

establish a number of sales offices at considerable expense to cover the whole German market adequately. A possibility that Gandalf considered — and rejected — was to find a number of locally focused distributors and a third party to provide technical support at the national level. Gandalf opted instead to go with a large German distributor. At present about 70 per cent of Gandalf's sales in Germany go through its distributor.

Recently, Gandalf signed an Agreement of Cooperation with Siemens PN Private Communications Systems in order to bring together Siemens' worldwide leadership in ISDN PBXs and Gandalf's expertise in data communications. While the agreement applies worldwide, the first installations will be in Europe. The partnership with Siemens was customer driven, and brought together the complementary expertise of Siemens in voice switching and Gandalf in data communications to provide their customers with more effective and economical solutions for their needs.

Gandalf also has partnership relationships with AT&T in the Netherlands and Belgium, GPT in the UK and Olivetti in Italy. In seeking out other potential strategic partnerships, Gandalf establishes a good customer base and then looks for commonality of interests with other suppliers, distributors, users, etc. Typically, the large supplier has a hole in its portfolio that Gandalf can fill.

6.3 Choosing Distributors

The most important criteria that Gandalf uses in choosing distributors are the size and financial stability of the distributor and the existence of well established direct and indirect distribution channels. Other factors that are taken into consideration include the familiarity of the potential distributor with certification procedures and its technical ability to support Gandalf's products. As noted above, Gandalf's current practice is to establish relationships with as many as five distributors on a non-exclusive basis.

6.4 Sources of Information and Assistance

During its initial market development period, Gandalf made good use of the travel subsidies provided by PEMD (Program for Export Market Development). In addition, Gandalf received considerable help from Canadian Trade

Commissioners in locating distributors, arranging visits with potential customers, etc.

6.5 Barriers and Obstacles Encountered

Of the barriers that Gandalf faced, the most important was the expense of certifying every single box that the company wanted to sell in most of the countries, each certification process taking from one month to one year. The certification standards in the UK are extremely stringent. In Germany, the standards are equally demanding, and the procedure is made more difficult by a bias against non-German equipment.

6.6 European Presence

Gandalf established in the UK a wholly owned subsidiary company, Gandalf Digital Communications Limited, which has a manufacturing capability as well as a sales capability. Gandalf Nederland B.V. is a wholly owned sales company located in the Netherlands. Gandalf S.A. is a wholly owned sales subsidiary in France, located in Paris and Lyons. Gandalf Belgium is a wholly owned sales subsidiary located in Brussels.

The distributors are managed directly from corporate headquarters in Ottawa, although the handful of headquarters staff that support the European distributors are based in Europe. As noted above, it is Gandalf's practice to set up autonomous sales subsidiaries, which run either as sales divisions of the corporation or as autonomous subsidiaries, depending on the level of sales. Gandalf has a corporate policy of hiring local nationals to run each of its European operations, selecting people that have the competence and experience, as well as the contacts necessary to take care of the certification procedures and the subsequent business development. These practices ensure an adequate level of corporate control while at the same time seeing to it that the Canadian mind set and approaches do not unduly influence business growth in a particular country.

6.7 Some Observations

Roger D'Hollander, Vice President, International Markets Development of Gandalf Technologies Inc., stressed the importance of getting into the local culture and establishing capability in the local language as quickly as possible. He also emphasized