to owning an one-of-a-kind Indian, Chinese or French antique as opposed to a generic piece of furniture from a big box store. This is not only a matter of cost (i.e. demonstrating status through purchasing and owning expensive items), but also of artistic, historic and cultural sensibilities.

Cultural values are becoming more and more important to people. Especially in a city like Vancouver, where it is clearly evident in the form of the diversity in the population. Vancouver’s multi-cultural environment is highlighted in terms of the variety available in shopping, restaurants and even local businesses (such as national Banks) that use different languages to advertise and cater to the diverse populous. It has becoming more important to be called “culturally sensitive” or “culturally knowledgeable”. Many people know about

different cultures and their difference or at least pretend to know. People are aware of their backgrounds; know the customs, ceremonies and arts of many cultures. People actually appreciate this diversity and try to understand it more. One of the ways to show this knowledge or sense is to purchase or show a collection of antique objects from different cultures. Thus there are more antique shops and shows being held in large and medium size cities to satisfy this part of people's need.

As more and more antiques become available in the market, more people are drawn to buy antique furniture or antique objects. People realise that the durability of the new furniture is not as long as antique furniture, not even considering how long the antique furniture has aged thus far.

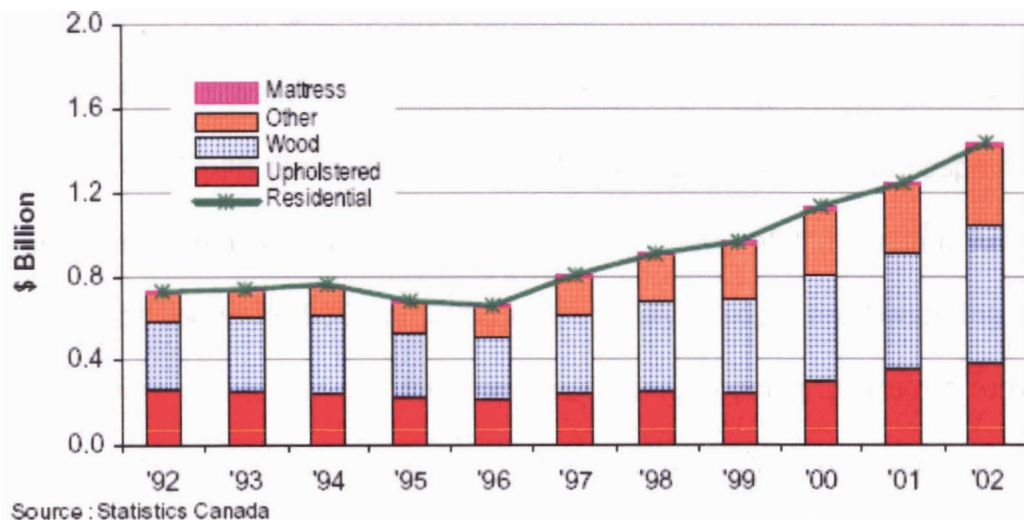
Another reason that we think the market is to our favour and will remain the same way is the fact that the growing diversity of people in Vancouver. Vancouver is a multi-cultural and cosmopolitan city. Vancouver's visible minorities (Chinese, South Asians, Black, Filipino, etc.) took up 31.1% of total population in 1996 census (Shapiro, 2001). According to 2001 census this ratio increased to about 37% of Vancouver's population, 164,365 of whom are South Asians (Statistics Canada 2, Visible Minority Groups). This ratio, in all likelihood has increased to our favour and even more diverse society. Second generation immigrants are usually more interested in antiques and artefacts than their parents. Most of them, however, are more interested in their ancestral countries' antiques, but at the same time develop an appreciation for other countries' and cultures' antiques and arts, too. There are also mixed marriages. Very often the

non local partner would like to bring in furniture that does not represent the local culture to neutralize the atmosphere. The objects that these mixed couples purchase are often closer to the non-local partner's culture, which non North American.

Marketing Growth

The import of furniture to Canada is having an increasing rate (Industry Canada, 2003). From 1992 to 2002, apart from a small slow down in 1996, import of residential furniture has been increasing (Industry Canada, 2003). Figure 1 (Industry Canada, 2003) below shows that not only the amount of import of furniture has increase, but this increase is more visible in wooden furniture. The housing boom of 2002 and 2003 as well as low interest rates also resulted in a boom in furniture industry (Statistics Canada, The Daily: 13 May, 2004). This trend continued to 2003 and is expected to continue in 2004 and later too. New home owners tend to shop for furniture at least for two to three years (Statistics Canada, The Daily: 13 May, 2004).

Figure 1: Imports, residential furniture 1992-2002 (Industry Canada, 2003)



Of course these numbers do not include antique furniture and artefacts, but an increase in imported furniture sales could indicate increase in sales of antique furniture too. The type of furniture that we are talking about is about 100 years old or slightly older. The furniture of this age, especially from India (and many other countries, such as China, Indonesia, Vietnam, etc.) is obtainable for a fraction of price that would cost to make them in North America. They are not that old to become that valuable. Most countries have special regulations and restrictions on export of real old antique, because they are categorized as national heritage. So people who are looking for a chair from a place like IKEA that needs to be put together and is easily breakable, can buy an Indian and very sturdy chair for almost the same price (approximately \$80).

If we compare the prices that we will charge (for further information on pricing please refer to the section titled "Pricing"), in many cases, is comparable to that of slightly higher end furniture or design furniture that are sold by smaller businesses. For instance similar chair or a normal dining-room table in a shop like Cabana (in South Granville) could cost about \$150 and \$800 respectively, whereas similar chair and table could be found in any of the antique furniture shops could be found for \$80 and \$600 respectively. People are becoming more and more aware of this fact and there are more people going to antique furniture shops to purchase their ideal pieces of furniture and other artefacts for home decoration.

There is not much information on antiques sales, imports and exports. However, the overall feeling of the market certainly indicates that the market was

growing at least during in late 1990's to 2000. The statistics show that from 1999 to 2000 the average dollars spent by BC households on antique furnishings and equipment has increased by 5.6% (Statistics Canada 3, search). As was mentioned in the previous section there is a growing appreciation among the general population of cultural values. According to three different shop owners only in Vancouver alone number of antique dealers have increased during the last decades. Increasing number of antique dealers by itself could be a sign of increasing market demand for antiques. On the other hand, more antique dealers brings along more awareness of the industry and grows the market size. Unlike other industries where more dealers may flood the market, antique dealers generally trade in unique pieces; therefore, they are not in direct competition in quite the same way as other retailers. Every visit to an antique shop or antique show results in further education and knowledge on antiques and their value.

The individual antique dealers that were interviewed indicated that they, so far, had better sales this year compared to last year and the years before. Almost all of them also forecasted an even better market in the coming year. Most of them claimed that the events of September 11, SARS, etc. did not have a huge impact on their business. One of the dealers mentioned that there was decline in their US market (their American customers), but on the other hand their increasing Canadian market not only covered that decline completely, but also surpassed the total amount.

Competition

We will be competing with many different shops, antique dealers, furniture dealers, decorative object dealers, second hand furniture dealers, and even large corporations such as IKEA, Home Depot, etc. for the same share of the wallet. It is almost impossible to figure out the exact number of competitors and their financial information, but it is clear that big corporations (e.g. IKEA) have a huge share of the furniture industry. Only IKEA alone has two large outlets in the Greater Vancouver Area; one in Richmond and one in Coquitlam.

There are about 357 registered antique and arts dealers in Greater Vancouver Regional District (GVRD), who have a permanent or semi-permanent place (shop, show, etc.) (Canada Yellow Pages, search). According to Joan, one of the French antique dealers in Vancouver, up to 2002 only 13 antique dealers were members of the Antique Dealers Association of Western Canada, which does not have a real role in the antique market any ways. Even though we will be competing for the same share of the wallet, we will differ greatly in terms of the product assortment in similar categories as each product would be unique and authentic. In addition, we will not be in exact competition with these antique dealers (357) and large establishments like IKEA in all areas. Many of the above antique dealers concentrate on certain objects or pieces (e.g. glass-ware, silver-ware, carpets, paintings, etc.) that are not going to be our focus. They will rather take a small portion of our inventory. The antique dealers that we will be in direct competition with are the more elegant antique dealers who deal French, Italian, Asian, Southeast Asian, South Asian, etc. antiques. Many of them are located in

South Granville Street (between 1st Avenue and 16th Avenue) as well as in Main Street in Vancouver. South Granville is known to the artists, tourists, and locals as a place to shop for artwork, antiques and ethnic handicraft. Many shops on Main Street actually identify themselves as second hand furniture shops.

