

utilization of direct mail, trade journal advertising, catalogs, and telemarketing (including toll-free-800 telephone numbers). In most instances, the target market consists of dealer networks of small storefronts as well as end users in such areas as schools and businesses. This channel works best when the sales campaign is focused upon well-defined niche markets, when a strong follow-up mechanism is in place to respond to inquiries, when the software packages are geared toward vertical markets, when brand loyalty and proven reliability of the software product can be emphasized, and when the seller is trying to avoid the payment of margins to intermediaries. On the downside, this linkage mode can be quite expensive, and it requires fairly detailed information about the preferences and locations of potential end users

An increasingly popular distribution channel is known as strategic partnering or third-party arrangements. Small software operations are often good at generating innovations but unable for various reasons to exploit the potential wealth of their creations. In these instances, it may be advantageous for the software developer to contract with other firms that have needed financial assets, marketing know-how, or after-sales technical expertise and capabilities. Such arrangements may involve becoming a supplier of custom-designed software to a leading manufacturer of computer hardware, or of forging a cross-border alliance with Super VAR in New York State that already enjoys ready access to a major vertical computer market in the United States.

Finally, under special circumstances, it might be desirable for the software establishment to consider establishing a separate business entity in New York State. Although this mode of entry is most likely to be preferred by well-established software firms, it offers certain advantages. For example, incorporating in New York State may make banking easier in the U.S.; it permits the accumulation of capital in the U.S., and these earnings may have lower taxes than in Canada; immigration is easier into the U.S. if the Canadian company has a U.S. affiliate; and such status may enable the firm to avoid potential buyer prejudice against goods produced by non-U.S. companies. It is important to note, however, that incorporation in the U.S. must be done on a state-by-state basis, it will involve filing and attorney fees, and various legal concerns must be handled effectively.

### c. Selling Across the Canada-United States Border

Software developers in Canada that wish to use one or more of the distribution channels identified above to export their products to markets in New