

## 12. CONCLUSIONS

This study examines the experiences of nine Canadian telecommunications equipment suppliers in developing their European business. The companies chosen for this study include a number that have already succeeded to a significant degree, several that are in various stages of increasing their European sales and one company that has encountered considerable difficulty in penetrating the markets in a couple of European countries. European sales accounted for 30 to 60 per cent of total sales for five of the companies.

Most of the interviewees advised that new Canadian telecommunications equipment exporters to Europe should plan their entry strategy carefully, gathering as much information as they can about markets of interest, choosing the point of entry into Europe and selecting an appropriate sales vehicle.

Many of the companies gathered initial information about their target markets in Europe by attending trade shows or participating in trade missions, often with assistance provided by the federal government or a provincial government. Many of the companies made several additional visits to the target markets before they succeeded in making their first sales. Canadian Embassies and Consulates-General and provincial trade offices in Europe appear to have been used extensively in identifying potential agents or distributors and for arranging visits with possible customers, etc. Among the useful information sources that do not appear to have been exploited fully are the Canadian companies that are already in Europe.

Four of the companies in our study made their initial European sale in the UK, while for the other five companies the entry point was one of the smaller countries on the continent. None of them made its first European sale in France or Germany, two large markets that appear to be difficult to penetrate.

Most of the companies used distributors as their main sales vehicle, often in combination with other vehicles such as direct selling from Canada. A number of the companies chose to establish an office in the UK for direct selling into that market, which is quite open and relatively easy for Canadian companies to penetrate. One of the companies has chosen to establish an office in the UK to support its European distributors, while another has established sales subsidiaries in several countries.

Most of the interviewees were of the opinion that direct selling from Canada should be avoided as the primary sales vehicle except in certain very specialized circumstances, such as a very narrow and well defined market niche for a technically complex product that does not require a great deal of support.

Locating and choosing good distributors in each of the target markets appears to have been one of the most difficult and critical elements in determining the success of these companies in Europe. Most of the companies found that good agents with financial stability, a thorough knowledge of the market, well developed distribution channels and the technical competence to sell and support their products were not easy to find.

These companies found their distributors by using a number of mechanisms, for example, attending trade shows, taking part in government sponsored missions, looking at the distribution of their competitors' products, etc. In several cases, it was the distributor that made the initial approach. On the whole, they found that the investment of time and money to locate good distributors paid for itself. It has been their experience that there is a correlation between the quality of the distributor and the success in that market.

The main obstacle faced by these companies was the requirement to receive type approvals for each piece of equipment that they sold in each country in which the equipment was sold. This process can be very time consuming and expensive. In some countries, notably Germany, it can take more than a year. The process can proceed much more quickly in a smaller country such as the Netherlands or Denmark. With the full implementation of Europe 1992, this process will become Europe-wide and therefore less onerous. A couple of the companies observed a strong bias favouring domestically manufactured goods in Germany and in France.

The companies interviewed emphasized that, to be successful in the changing European market, Canadian firms will have to learn to play by European rules. They will have to modify or redesign their equipment, not only to meet European standards but also to conform to European tastes in design and aesthetics.