

Products:

- voice, data and image switching equipment;
- satellites to provide connections between entities using ATM service;
- software required to install and deliver EDI service;

4-Market Access

4.1 Market Penetration Strategies

The favourable economic situation, liberal government telecommunications policies and positive forecasts for the sector open up many business opportunities for Canadian companies. In order to be competitive, they must select the appropriate penetration strategy for the market, such as finding the right representative, providing top quality service, offering competitive financing and participating actively in promotion activities.

Northern Telecom has just signed an agreement with the American company Hewlett Packard to enter the Latin American market with the latest technology.

However, strategies for penetrating the Chilean telecommunications market differ according to the vocation of the Canadian company.

Telephone Companies

Three possible forms of market penetration are open to the telephone companies. The first is full establishment on the market by setting up an affiliate on the same lines as the American company BellSouth. A high degree of risk is associated with this option. A long term commitment must be anticipated in order to eventually profit from installation, substantial investments in infrastructures, marketing and distribution and fierce competition which prevent participants from making high profits and impel them to continually improve their market position. In the long term, however, this option could be advantageous, given the positive projections for the sector. Some restrictions apply; for example, the affiliate's presidents and directors must be Chilean.

The second possibility is a joint venture. This option allows the risk to be shared among the partners and may avoid a long-term commitment. It will be more in the interest of the Canadian company to associate with a Chilean company than with a foreign company, since a national company may have a better knowledge of the Chilean market and its operation.

The third option would be to participate in the management of a Chilean company by purchasing an interest in it. Depending on the percentage of the interest acquired, this is the weakest option for penetration of the market. However, the company could transfer its technology and consider another form of investment later.