

## Establish Presence Now in EEC

# Canadian High Tech Firms Plan New Strategies

Canadian high tech firms will have to establish a presence in Europe now if they want to take advantage of the new government procurement rules which favour products with 50 per cent European content.

Canadian high tech industry leaders offer this advice to firms wanting to compete in the newly liberalized and standardized telecommunications markets—where the powers of the local telephone administrations (TA's) have been limited. Such firms may want to influence the ongoing harmonization of European standards, and to take advantage of this burgeoning and wealthy market.

### The Market

The telecommunications market, more than most other sectors, will undergo a more fundamental liberalization through the establishment of the European Single Market. TA's will be subject to government procurement regulations, forcing them to treat all potential suppliers of network and terminal equipment equally—subject only to European Community (EC) content regulations.

The TA monopoly over telecommunications services is to be limited to telephony and telex. The provision of value-added services such as electronic mail, and data storage and retrieval services, will be opened to intra-EC competition.

The adoption of a common technology—Integrated Services Digital Network (ISDN)—will further the ability of EC firms to compete throughout the Community. There will be greatly increased scope for niche firms to supply new products that interface with the ISDN.

"The Canadian market alone will not support the investment required for product development. We need world class competition to sharpen our abilities and products."

So says Lyle Wharton, President of Westronic Inc. of Calgary, when talking about the need for information technology companies to develop markets in the European Community.

Success, Mr. Wharton advises, comes from truly being a niche player and not trying to compete with the major industries. Domination of a niche is achieved through product and service differentiation.

### Case Studies/ Market Strategy

For Sci-Tec Instruments Inc. of Saskatoon, which produces sophisticated atmospheric instrumentation (in particular the Brewer Ozone Spectrophotometer), participation in conferences, seminars and the publication and presentation of scientific papers is central to its market development strategy.

Greg Elms of Intera Information Technologies of Calgary agrees that participation of expert personnel in EC symposia enhances the company's image as an innovative leader and reinforces its linkages in the technical community.

David Bensted, President of DBA Communication Systems Inc. of Vancouver (the manufacturer of SmarTalk, a telephone system for small businesses), developed a network of distributors in Europe, with the help of External Affairs and International Trade Canada (EAITC)'s Trade Commissioner Service. These distributors have enabled DBA to successfully enter the European market. They provide access to markets in the U.K., Italy and Norway from DBA's Vancouver base.

While going through distributors was an appropriate strategy, given the company's stage of development, Bensted now feels he must strengthen his presence on the continent to maintain a leading position.

Adam Bardach, Vice President, Government Relations and International Affairs, Memotech Data Inc. of St. Laurent, agrees that local service must be established in Europe. Manuals and telephone consulting must be available in the local language—accessible from within Europe so that time differences do not inhibit communication between the company and the customer. Bardach believes that good strategic partners are necessary—and that Canadian companies don't have to be large to establish themselves in Europe through this route.

Comptec International Ltd., Surrey, B.C., followed the acquisition route. A manufacturer of precision plastic components for the computer and telecom industries with a strong base in North America, Comptec was able to take over the operations—with a majority equity interest—of a French keyboard maker that had run into trouble. This move gave the company the necessary European manufacturing base and the firm began to transfer Canadian designs and manufacturing technology to the new French subsidiary.

The first orders came from telecommunications equipment manufacturers, including Alcatel, with the company building its market through its own sales people as well as through distributors. John Cavers, President, sees his commitment to Europe as a long-term one.

Calgary-based Intera Information Technologies Corporation, a company providing data processing products and services (including airborne data acquisition) to resource companies, entered the European market in 1981 only to be greeted by modest (less than \$400,000 in 1985) sales.

In 1986, the company acquired Exploration Consultants Ltd.

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