

7. NEWBRIDGE NETWORKS CORPORATION

Products/services:	High-speed digital networks
Annual sales (1990):	\$149 million
Non-Canadian sales:	90 per cent
European sales:	32 per cent (\$48 million)
European markets:	UK, Denmark, Netherlands, Italy, France, Germany, Switzerland
Sales vehicles:	Direct sales, distributors, strategic partners, direct selling from Canada
European presence:	Manufacturing and sales subsidiary in the UK
Year founded:	1986
Entry into Europe:	UK, 1987

Newbridge Networks Corporation is a leading supplier of digital networks that enable corporations and telephone companies to build integrated voice and data communications systems. Corporate-wide networks are often international in extent and must satisfy a complex array of international standards and specifications. Newbridge's customers include corporations needing high speed networks for their internal communications and telephone companies that provide special tariff services.

Newbridge's annual sales for the fiscal year ending in April 1991 were \$149 million, with 90 per cent of it resulting from sales outside Canada. Newbridge received a Canada Export Award in 1989. The company was founded in 1986.

7.1 Markets

Newbridge is active in all of the major markets of Europe. At present 32 per cent of Newbridge's sales are in Europe and are expected to plateau at around the 40-per-cent level. Newbridge entered the UK market in 1987, almost immediately after setting up operations.

7.2 Market Development Approaches

Newbridge has used a three-pronged approach in developing its European business: direct sales, national distributors in each target country and pan-European distributors. In some cases — particularly for large projects — Newbridge bids directly, supported by its national distributor.

The UK was Newbridge's first point of entry into the European market, largely because it is the biggest

market for private networking in Europe. Other reasons were the availability of low cost communications and excellent transportation, favourable taxation rates and the existence of progressive development agencies — specifically, the Welsh Development Agency.

Since the UK has a relatively small geographic area, Newbridge established a subsidiary company and developed this market mainly through direct selling. Newbridge's direct selling activities in the UK have been augmented by the appointment of Mercury as a national distributor. In entering the UK market, Newbridge worked hard at appearing to be a UK company and also at appearing to be a much larger company than it actually was. Much effort was expended to this end, for example, by taking good-sized booths next to British Telecom at trade shows in the UK.

After the UK, Newbridge chose to concentrate on Denmark, the Netherlands and Italy before tackling France and Germany, which are larger markets but also more difficult to penetrate. Denmark was a particularly attractive market for two reasons: it was a deregulated market and the 2 Mb/s digital circuits that provide the basic highways for Newbridge's private networks were readily available at economical rates. In addition, the Netherlands was in the process of deregulation at the time and the digital circuitry was readily available.

In developing the continental European market, Newbridge established trading alliances with domestically based suppliers who provided local identity and experience with specific national issues. In some cases they were distributors, who provided