Unfortunately there is not a great deal of information and data on similar niche market. We do not have exact number of these antique furniture dealers either, but we know that the major ones are concentrated around South Granville area of Vancouver. For the purpose of our feasibility study we visited 8 shops and interviewed four shop owners who are in the same niche market in South Granville and partially in Main Street, and are comparable in terms of target market and size. They are Joan Fisher from Panache, Dany Filion from Jacana Asian Antiques & Contemporary Art Gallery, Sherry Killam from French Country Antique, and Carrie Southerland from Mihrab Indian Antiques.

Panache

Panache offers French antique furniture and objects. According to the owner of Panache, Joan (whom we did not find a reliable source, because she seemed to want to get rid of us as soon as possible), the market is very bad and is declining too. She believes that Vancouverites and Canadians in general do not like and do not appreciate antiques. Joan claims that more than 80% of her sales are to customers from outside of Canada, namely United States and England and that is where her area of focus is. Panache has a permanent location in South Granville and has apparently moved to a larger place recently.

Based on our own taste and expectations as customers the design and setting inside Panache is very inartistic in comparison to some of the other shops and dealers of ethnic furniture and artefacts. She keeps a huge inventory. The shop is very jammed and looks like a second-hand store rather than an antique shop. Joan does not seem to have very good customer relations, at least towards the spontaneous shoppers who visit her shop randomly. Joan purchases her inventory mainly from Canadian and other North American wholesale antique dealers. Joan thinks that the increasing number of antique dealers in South Granville helps the antique business in the area to boom. One of the competitive advantages that Panache has over its competitors is that Panache is one of the oldest antique dealers in the area and is a member of the Antique Dealers Association of Western Canada.

Jacana

Jacana Asian Antiques & Contemporary Art Gallery, established about five years ago, owned and operated by Dany Filion and her partner, is also located in South Granville. Jacana's 2001 sales consisted of about 80% East Asian antiques and 20% contemporary arts (mostly painting). The store is decorated very nicely with East Asian antiques and paintings. Through beautiful presentation, Dany trains her customers in "*different decorating methods and how to look at antiques as a piece of art and something that we live with*". Dany's interest comes from when she lived in China as well as the fact that she is married to a Chinese artist. Dany travels to China once a year and purchases the pieces based on her own feeling and interest. A big portion of Jacana's sales

also goes to tourists specially from the U.S. and than the U.K. Jacana's sales to local customers, from about 50% of total sales in 2000, have increased to over 70% in 2001, which she attributed to the following reasons:

1. Name and brand recognition;
2. Increasing interest in antiques and especially Asian antiques;
3. Closure of main competitor next door;
4. Rising awareness in the use of antiques in daily life due to customer training;
5. Increasing number of customers from the local East Asian community;

Although Jacana carries larger and more expensive items in its inventory too, Dany believes that cheaper and smaller items sell much faster (higher return of investment). In 2001, Jacana's inventory value consisted of 20% cheaper-small items and 80% more expensive large items. Even with higher profit margin on smaller items – sometime up to five times more, but average of 3 times – Jacana's profit does not increase tremendously as a result of selling smaller items. On the other hand, Dany (the same as Sherry and Mamie) believe that selling smaller items needs lots of effort, extra manpower to deal with additional customers, and would be perceived as second hand store or convenience store not a prestigious art and furniture antique shop. From 2003, as a result, Jacana concentrated more on larger and more expensive pieces of antiques and artworks, and so far Dany has been happy about her decision. Dany forecasts

even better sales in coming years. She is planning to open another store in Montreal, Quebec in the near future.

French Country Antique

French Country Antique (FCA) is another place that mainly carries Southern French antiques. They are a perfect example of the type of items that we would like to carry. FCA started its business in 1992 in partnership between a few artists who had a passion for French antiques and loved to make some money in the side too. FCA is currently run by two of the original founders. Up to 2002, Sherry and her business partner, Mamie, used to go to France to join their agent, who usually finds and locates many good pieces in France and waits for them to arrive. They purchased about one container of large pieces of antique furniture to small artefacts and shipped it back to Vancouver. They then refinished (polishing and minor paints when needed) the objects. The objects would be displayed artistically and sold in a one month show that was held in a warehouse. From 2002, Sherry and Mamie incorporated FCA and found a formal location for the shop. They make two trips to France a year and have their items on permanent display (till sold). Apart from when the new shipment arrives that requires them being open for about a month on daily basis, they are only open one day a week and with appointment on other days.

FCA does not have exact number of what percentage of their customers are local and what percentage are none locals. They only know that they have few very large business customers (architects mainly) who come from Edmonton,

Calgary and Northern BC to shop in their big shows. FCA is currently located on the first level of a two story building in Main Street. There is an architectural company on the second floor of the building that also sells antique furniture, as well as sends lots of customers to FCA.

Mihrab Indian Antique

Mihrab is another shop in South Granville that sells almost exactly the same items that we would like to import to Canada. The shop was founded by Lou and Carrie (a husband and wife) about 6 years ago and is still mainly a family run business. They moved to their current location to be closer to other arts shops and galleries. Mihrab is opened 7 days week and during the weekends they have full staff working. Lou and Carrie (with their children) go to India for shopping once a year. They also bring one full container of large to small pieces of antique furniture and objects to small pieces of glass and doorknobs. Carrie also says that business is getting better and there are both more tourists and local people buying. He thinks the American tourists love the items and because of exchange rates it has always been worth it for them to buy things from Vancouver (Canada).

Apart from Panache, the other three shops we interviewed were very optimistic about the future and loved the business they were in. They were all quite passionate about what they do. They all believe that talking to their customers about the antique items and presenting the object nicely could persuade the customers who are just walking around and checking things out,

too. They, too, believe that with informing more people about the value of antique as an artwork and furniture in the house is the best marketing strategy and advertising. Owners of Jacana, FCA and Mihrab attribute their success mostly to picking and purchase the pieces themselves. They all said that they only buy what they think is beautiful, is worth it and is an authentic piece of antique, and they all sell well. Sherry said:

“One year we decided to buy things that we thought would sell better. We bought a lot of similar small objects. We were surprised to realise that people didn’t really buy them. From then on, we only buy what we think is good.”

There is one Indonesian antique store that is another very nice place. Their objects are also very beautiful and are nicely placed around the shop. From Majid’s previous visits to this shop, it seems like they also have good inventory turnover.

Of course we are going to have many more competitors. There are many more competitors from the U.S. and other countries who also have websites and have posted all their items on line and have provided online purchase facilities, too. The way the market is growing and people are becoming more aware of it, it seems like the size of the pie is growing.

Market Gap

Though the current market consists of successful players they are present more out of the love for the art and culture rather than the economic gains to be reaped. This is obvious from the attitude of some of the stores which operate

between one and two days in a week, yet reaping sufficient if not substantial economic gains.

EIL has a convincing argument for its success based on the facts that the partners/founders have the necessary background as well as experience, are not of the typical trader mentality of treating everything as a commodity and are also entering the business with a clear objective of reaping maximum profits. We would definitely be an aggressive player in the market and fight for the larger share of the customers wallet compared to current competition.

CHAPTER 4: MARKET STRUCTURE

Market Demographics

We are planning to carry a somewhat large inventory that ranges in price from cheap to very expensive. Almost anyone who is interested in antiques, ethnic objects or home design is our target market. Businesses that are involved in home design are also part of our target market.

Geographic

The target market is varied and includes a huge range of people. In fact we can claim that not only the 1,986,965 population of Greater Vancouver area (2001 Census) is our target market, but many foreign international and domestic tourists are also our target market.

Even though events such as the war in Iraq, Severe Acute Respiratory Syndrome (SARS), Bovine Spongiform Encephalopathy (BSE), forest fires in the interior of British Columbia, Air Canada filing for bankruptcy protection and the depreciation of the US dollar all had negative affects on the British Columbian tourism industry during the year 2003 (Tourism BC, 2004), but BC is estimated to have about 22,467,000 tourists in year 2004 (Tourism BC, 2004). Vancouver, being the second favourite destination after Victoria, will attract a big portion of this number. Vancouver hosted 8.32 million overnight tourists in 2001 and over 1

million cruise ship passengers went through Vancouver during the same time (Vancouver Economic Development Commission, 2003). In 2003, due to the reasons mentioned above, Vancouver saw a decline of 4.3% in total tourism to 7.97 million tourists, 2.23 million of who where American tourists (Tourism Vancouver, 2004).

So the total market size is over 10 million people. Our target market, however, will have certain demographics and characteristics that we will discuss in the next section.

