

chains should be considered seriously by Canadian manufacturers. These retailers may be able to offer the sales volume small and medium size manufacturers require. Retailers report that 25 and 35 percent are the accepted margins for hardware and software respectively. Readers should refer to Section 9 for a more detailed look at possibilities.

Distributors Already Handling Canadian Products:

A number of distributors in the Southwestern U.S. market area are already handling Canadian products. The names of these companies are given in the Appendix. Products currently being distributed include software programs with a range of uses including sophisticated systems software, civil engineering packages, farm management packages, general business packages, medium priced micro-computer systems, and CAD/CAM systems. The degree of satisfaction in sales, service, and support varied from distributor to distributor. Most distributors complimented Canadian quality and technical expertise. Pricing does not appear to be a problem once a specific product or software program appeals to a distributor.

It is apparent that there are product gaps for software programs and also for hardware. One such gap has enabled a Canadian company to introduce its farm management software program. The Southwestern U.S. distributor concerned adopted this program because he felt "it was the best on the market". The company had attracted Canadian shareholders. Other distributors have commenced selling Canadian hardware. Products currently being sold are primarily microcomputers, both in the higher priced personal computer category and in the full business systems category. Although products and service support are largely satisfactory, distributors point out that manufacturers must be prepared to maintain an adequate market program with sufficient capital resources behind them before entering the market place. One Canadian company recently went out of business at a point when the product was proving acceptable. The reason was lack of capital resources.

Sales Direct to End-users:

Many computer and software manufacturers deal directly with corporate end-users. Usually the customer companies are of some size in order to generate the volume of business required to satisfy the supplying manufacturer. Companies wishing to break directly into this segment of the computer market should be aware that brand name awareness is usually a vital ingredient for success in the corporate market. Consequently, we do not recommend this method as an exclusive marketing direction for Canadian companies unless the products are specifically designed for corporate end-use.

Evaluating Distributors:

When introducing a new product, it is vital to move quickly in any new market territory in order to establish presence and market share. This has become an

accepted maxim in the computer industry. Whilst this sounds relatively simple, Canadian new-comers to the Southwestern U.S. market should plan for a minimum of two years of on-going effort when setting up an effective distribution system.

The number of distributors required depends largely on the type of product being sold. This aspect is discussed in the section on market strategies. The primary effort required is centered around finding the right distributor in the market territory for the product under consideration. Once this has been done, the continuing effort revolves around supporting, training, visiting, monitoring, and evaluating the distributor.

We believe extreme caution should be exercised before making a firm distribution agreement with any distributor. If the selection decision is made too hastily, vital points can be easily overlooked. The loss of marketing time resulting from the choice of an ineffective distributor can be extremely costly and damaging. We advise any Canadian company seeking distribution to keep alternative distributors in reserve. U.S. manufacturers have reported that up to 50 percent of the distributors they appointed in new overseas territories proved unsuccessful. For this reason, it is advisable to prepare a standard method of evaluation before meeting with prospective distributors in the field. Main points to cover in such an evaluation include:

- *References* — Southwestern U.S. and possibly Canadian business references together with bank references.
- *Personalities* — Distributor's ability to relate to key personnel in manufacturer's organization. If it is not possible to solve problems constructively at the outset, it will be even more difficult later on.
- *Willingness to get behind the "line"* — Specific personnel to be assigned to product sales. Distributor's technical knowledge and service ability. Level of product training the distributor is actively able to pursue.
- *Financial abilities* — The distributor's ability to set and meet sales targets. Distributor's financial strength.
- *Marketing experience* — Distributor's past experience in marketing similar products in his market area. How aggressive is the distributor; does the distributing company have visibility and presence in the market?

A thorough consideration of the above will provide a sound basis for evaluating potential distributors. Canadian companies who are new in the export field and unsure of their ability to choose a distributor should consider employing a marketing or other specialized consultant to assist in making a decision in this vital matter.