

## 6. GANDALF TECHNOLOGIES INC.

<b>Products/services:</b>	Computer networking products
<b>Annual sales (1990):</b>	\$161 million
<b>Non-Canadian sales:</b>	70 per cent
<b>European sales:</b>	36 per cent (\$58 million)
<b>European markets:</b>	UK, Netherlands, France, Germany, Belgium, Italy
<b>Sales vehicles:</b>	Direct sales, multiple distributors, strategic partnerships
<b>European presence:</b>	Manufacturing and sales subsidiary in the UK, sales subsidiaries in the Netherlands, France and Belgium
<b>Year founded:</b>	1971
<b>Entry into Europe:</b>	UK, 1974

Gandalf Technologies Inc. provides computer communications solutions to end users through the design, manufacture and servicing of a broad line of computerized communication systems, software and hardware. An example of its products is the Starmaster system, which allows the connection of dissimilar networking protocols. Gandalf's philosophy is to provide solutions that let its customers use technologies as means for achieving business goals.

Gandalf's sales in 1990 were \$161 million, with some 70 per cent resulting from sales outside Canada. Gandalf was founded in 1971.

### 6.1 Markets

Gandalf has been active in Europe for 17 years. Its initial foray into Europe was in the UK, a market that was opening up for Gandalf's products and which was familiar to the founders of the company. The next market tackled by the company was the Netherlands, a country in which there was an emerging market for Gandalf's product and which was (and still is) quite open to foreign equipment. Subsequently, Gandalf succeeded in penetrating the larger and more difficult markets of Germany and France. Gandalf is now selling to a number of other European countries, such as Italy and Belgium. European sales now account for 36 per cent of total sales, with the UK accounting for about 20 per cent of total sales. Sales in continental Europe added about 16 per cent to Gandalf's consolidated revenues.

### 6.2 Market Development Approaches

In entering a new market, Gandalf aims at establishing non-exclusive distributor relationships

with about five distributors, using the performance of each of them over the ensuing year or so as the basis for choosing the one with which Gandalf will establish an exclusive arrangement. In some cases, Gandalf establishes a subsidiary company, which runs as a sales division of the corporation. When sales levels reach the \$10 million level, the subsidiary operates as an autonomous subsidiary.

Gandalf's approach to the UK market in 1990 was two-pronged: developing major end-user network business and pursuing indirect distribution channels, particularly value-added resellers.

Gandalf has penetrated the market successfully in the Netherlands, where it began its marketing efforts through a distributor. Gandalf Nederland B.V. was subsequently established, with Gandalf Technologies owning approximately 60 per cent and employee ownership accounting for the balance. Last year Gandalf assumed full ownership of this subsidiary.

Gandalf has recently set up a sales subsidiary in France, where it has achieved significant sales, aided by major systems contracts with the national telecommunications carrier, France Telecom, and by relationships with other major French organizations. Gandalf recently set up a subsidiary in Belgium.

Another important European country for Gandalf is Germany, where it employs a national distributor. Although it is Gandalf's practice to use distributors as the initial step before setting up its own subsidiary company once the region's sales targets are reached, the situation in Germany is somewhat different. Unlike the case in most other European countries, the population of Germany is distributed in five major, well separated cities, so that it is necessary to