Demographic

Target market for antique furniture and artefacts is made up of male and female (a larger portion are women) customers who are between 25 years and 80 years of age. We believe with a median of 55. Majority of the customers and especially the big buyers (buyers who buy many items on regular basis, including architects) are between 45 and 65 years of age. They are from all industries and businesses, but mainly white collars. We can only assume that their household annual income is at least \$70,000, but a majority with incomes over \$100,000 is more realistic. In term of social class, they belong to upper-middle class and middle-class. They are mainly educated and, perhaps, well traveled too, or at least culturally and internationally knowledgeable. They appreciate different forms of arts and a majority of them own relatively large houses or condos.

In the next section, we specifically identify and explain different categories of our target market.

CHAPTER 5: TARGET MARKET

This part is mainly based on interviews of people who currently work at the same niche market and two weeks of observation of kinds of customers shopping in these shops.

Primary Market

Our primary market consists of older families between the ages of 50 to 85 who are married or divorced. First and most important portion is the women from the middle and upper middle class population of the Greater Vancouver Area, who mostly live in larger houses and have a family income greater than \$100,000. They are interested in home design and/or antiques. They usually read magazines like "House and Home", "Home Design", "Martha Stewart Living", etc. They are socially active and consider themselves knowledgeable about current events. They might be members of different associations or organizations related to the arts, charity, not-for-profit, etc. This group puts extra emphasis on where they live and the look (interior design) of where they live. They also often do not have any children at home, besides when their children or grandchildren visit them. Hence, they can afford to have expensive or rare objects displayed around the house.

Another portion of this primary target is the men from the same group as the women above. They maybe retired or close to retirement, but they, too, are socially very active. This group of men are usually members of clubs (the Vancouver Club, different yacht clubs and golf clubs, etc.) and charity groups/organizations. They may be interested in one or more form of arts. They are often interested in sports like yachting, boating, sailing, golfing, horse back riding, skiing, hiking or even hockey. They do a lot of traveling for work and pleasure. Many of them read and listen to the business news. Sometime this category buys furniture for their business as office furniture, too. For convenience we call this category “older families”.

Our primary market of older families consists of over 50% of the entire target market.

Secondary target market

Surprisingly enough, another large target market is the tourists, especially American tourists. Even though there are cases of European tourists and Canadians from other cities and provinces purchasing antique furniture and artefacts in similar shops and places, but the percentage is relatively low. So our primary tourist target market is the American tourists. American tourists are known to buy small artefacts to large pieces of antique furniture. They belong to the same category as our first two groups of men and women above.

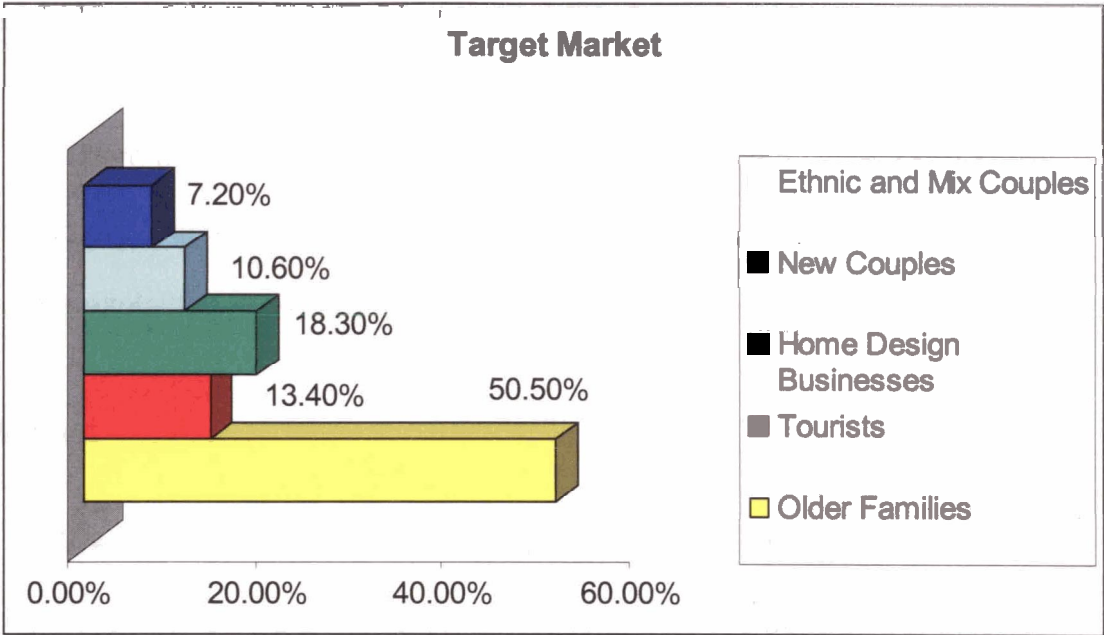
The next target group is relatively newer group of younger couples. They have a total annual income of \$70,000 or above. They are new nesters with their

first home together, whether rented or bought. They may not have big houses, hence they are not interested in larger and more expensive items, but they are interested in living in a nicer house and interested in antiques. One or both of them might be children of the parents who belong to the first two groups. They do more research in their shopping, and might seek advice from their parents on where to shop as well.

Another large target market would be businesses that are involved in home building – namely architects – or interior designers. The ones directly involved in interior design might either be buying directly or might introduce us to their customers. Architects, other home builders and other businesses might recommend shops like that of ours to their customers, too. According to the current practice and to create incentive a 15% discount or commission will be paid to these customers.

Figure 2 below shows the distribution of sales to our target market. The ratios in this figure are based on average we have gained from interviewing the four retailers: Panache, Jacana, French Country Antique, and Mihrab Indian Antiques. Based on our observation we made slight adjustment to their average that is reflected in this figure.

Figure 2: Ratio of target market for ethnic furniture and artefacts



The last and newest large target market is the second and later generations of Indians and other South Asian nations (Pakistan, Bangladesh, Nepal, etc.). These people have not grown up in their home country, but would like to get back to their roots by including in their living space some kind of symbol of their past.

There is also a general interest amongst other people outside our target market who are interested in collecting nice items, especially antique items, but they are not be categorized in one group as they are very different from one another. For example, a 25 year old art loving professional who may or may not own a house could buy a very nice Indian chair or coffee table.

CHAPTER 6: COMPETITIVE ADVANTAGE

There are two keys to success that we, Ethnic India Limited (EIL), are focused on. These are broadly characterized as Internal and External Factors, and are explained in more detail in the following two sections.

Internal

We believe we can control our success through intrinsic factors such as our (partner/founder) experience, knowledge and background of this industry. Majid has experience in purchasing, shipping and selling international ethnic furniture and artefacts for many years. Majid previously has identified suppliers of Chinese furniture and dealt with customs and shipping companies to ship the items to Germany. He has also helped in marketing and done marketing research for a Vancouver based antique shop to bring in French furniture and artefacts and sell them (retail) in Vancouver. Majid's experience in identifying authentic Chinese antique furniture might come useful in finding Indian items too. Avin has previous experience in finding and identifying Indian artwork and furniture. He has special talent in recognizing authentic pieces from forged objects. Avin can tell the difference between mass-production and custom made items. Avin also has some experience in shipping artefacts and furniture out of

India. He also has invaluable network of friends in India who work in the same industry.

Last but not the least we are both MBAs with a specialization in International business as well as post graduate diplomas in marketing. Hence, we feel confident of our ability to develop visibility to generate new business leads, provide high-quality service and customer satisfaction and most importantly we demonstrate a successful approach in converting our reputation into an excellent brand to ensure the conversion of our knowledge into value for our clients.

External

Cultural values are becoming more and more important to people. It has becoming more important to be called “culturally sensitive” or “culturally knowledgeable”. Many people know about different cultures and their difference or at least pretend to know. People are aware of their backgrounds; know the customs, ceremonies and arts of many cultures. People actually appreciate this diversity and try to understand it more. One of the ways to show this knowledge or sense is to purchase or show a collection of antique objects from different cultures. Thus there are more antique shops as well as ethnic furniture and artefacts stores in large and medium size cities to satisfy people’s needs.

As more and more antiques and ethnic furniture become available in the market, more people are drawn to buy ethnic furniture or objects. And

businesses that are currently offering such items are encouraging new entrants, who they believe will help grow the Lower Mainland market.

CHAPTER 7: LOCATION

Location is one of the very important issues in opening a shop. At the beginning of our operation we need to be somewhere that would be easy for our customers to find as well as being visible to everyone to attract by-passers. This requires a street front establishment. We have chosen South Granville Street as an ideal location for our retail shop. By South Granville Street we mean Granville Street in Vancouver South of First Avenue and North of 16th Avenue.

