

MANAGEMENT SUMMARY

This report is intended to portray and analyse a number of relevant Danish software publishers in order to report the initiatives taken to export within the EEC, as well as identify and describe available European distribution channels.

We estimate that there are about 530 software developers in Denmark, including about 320 one-person "boiler-room" operations. Of the remaining 210 software developers we selected a sample of 50 with an average 1991 revenue of 20 million CDN\$ and a median revenue of 7 million CDN\$.

As many as 85 per cent of the Danish software developers (in our sample) agreed to joint ventures as an interesting possibility for expansion. Export expansion is one of the key issues for as many as 62 per cent of the responding sample, who appear to have definite plans either for starting new exports or for expanding existing ones. In terms of the current level of export it is not surprising that Scandinavia is the main market, with 53 per cent of the software publishers in the responding sample exporting to this market. However, a relatively high proportion (43 per cent) export to the major European markets as well, and a further 23 per cent export software applications to countries outside Europe.

The Danish software market, including application and systems software but excluding maintenance, consulting and education, had an end-user value of 502 million CDN\$ at year-end 1990, rising to 652 million CDN\$ by year-end 1991, an increase of 29.9 per cent.

The key issue in the selection of European distribution channels is the careful evaluation of the market control required and the financial risk vs product complexity. By market control we mean the control the Canadian software developer can maintain over product marketing, image projection and brand name recognition in the target market — strategically important if the long-term plans include a local subsidiary. Financial risk we define in terms of the financial commitment necessary to establish a given distribution channel.

Depending on the nature of the product that a Canadian software developer wants to distribute in Europe, there are basically five main types and two sub-types of distribution channels available:

- original equipment manufacturers (OEMs),
- value-added resellers 1 (VARs1),
- value-added resellers 2 (VARs2),
- distributors (DIST),
- independent sales agents or representatives (ISA),
- direct sales 1 (DS1), and
- direct sales 2 (DS2).

By VAR2 we mean those cases where the software developer must station one or more of his own developers at the VAR in Europe. DS2 are the instances of direct sales in the form of mail orders. OEM is considered theoretical in software distribution, because re-labeling rarely, if ever, occurs.

We have rated the seven distribution channels in terms of financial risk and market control. In the selection of channels, the evaluation of the product's complexity must be matched against the support and maintenance capabilities offered by each channel.