

## 5. GENNUM CORPORATION

<b>Products/services:</b>	Audio amplifiers for hearing aids; switches for the video broadcast industry; user-specific integrated circuits
<b>Annual sales (1990):</b>	\$18 million
<b>Non-Canadian sales:</b>	93 per cent
<b>European sales:</b>	44 per cent (\$8 million)
<b>European markets:</b>	Germany, UK, France, Denmark, Netherlands, Spain, Italy, Austria, Switzerland
<b>Sales vehicles:</b>	Direct selling from Canada, distributors
<b>European presence:</b>	None
<b>Year founded:</b>	1973
<b>Entry into Europe:</b>	Austria, 1975

Gennum Corporation (formerly known as Linear Technology Inc.) designs and manufactures analog silicon integrated circuits and thick-film hybrid circuits for special applications. It has two main divisions: the Hearing Instrument Industry Products group, which is the world's leading supplier of audio amplifiers and related devices to the hearing instrument industry; and the Video Broadcast Products group, which offers a line of cross-point switches and other devices that go into equipment used by the video broadcast industry. In addition, Gennum produces user-specific integrated circuits that are custom designed for the customer, primarily for communications applications.

Gennum's sales in 1990 were over \$18 million, of which 93 per cent were outside Canada. Gennum was the winner of a Canada Export Award in 1985.

### 5.1 Markets

Gennum's sales in Europe were approximately \$8 million, or 44 per cent of total sales. Sales of Hearing Instrument Industry Products account for about 85 per cent of total company sales; Gennum controls 50 to 60 per cent of the European market in this product area, with European sales of \$8 million. Gennum has customers in the UK, Germany, France, Denmark, the Netherlands, Spain, Italy, Austria and Switzerland. Its largest current customer is Siemens, who is the world's largest manufacturer of hearing instruments.

Gennum's other main business division, the Video Broadcast Products Group, is a relatively new area for the company. Market creation in this area took three to four years. Gennum now controls about 20

per cent of the estimated world market of \$10 million; 25 per cent of its \$2 million sales in this product area are made in Europe.

Gennum concentrated its initial European efforts for the Video Broadcast Products Group on the UK market, since it is the largest market in Europe for video routers and switches. However, its biggest current customer is a Spanish company. Last year, Gennum won an order to supply switches for the manufacture of routing equipment destined for use in the 1992 Barcelona Olympics.

### 5.2 Market Development Approaches

Gennum's products are sold through a combination of direct sales and distributors. After Gennum saturated the North American market for hearing instrument devices, it decided to enter the European market in 1974. Its customers for this product line are hearing instrument manufacturers. Since there were only about 20 hearing instrument manufacturers in Europe at that time, Gennum's entry strategy for Europe was to visit every one of these companies. Its first European sales were achieved about a year later to an Austrian company, after two or three visits to the customer. Gennum was also successful in a number of other cases, but it took five or six years before it was able to succeed in the larger countries.

Gennum knew exactly who its potential customers were in this product area. The manufacturers were using older technologies (like discrete circuitry or simple integrated circuitry) compared to Gennum's more advanced devices. The company's main challenge in marketing, therefore, was to convince its potential clients to move to a more expensive but more powerful technology — in other words, to