At the beginning of our operation, we need to build trust and brand recognition. Actual physical existence on the street is one of the ways that bring about trust and brand recognition. Brand recognition is mostly tied with the location of the shop in the city. There are neighbourhoods that are known to be more prestigious and there are neighbourhoods that are not perceived as very prestigious. We need to pick our location in the former. With a good choice of location we can also utilize the power of association. Having a shop (similar to living) at certain neighbourhood could also bring reputation and association with certain people and industries. For example, area closer to South Granville Street is associated with prestigious and arty. Robson Street is perceived as expensive and fashionable, but would not be too good for an art related business. Granville Island with many art studios, art dealers, and Emily Carr Institute of Art and Design is again another area that would be good for a similar shop.

South Granville has advantage over Granville Island as Granville Island is the place for mostly painting and pottery. There are many art studios and potteries on Granville Island that produce and sell their work on spot. When we speak of heavier items such as chest of drawers, large cabinets, armoire, or a large table, Granville Island is not the right place to sell. Another reason that South Granville is preferred to Granville Island is that mostly on Granville Island we find local artists and local arts whether from First Nations or other local communities. On the other hand the fact that there are not any other similar shops on Granville Island might be good for us, thus, we have chosen Granville Island as our second best choice.

We also recognized Main Street in Vancouver as another place that similar shops operate. Majority of these shops are scattered from South of 16th Avenue to North of 33rd Avenue. These shops do not try to make them look or sound like they focus on any special ethnic, nation or region. They have second hand items from French table, to Buddha statues, Thai cushions, and First Nations' art work. Shops around these areas are only perceived as second hand furniture shops or consignment stores. They usually stack up all their goods, and it is very difficult to find anything in particular. Even one finds things in these stores it is impossible to see how they really look like in an open space.

Commercial Drive between 7th Avenue to water is another very nice and multicultural area with few similar shops, but from the demographics of the people around that area as well as lack of tourists we do not think that Commercial Drive is a good location for our shop.

We have also ruled out a shop in malls. The nature of this business is the kind that malls are not practical location. People go to malls to find new and trendy things, not old and antique.

As a result South Granville is our number one choice. The shop in South Granville will be a street front shop with a window for people to see inside. The shop needs to be 800 square feet or larger with high ceiling to fit the larger and taller items such as columns, doors and armoires. A rectangular or square shop would be preferable as it is easier to arrange and display furniture in them. The high ceiling is also needed for hanging longer objects such as chandeliers.

According to Carrie and Dany a good location in South Granville for an antique shop will cost us about \$25 per square foot per year. We assume that we are going to find a 1000 square feet shop, which seems like to be semi-standard in that area. Such shop is going to cost us approximately \$25,000 per year to rent.

CHAPTER 8: PRICING

In terms of pricing there is no standard on how much the antique dealers add to their costs. Many objects get priced based on gut feeling and their costs in local market. As many items are very unique in their kind, some of them also will be priced based on the price of similar items in the local market. We try to give examples of different items and how we will price them, but this procedure will not be applicable to all items. The shop owners we interviewed gave us many different pricing schemes, from which we could identify three main common pricing themes that we briefly discuss below.

Average mark-up

There is at least a rule of thumb that 300% will be added to the price of merchandise. By price of merchandises we mean the price paid to purchase the items in India. Based on our interviews of some of the shop owners from the same industry, this mark-up would cover all other costs including: traveling fees for us, agents' commission, local and international shipment of goods, any other relevant costs on procurement or shipment of the goods, refinishing (basic cleaning, polishing, painting or repairing), rent, staffing, utilities and other recurring costs. We have used this pricing theme to calculate our "five year projection".

Low price high margin

We will carry/stock many items, which mostly are smaller items that will have much larger profit margin than 300%. In terms of quantity we will have many small items, but in terms of value these items will assume about 25% of our inventory. Some of these items will have a profit margin of up to 1000% depending on the kind of item and quality. For instance we might be able to find old candle holders that after applying all the cost would cost us about (hypothetically) \$2. If this candle holder, after polishing, becomes very nice, we might be able to sell it for about (hypothetically) \$20.

Below market pricing

For some of the items that will get priced based on similar items in local market the profit margin varies significantly. For instance we might have a very simple four person dinning-room table that does not have any thing special in it other than being sturdier than most contemporary tables and has its Indian look. Similar four people dinning-room table might be sold for at least \$750. Then we will price our table, for example, \$700 to compete with the contemporary production. The incentive for many people to buy our table over the contemporary table is that our table has an ethnic characteristic. It has a history behind it. It is proven to be sturdy. And, best of all, it is \$50 cheaper than other tables in the market.

We will have many items that we will buy as a bargain too. We might find a good cabinet and buy it off the original owner for, for example, \$200. This cabinet, however, could be priced, for example, \$800 or 400% profit margin. Of course, this cabinet in reality will have slightly higher shipment cost compare to items that could be even stored in the drawer of the cabinet during the shipment.

There are of course very large and/or expensive items that will not have 300% mark-up. For example there could be an armoire that we buy for about \$2,000. We may end up adding 250% mark-up to this armoire. We estimate about 20% to 25% of value of shipment will be consisted of these items.

The over all pricing at the end will work out to have an average of 300% mark-up.

CHAPTER 9: PRODUCTS

History

Ethnic India Living (EIL) intends to bring to Canada a collection of ethnic Indian Furniture and Artefacts for Vancouverites, to bring a taste of the subcontinent to their home.

One can only be amazed and exhilarated by the diversity of India, with its wondrous buildings, and the exquisite skills of its painters, decorators, and craftsmen. Mark Twain, who journeyed to India in the late 19th Century, called it a land of wonders.

India, or Bharat in Hindi, has a breathtaking variety of landscapes and habitats, and one of the largest coastlines in the world. Covering over 3 million square km, it is bounded to the north by the world's highest mountain range, the Himalayas, and to the east, south and west by oceans.

India is a cultural melting-pot, having been invaded countless times over the last 3,000 years, and its designs and architecture have been informed by many different traditions. Its history is as wide-ranging and ancient as to be almost overwhelming.

Such is the India penchant for embellishment, that even the ordinary, every day household article is lavishly decorated. This passion for ornamentation

and artisinal tradition co-exist throughout India. An incomparable sense of style and design permeates the culture and the land and inspiring artistry there and across the world for centuries.

Cross the threshold of an Indian house and discover in it an extraordinary variety of design and decoration to inspire. An Indian interior, with its exuberance, is a constantly evolving synthesis of India past and present. At EIL, we attempt to bring together a taste of the subcontinent, with beautiful items of Indian furniture, artefacts and some home accessories.

Product Details

The distinctiveness of these products is that they will be handpicked from rural villages, households and small stores trading in these products across India. These products are used in an ordinary fashion by Indian families and are treated with minimal value as they are quite common. These products are authentic elements of everyday life for an Indian and in most cases would be in the possession and use for a number of years. Hence they are not imitations or freshly manufactured products that can be sourced through any single vendor/manufacturer in the business of imitating antiques or with the capability of copying designs to create an authentic feel. Since these products would be ethnic and unique, we would not be able to increase the quantity of a particular product if there was higher demand for a particular design as we would not be able to produce the product for sale. This aspect would create a sense of individuality and exclusivity for our customers and thereby command higher value

for the merchandise, unlike its value perception back in India. This gap in the difference of value allows EIL to make healthy earnings by simply sourcing, shipping and selling these products to a different market.

Most of our target audience consists of people who have traveled widely themselves and want their home environment to reflect their cosmopolitan, eclectic taste. At EIL you will find furnishings and objects d'art for every budget: ethnic cupboards and armoires with distressed color patina, centuries old carved wooden architectural fragments, doors and pillars; old spice boxes, one of a kind Victorian dressing table mirrors, intricately hand carved wooden printing blocks, primitive wooden cow bells - these are only a few from a list of hundreds of ever changing items. Occasionally, we might also come across antiques of European origin in India - dating from the colonial period.

The products we intend to source and sell, as mentioned above would be unique, authentic and ethnic. Most of these products would be between a few to 100 years old.

The products we have identified can be classified into 2 broad categories:

1. Furniture
2. Artefacts/Accessories

Since the type of merchandise we plan to import is unique and artistic, a textual description would be insufficient to provide the complete feel EIL intends to create. Hence, we have provided a few examples of each sub category along with brief write ups on the description of the product in appendix I. We have also

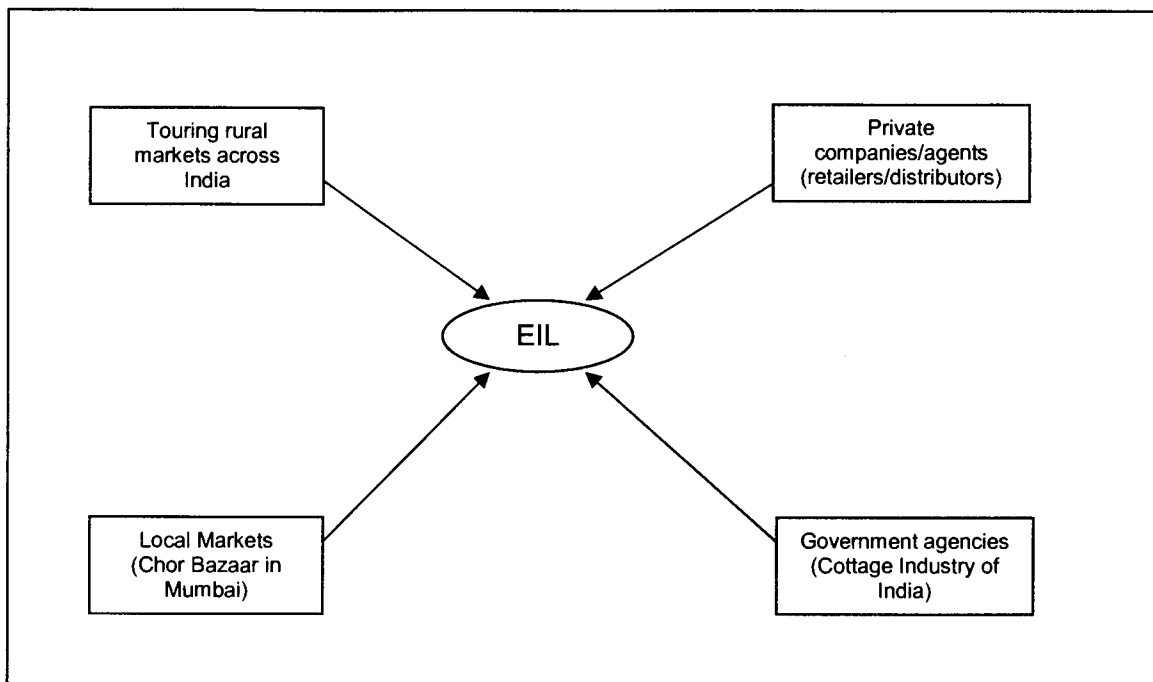
allocated estimated selling process and costs to give an idea of the possible mark-up. These estimates are based on similar selling prices in North America.

Sourcing process

It is easy to say that these are the type of products that we wish to sell in the Vancouver market but the reality is that sourcing these authentic products in different categories is a challenging task. Most companies in this business have been building their network over decades and over and above do their own traveling and selection as well. Roy (the founder and partner) from Galerie Indra; which is an Indian antique and artefacts store in Montreal (Canada), comments “We believe in long term relationships with our suppliers and have dealt with one of our main sources for 19 years. In India, although most of our work is done in New Delhi, we travel extensively, sometimes into remote areas in search of interesting artefacts and antiques. Today, although the focus is on wholesale trade, we hand picked the entire one of a kind artefacts and antiques which we offer for sale.” (Galerie Indra)

EIL’s strategy in terms of sourcing is simple. Since we are new entrants in this business with modest experience, we will use a combination of resources to accumulate a pool of products that would fit our requirements. These resources are shown in figure 3 below.

Figure 3: Sources of merchandise for Ethnic India Limited



The initial EIL sourcing strategy is going to be a combination of all the alternatives available. This will give EIL a feel for what works best for it with a long term prospective. Most established and successful companies in the same line of business use a combination of touring local markets and rural villages across the country and have trusted agents with whom they have built relations with over the years. We have already identified a list of companies and even corresponded with a few that we intend to meet with on our sourcing trip to India.

Our concerns of sustainability of sourcing such merchandise can be safely put to rest as data from the Indian Department of Commerce shows that exports of such merchandise is already a large established industry in India.

Indian Exports of “Other Handicrafts Goods as Artwork” (commodity code: 999190) for the year 2002 – 2003 was U.S. \$614.78 million, out of which Canada consisted of only \$14.85 million, while the largest contributor is the U.S. with

\$271.12 million worth of imports. (Government of India Ministry of Commerce and Industry, 2004)

Indian Exports of “WORKS OF ART COLLECTORS' PIECES AND ANTIQUES” (commodity code: 97) for the period April to June (2003 – 2004) is U.S. \$113 million with the Canadian share being just \$3.23 million while U.S. was the largest importer with a value of \$44.48 million for the same period.

(Government of India Ministry of Commerce and Industry, 2004)

CHAPTER 10: RULES & REGULATIONS

In this section we try to provide information about the rules and regulations that applies to importing of antique furniture and artefacts from India to Canada. The information in this section is based on our research from the Canadian Customs and Revenue Agency (CCRA) website, the Directorate General of Foreign Trade (part of the department of commerce India) website as well as interviews with shop owners and importers from India.

The documentation needed to export and import is standard and hence the same for both parties involved. There are no duties or quota restrictions on the export of ethnic furniture and artefacts from India as long as they are not antiques which include sculpture, painting or other works of art and crafts, illustrative of science, art, crafts, religion of bygone ages and of historical interest which have been in existence for more than one hundred years. Manuscripts, or other documents of scientific, historical, literary or aesthetic value in existence for not less than seventy-five years; art treasures-not necessarily antiques but of artistic and aesthetic value, also cannot be exported out of India. For clarification on the antiquity of an artefact, we can contact the authorities (Director General, Archaeological Survey of India) and get information on the Acts and Rules governing Antiquities and Art Treasures Act, 1972.

EIL does not intend to import any antiques that fall under the restriction of the Indian government. But we felt it important to be aware of the regulations and legalities in order to avoid any inconveniences during the shipping process.

By import here we mean import of antique furniture, objects and artefacts from India to Canada. And, by "CC" we mean Canadian Customs unless stated otherwise.

As it is specifically mentioned under the section "Logistics/Costs" in Chapter 12, one of the best things about this business is that we do not need to pay any CC duty. This will save us a lot of time in terms of assessment, payment and release.

CHAPTER 11: LOGISTICS

Another key element of the business besides sourcing is shipping of the products/merchandise from India to Canada. There are many complications in shipping products out of India such as bureaucracy and corruption within the system, if not done through the right channels.. Therefore it is advisable to use a freight forwarding company to handle the documentation, legalities and dealings with the authorities.

Procedure

The other steps that we identified are Canada Border Services Agency (2000):

The shipment will be done through an Indian shipping company or freight forwarder. The goods will be packed by the shipping company inside boxes and then a 20 foot container or larger. The container then will be transported to one of India's ports and then from there they will be loaded on a cargo ship to be shipped to Canada. According to our estimates from what other people have paid for similar shipment it is cost us some where between \$13,000 and \$20,000 to ship the cargo.

Documents to keep:

- Sales receipts, when applicable, to show the original price;

- Certificate of origin;
- Accounting documents (if applicable);

We are suppose to keep these documents for six years from the day our shipment arrives.

What to do:

- Shipping company makes a list of items, lading list, as they pack them. The list should include content of cargo on each box separately and in details.
- Lading list must be reported to the CC by the carrier / freight forwarder prior to arrival at the port;
- Overage (excess of in shipment quantity that was added to the cargo or discovered later) should be reported to the customs by the carrier / freight forwarder;
- Our custom broker will prepare and submit release or accounting documents;
- Based on the price that we purchase the goods we are suppose to pay GST (we will pay the balance for GST as soon as we sell each item);
- In the last stage custom will release our shipment.

There are very rare occasions that customs will open and check the cargo.

For instance, out of about 18 shipments of French Country Antiques, the cargo

was briefly opened and inspected only once. Majority of times the custom opens the shipment in search for drugs, other illegal items or to determine the shipment is what was reported.

Costs

According to the Canada Border Services Agency our items will fall into "Works of Art, Collectors' Pieces and Antiques" (Canada Boarder Services Agency, 2004) or handicraft of other nations (Canada Boarder Services Agency, 1998) and are treated as General Preferential Tariff. These items are considered indigenous to other nations and religions and bare no tariff.

Additional costs:

1. Purchasing the items: first shipment of \$150,000. Subsequent shipments of \$100,000 to \$150,000
2. Traveling costs for possible three to four people. Including air fare, transportation, accommodation, food, etc. \$20,000 per shipment
3. Shipment including warehouse in Indian side (for limited time), packing, transporting and shipping to Canada, agent fee, and custom brokerage: \$13,000 to \$18,000 for depending on the amount up to a 20 ft container. We take the average of \$15,000 per shipment.

Agent to find antiques and artefacts in India: 3% or \$3,000 per

shipment, whichever greater. S/He should find equivalent to one to two shipments of 20 ft container a year. This amount is included in the shipment cost.

4. Miscellaneous \$2,000 per shipment
5. Refinishing the items: workmanship and other costs of possible repair, cleaning, polishing and possible paint. \$15,000 per shipment
6. GST. Has no effect, because we are only government's agent to charge the customers. We get from customers and pay to the government.
7. PST. The same as GST.
8. Store rental: \$25,000 year which is the current rent rate for a 1000sq ft store in South Granville area
9. Employee (two part-time): Total of \$30,000 year (this is overhead)
10. Store utilities: \$2,500 year (this is overhead)
11. Marketing: Including advertising, entertainment, refreshments, trade-shows, direct mailing, etc.: \$10,000 a year

Summary of all the costs is listed in table 3 below.

Table 3: Estimated expenses for Ethnic India Limited

	Details	\$CAD
1	Purchasing	
	First Shipment	\$150,000
	<i>Subsequent Shipments of 100,000 & \$150,000</i>	
2	Travelling cost (per shipment)	\$20,000
	<i>air fare, accommodation, food, etc for 4 people</i>	
3	Shipping and storage	\$15,000
	<i>Warehousing, packaging, transportation, shipping, agent fee and custom brokerage</i>	
4	Miscellaneous expenses (per shipment)	\$2,000
5	Refinishing (per shipment)	\$15,000
	<i>repair, cleaning, polishing and painting</i>	
6	GST & PST	\$0
	<i>cost passed on to the consumer</i>	
7	Store rent p.a.	\$25,000
	<i>1000 sqft in South Granville area</i>	
8	Employee cost	\$30,000
	<i>Two part-time employees</i>	
9	Store Utilities	\$2,500
10	Marketing	\$10,000
	<i>advertising, entertainment, refreshments, trade shows, direct mailing campaign</i>	
	Total	\$269,500

Financing

So far so good, there lies a market that is just opening up, a gap in perception of consumers which allows us to maximize the return on our investment but in order to leverage this business opportunity we need capital. The starting point of our business endeavour would be the infusion of capital so that we could conduct transactions.

We (Majid & Avin) have realized the potential of making high returns by starting this business of importing and selling Indian ethnic furniture and artefacts in Vancouver.

As seen from our feasibility study and income projections, it is definitely a viable business opportunity and we would break even in the first year of operations itself. The funds required to start the business are in the region of \$300,000.

Now that we have identified the funds required we need to take into consideration the different sources of these funds and their relative cost. We plan to invest into the business with an equal share, in which case our investment would be \$150,000 each. Fortunately, we have the necessary liquid cash within our net worth, as an option for funding our business. An alternative source of funding would be to take a business loan from a financial institution (Bank). Before we can compare the cost of capital from the different sources we need to consider the current interest rates and lending rates in Canada.

The calculation and comparison of the cost of capital is based on actual current interest rates and prime lending rates offered by the leading financial institutions across Canada. In our interview with Commercial Banking account managers from two of the leading banks in Canada it was clear which was the more viable option of funding our business. The cost of us (Majid & Avin) investing our own money would be much cheaper and easier than borrowing money from external sources. The reasons being:

We have the necessary funds available within our resources. Assuming we invested the capital (\$300,000) in a 5 year Guaranteed Investment Certificate (GIC) the maximum interest we would earn for our money would be 3.5% annually. Therefore the cost of us using our money for the business would be \$10,500 per year

Alternatively, borrowing money from the bank would require us to secure the loan against our assets e.g. house, since we have no previous credit history or a running business to secure the loan against.

According to Mr. Chris Dawe, Senior Account Manager for Commercial Mid Market Banking at HSBC Bank of Canada, the cheapest rate we would get would be prime +1, which as of 28th of May 2004 would stand at 3.75% +1 = 4.75% annual interest rate, that too only after we have secured the loan against a fixed asset.

Therefore our annual interest expense would be \$14,250, in addition to which we would have to pay other service charges and bank fees which could increase the cost of capital to nearly \$15,000 per year. Hence the better alternative would be to utilize our personal funds which would cost less as well as have minimal complications.

Investing our money in a fixed account with one of the banks in Canada (or the U.S.) is, perhaps, the safest way to earn returns. There are of course alternatives such as investing in stock market or other places, but these places have higher risk too.

Table 4: Comparison of different financing sources

	Personal funds	Bank Loan
Cash	300000	300000
Interest Rate/Prime Lending Rate	3.5%	4.75%
Annual Cost of Capital	10500	14250
Additional costs (Fees, charges, levies, etc)	0	750
Total Cost of Capital	10500	15000

CHAPTER 12: PROJECTIONS

Assumptions:

1. Our calculation is based on a pessimistic mark-up of 300% on purchasing price. We reached this amount based on our interviews with various retailers from the same niche market. We came to the same conclusion when we asked the shop owners about their purchasing price and selling price as well.
2. The first two years we will have one shipment a year and from the third year on will have two shipments annually. The third year the total value of shipment will only be \$250,000 unless the first two years' sales prove to be unexpectedly high which will be broken into 2 shipments at different times of the year. Other variable costs like agent commission, shipment, etc would increase accordingly. The fourth and subsequent years we estimate our purchases to increase to \$300,000 per year
3. In our first year of business we expect to sell 75% of our merchandize at its estimated sales value and the remaining 25% at cost value. The discount offered on wholesale purchases (e.g. interior designers, restaurants, etc.) would be included in the 25% portion.

4. In our second year of business we expect to sell 80% of our merchandize at its estimated sales value and the remaining 20% at cost value. The discount offered on wholesale purchases (e.g. interior designers, restaurants, etc.) would be included in the 20% portion.
5. In our third year of business we expect to sell 85% of our merchandize at its estimated sales value and the remaining 15% at cost value. The discount offered on wholesale purchases (e.g. interior designers, restaurants, etc.) would be included in the 15% portion. We anticipate this amount remain the same for all the subsequent years.

Five year income projection

In order to gauge the feasibility and viability of entering into such business we have developed a five year income projection plan. This projection plan is based on key assumptions that we have stated above. Our projections are in line with current established businesses in the same industry.

According to George Fisher, Chartered Accountant and accounting professor, income tax is calculated at the rate of 22%. This income tax is applicable to small businesses that have annual income of less than \$300,000 (Canada Revenue Agency).

Table 5: Estimated five year projection for Ethnic India Limited

	First Year	2nd Year	3rd Year	4th Year	5th Year
Mark up on purchased price	300%	300%	300%	300%	300%
Estimated sales value	450,000	450,000	750,000	900,000	900,000
Total Annual Sales	375,000	390,000	675,000	810,000	810,000
Cost of merchandise	150,000	150,000	250,000	300,000	300,000
<i>Gross Profit</i>	<i>225,000</i>	<i>240,000</i>	<i>425,000</i>	<i>510,000</i>	<i>510,000</i>
Shipment + Agent + Brokerage	15,000	15,000	25,000	25,000	25,000
Trip	20,000	20,000	40,000	40,000	40,000
Refinishing	15,000	15,000	30,000	30,000	30,000
Marketing	10,000	10,000	10,000	10,000	10,000
Miscellaneous	2,000	2,000	4,000	4,000	4,000
Rent	25,000	25,000	25,000	25,000	25,000
Utilities	2,500	2,500	2,500	2,500	2,500
Employee	30,000	30,000	30,000	30,000	30,000
Total expenses	269,500	269,500	416,500	466,500	466,500
Net Profit before tax	105,500	120,500	258,500	343,500	343,500
Income Tax @ 22%	23,210	26,510	56,870	75,570	75,570
Net Income After Tax	82,290	93,990	201,630	267,930	267,930
Dividends	32,290	43,990	151,630	267,930	267,930
Retained Earnings Balance	50,000	100,000	150,000	150,000	150,000
Net profit margin	22%	24%	30%	33%	33%

CHAPTER 13: CONCERNS AND LIMITATION

Even though the project seems feasible from an economic perspective, it has limited players in the market at current. The main road blocks and entry barriers for the ethnic furniture and artefacts industry is:

1. An eye for and some knowledge about ethnic Indian furniture and artefacts– exposure or experience in merchandising and sourcing similar products;
2. A creative understanding of interior design and what could match what kind of house setup;
3. Networks, contacts and leads in the industry in India;
4. Background and experience in international business to manage importing procedures and documentation;
5. Substantial capital investment to begin the business (approx \$300,000);

While financing the project might not be an issue for some potential players, the other elements of the business pose a strong barrier to those with a typical trader mentality since ethnic furniture and artefacts are not like a typical standardized product.

Potential Risks

Our analysis of the industry and the market is based on a number of assumptions of and conditions that prevail currently. We are conscious and confident of our hypothecations and assumptions. For example the cost of capital is currently pegged at 4.75% per annum. If the interest level goes up, then the cost of capital goes up. Depending on what the loan rates are it might be more profitable for us to invest our money somewhere else and obtain a loan from a bank and a change of our financial strategy.

Another risk in our business is a deeper recession in the market. As the items that we are going to bring and sell in the Canadian market are perceived as semi-luxurious products then these would be the first items to be dropped from the shopping list.

One of the assumptions that we have is that the Indian government is going to stay the same and is not going to change the rule and regulations on exporting our products of interest. Another thing that could also affect us is the export restrictions that could be applied by the Indian government on similar items. Depending on what the new restrictions could be, they could increase our costs (in case of taxes that might be applied) or hamper with our source of products (in case of application of export restrictions).

Our products are unique and are subjective in interpretation of their perceived value, thus, in case of increase in purchase price we will have the flexibility of passing the incremented cost to customer while maintaining our

average margin. In case cost of shipment goes up, this cost is very minimal as most of it is fixed and distributed across a broad range of products, therefore, it will have a minimum impact and could be easily absorbed by our mark-up.

CHAPTER 14: IMPLEMENTATION PLAN

We have prepared a complete implementation plan. This plan is partially shown in table 6. Table 6 only shows the first two years of our operation from October 2004 when we are planning to start the business till October 2006 when we already know what our potentials are. The cycle that is clearly visible in this implementation plan, however, is going to be repeated almost exactly the same in future years. The only difference that we might see is the frequency of its occurrence, which will be decided upon based on amount of our sales each year. If we can liquidate more inventories in shorter time, the cycle becomes shorter and there will be smaller gap between the cycles. This gap may also disappear and cycles will have overlaps if we sell more. Conversely if we liquidate fewer inventories the gap between cycles will be wider to match our sales.

Table 6: Implementation plan time table

	2004			2005							2006															
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Registration of EIL																										
Finalize agent(s)*																										
Trip to India																										
Shipping merch.†																										
Renting a store**																										
Store renovation																										
Refinishing																										
Marketing campaign††																										
Store opening																										
Store operation																										

* Finalizing agent(s) includes selecting agents to find the merchandises for us in India, selecting freight forwarder and hiring a customs brokerage in Vancouver.

† Shipping merchandises includes transportation to a warehouse in India, packing, shipping to Canada, and releasing from the Canadian customs.

** Renting a store includes finding the exact store, leasing the store and taking ownership.

†† Marketing campaign includes direct mail and extra news paper advertising.

CHAPTER 15: CONCLUSION

This project is a feasibility study for a small business importing Indian furniture to Vancouver. As we see it, this business has two advantages. First, as we have demonstrated through conducting this feasibility study, it is likely to be financially successful. Therefore it can fulfill our desire as MBA graduates to capitalise on our education and become entrepreneurs rather than working for others. Second, this particular business appeals to our artistic sensibilities and our desire to work cross-culturally. It affords us many opportunities to travel to India, become immersed in the culture and engage in a business that is not only good for the soul but good for the pocket as well.

We, as MBA graduates, want to capitalize on our education as entrepreneurs instead of working for other organizations and under the leadership of a boss. We would like to be our own boss. We will take advantage of cultural sensitivity and diversity of population in Vancouver to start a business that will satisfy the art-loving and ethnic oriented taste of people from different levels in this area.

Although there are limitations built into this feasibility study and there are barriers and challenges involved in this line of business and in this niche market, but we still clearly see that this business is the right path for us. Based on our feasibility study we see that there is a place for somebody like us, with our

expertise and background to enter the market. This niche market is not too close to its saturation, but at the same time has enough entry barriers to stop the general public from entering into.

This business will also help us to earn attractive income that sets off all the opportunity costs. The opportunity costs includes both of us working for a corporation and collecting salaries, and investing our capital in other places and collecting interests and / or dividend. Nevertheless, we still have to work for other people, bare a big risk on our investment, not utilize our education and experience, and forego the opportunity of traveling back and forth to India.

APPENDIX I: SAMPLE ITEMS FOR ETHNIC INDIA

LIMITED

The products we intend to source and sell, as mentioned above would be unique, authentic and ethnic. Most of these products would be between a few to 100 years old.

The products we have identified can be classified into 2 broad categories:

1. Furniture
2. Artefacts/Accessories

Since the type of merchandise we plan to import is unique and artistic, a textual description would be insufficient to provide the complete feel EIL intends to create. Hence, we have provided a few examples of each sub category along with brief write ups on the description of the product. We have also allocated estimated selling process and costs to give an idea of the possible mark-up. These estimates are based on similar selling prices in North America.

Furniture

Furniture is one of the two broad categories of merchandise that we will trade in. This category conventionally consists of sub-categories which we would maintain; these include tables, chairs, old door cabinets, drawer chests, wardrobes/armoires, etc.

Tables

Tabla Living Room Set (Coffee Table)

According to folk tradition in India, the tabla drum is learned only from the hands-on teaching of a guru, never from the written word. The relationship between the guru and his disciple is cherished and personal. The disciple will achieve mastery over the tabla only with time, patience, and obedience to his guru's word. With its Mughal arches and elegant curves, the Tabla Living Room Set in Shisham wood is a graceful demonstration of an ancient musical tradition.

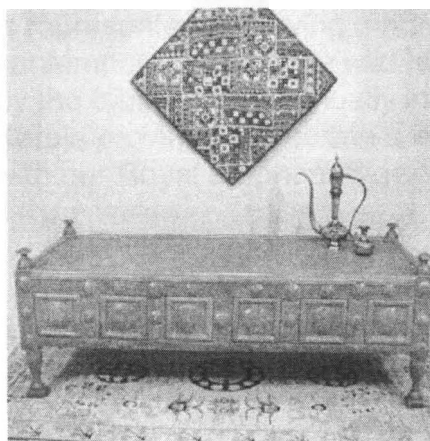
Celebrate the most revered of Indian instruments. Ornament your home with the Tabla Living Room Set.



Color: Dark brown
Material: Hand carved Shisham wood
with brass inlay work
Table - 21 in x 17 in
Stool - 12 in x 17 in
Est. Price: \$ 695 (CAD)
Est. Cost: \$ 235 (CAD)

Ruins of Punjab Coffee Table

Punjab is the cradle of one of the oldest civilizations on our planet – the Indus Valley Civilization, which reigned here more than 4000 years ago. Situated close to the entryway of South Asia, this region historically became a cultural crossroads. The armies of Darius, king of Persia, swept across the Punjab to make the area a protectorate of the Persian Empire. To the Buddhists, Punjab was seen as the way to the North – to the valleys of Afghanistan and onwards to China. Today, Punjab is a region with a remarkable cultural heritage and a centuries-old artisan tradition. Artisans in rural parts of Punjab carry on the ancient tradition of wood-carving. Artisan villages across the region each claim their own distinct creative style and continue to produce world-class wooden masterpieces. The Ruins of Punjab Coffee Table is a graceful display of authentic rural Punjabi craftsmanship.



Color: Beige
Material: Deodar wood
57 in L x 23 in W x 22 in H
Hand crafted by tribal artisans in rural
Punjab
Est. Price: \$ 1595 (CAD)
Est. Cost: \$ 485 (CAD)

Indian Wild Flower Table Set

India is a land of great diversity, which is reflected in its immense array of flora. This wondrous land is home to numerous kinds of exotic natural flowers. The important flowers which are natives of India include orchids, musk rose, balsam, wild tulip, and the lotus. Rural village artisans are often inspired by these lovely works of nature and reflect their beauty in their wood craft. They carve elaborate, detailed floral designs all over the surface of their crafts. Enjoy the spirit and charm of the natural flowers of India, with our Indian Wild Flower Table Set.



Color: Brown

Material: Hand carved Shisham wood.

Set of three tables.

Large table – 20 in x 24 in

Medium table – 19 in x 20 in

Small table – 18 in x 16 in

Est. Price: \$ 495 (CAD)

Est. Cost: \$ 150 (CAD)

Royal Elephant Side Table Set

In the Indian Subcontinent, elephants are important, both economically and as cultural symbols. Throughout Indian history, their great strength has been exploited in agriculture and warfare. They have been chosen as royal carriers for Rajas and Maharajas. In Indian mythology the greatest of Hindu gods, Ganesh, is represented as having a human body with the head of an elephant. In contemporary India, the wild Indian elephant is still highly respected, as is shown by the tribute given annually in the form of the Great Elephant March in the Kerala province. Celebrate a hallmark of Indian culture by beautifying your home with our Royal Elephant Side Table Set



Color: Brown
Material: Shisham wood
17 in H, 13 in top diameter
Set of two tables; Handmade by artisans in rural Punjab
Est. Price: \$ 445 (CAD)
Est. Cost: \$ 135 (CAD)

Chairs

Mogul Paisley Chair Set

At the court of the Mughal emperors of northern India, a single graceful, flowering-plant motif appeared and became a hallmark of Mughal art. In the Himalayan region of Kashmir, this design was used to embellish cashmere mantles and sashes woven for officials of the Mughal court. The original paisley motif gradually developed into a variety of fantastic floral arrangements and eventually into the currently popular teardrop shape. Our Mughal Paisley chairs exhibit the outstanding workmanship of the Punjabi wood craft tradition, and highlight the simplistic beauty of the renowned paisley image. Enjoy the style and elegance of the finest of Eastern design with our Mughal Paisley Chair Set.



Color: Dark brown
Material: Hand carved Shisham wood and 100% acrylic fabric
23 in L x 20 in W x 34 in H
Upholstered with paisley print shawl fabric
Set of two chairs
Est. Price: \$ 695 (CAD)
Est. Cost: \$ 235 (CAD)

Tribal Indus Chair Set

The Indus civilization flourished between the years 2600 and 1800 B.C. along the Indus River, laying the foundation for the lifestyles of South Asians. The Indus Valley community was highly civilized, with advanced forms of architecture, language, craft, art, and urban life. The unique design and style of these chairs is characteristic of the cultural tradition of the Indus Valley people. Bring an element of the history and culture of the East into your home with our Tribal Indus Chair Set



Color: Dark brown
Material: Shisham Wood, Velvet
21 in x 21 in x 33 in
Set of 2 Chairs; Lined with Velvet
Est. Price: \$ 545 (CAD)
Est. Cost: \$ 175 (CAD)

Peshawar Accent Chair Set

The mysterious city of Peshawar is the frontier of the Indian Subcontinent, serving as a gateway from Afghanistan and Central Asia. The Persians, Mongols, Greeks, Turks, and the Mughals all forced their way through Peshawar to reap the riches of India. Historically a gateway city, Peshawar today is a charming melting pot of European and Asian cultures. The city's traditions are a blend of the traditions that have invaded it. The city's people are a hereditary mix of the armies that conquered. Perhaps the most remarkable manifestation of this city's cultural diversity is in its arts and crafts. The city's crafts are a tasteful blend from all the great civilizations that marched through. Our Peshawar Accent Chair is a humble expression of the multi-cultural nature of Peshawari craftsmanship



Color: Brown
Material: Shisham wood
21 in L x 22 in W x 44 in H
Seat Height – 17 in
Hand carved Shisham wood. Set of two chairs
Est. Price: \$ 495 (CAD)
Est. Cost: \$ 150 (CAD)

Drawer Chests

Mogul Extravagance Chest

Artisans from the Indian Subcontinent are famed the world over for the outstanding workmanship of their hand-carved wooden furniture and decor. For centuries, Indian wood-carvers have created artistic and stylish masterpieces. The craft tradition of wood-carving in the Subcontinent can be traced to ancient roots. It flourished in the days of the Mogul Empire, when the Maharajas would fill their royal courts with grand, lavish wooden furnishings and decorations. Exotic woodcrafts were considered a symbol of imperial elegance, while the artistry of these items was praised even in foreign lands. Celebrate the charm and grace of South Asian craftsmanship with our Mogul Extravagance Chest.



Color: Dark brown
Material: Hand carved Shisham wood with brass inlay work
24 in x 15 in x 16 in
Est. Price: \$ 345 (CAD)
Est. Cost: \$ 115 (CAD)

Punjab Treasure Chest

Artisans from the region of Punjab hold world acclaim for the outstanding workmanship of their hand-carved wooden furniture and decor. For centuries, the Punjabi wood-carver has created artistic and graceful masterpieces. During British rule in India, Punjabi craftsmen gained such an enviable reputation that they were recruited to England to work in English workshops and teach at English universities. Today, artisans in the village of Chinyot in Punjab have preserved the ancient Punjabi tradition of wood-carving. The Punjab Treasure Chest is a humble expression of the marvellous quality, workmanship, and design of contemporary Punjabi wood carving



Color: Dark brown
Material: Hand carved Shisham wood
with brass inlay work
24 in x 14 in x 15 in
Est. Price: \$ 355 (CAD)
Est. Cost: \$ 115 (CAD)

Artefacts & Accessories

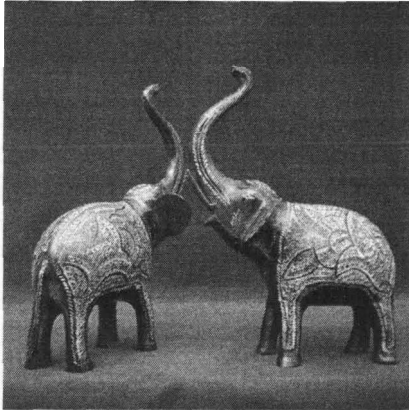
This is a broad category of merchandise and includes more or less all types of miscellaneous house decorations, wall hangings, mirrors, frames, sculptures, religious crafts, vases and pots, kitchen crafts, jewellery cases, etc. The list can be endless.

Sculptures

Elephants of Akbar

Akbar was among the most tolerant and respected emperors of the Mughal Empire in 16th century India. An extraordinarily brilliant child, he became emperor of India at the age of 13. Despite several attempts to dethrone him, Akbar maintained his stronghold and succeeded in spreading his message of love, harmony, and tolerance. Akbar, a Muslim by heritage, had married a Hindu woman, and never tried to convert her to Islam. A free thinker and a visionary of his age, Akbar invited Christians, Jewish, and Zoroastrian thinkers to his royal

court to join Muslims and Hindus in debates about religious truth. The Royal Elephants of Akbar are a tribute to Akbar's historical benevolence. They applaud the virtue of tolerance and deserve a place of honour in your home



Color: Black
Height 10 in
Set of two elephants
Hand carved brass
Est. Price: \$ 95 (CAD)
Est. Cost: \$ 30 (CAD)

Vases & Pots

Village Life style Vase Set

With its scenic rose gardens, majestic trees, and shimmering lakes, the land of Kashmir has been referred to as the Garden of Eden. Kashmiri artisans are famed for their skill in silver, copper and brass craftsmanship. Inspired by their awesome surroundings, these craftsmen cover their creations with intricate floral, faunal, geometric, leaf and calligraphic motifs. This paradise on earth has long been plagued by the turmoil of conflict, yet its great craft tradition lives on. Today, Kashmiri migrants in Punjab carry on the legacy of their ancestors and continue to create hand-carved metal masterpieces. Celebrate the strength and perseverance of the Kashmiri people, with our Kashmir Lifestyle Vase Set.

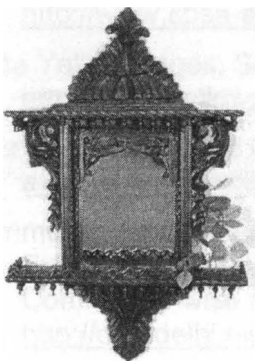


Color: Gold
Material: Brass
22 in H, 8 in diameter
Set of two vases; Hand crafted by
artisans in rural Punjab
Est. Price: \$ 175 (CAD)
Est. Cost: \$ 55 (CAD)

Mirrors & Frames

Mogul Royalty Mirror

Artisans from the Indian Subcontinent are famed the world over for the outstanding workmanship of their hand-carved wooden furniture and decor. For centuries, Indian wood-carvers have created artistic and stylish masterpieces. The craft tradition of wood-carving in the Subcontinent can be traced to ancient roots. It flourished in the days of the Mogul Empire, when the Maharajas would fill their royal courts with grand, lavish wooden furnishings and decorations. Exotic woodcrafts were considered a symbol of imperial elegance, while the artistry of these items was praised even in foreign lands. Celebrate the charm and grace of South Asian craftsmanship with our Mogul Royalty Mirror.



Color: Dark brown
Hand carved Shisham wood
18 in x 30 in x 2 in
Mirror Included
Est. Price: \$ 155 (CAD)
Est. Cost: \$ 50 (CAD)

The products displayed and described above are simply examples to give an idea about the kind of merchandise that EIL intends to showcase at the Vancouver store. There would be much more variety and with varying price points.

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