1.0 INTRODUCTION

This report has been prepared for the Department of External Affairs, Ottawa, Canada.

The Department is aware that Canadian computer exports to the United States totalled $510 million in 1982 and showed an overall increase of 20 percent over 1981 totals. Canada sold over 70 percent of her total computer exports to the U.S. in 1982. Most gains were registered in sales of peripheral equipment, telecommunications equipment, and software. Canada's 1982 export sales to her other major client countries showed predominately negative growth. It should be noted that the majority of Canadian computer exports to the U.S. are from Canadian subsidiaries exporting to their U.S. parent companies.

During the same year, Japanese computer exports to the United States more than doubled. Japan replaced Canada as the number one U.S. export supplier and increased her market share by 35 percent. This had the effect of reducing Canada's own market share in the U.S. by 5.7 percent, despite Canada's increased export total. The Japanese doubled their sales in all measured categories except software, which only showed a moderate gain.

The Department wished to obtain an accurate picture of the market potential in the Southwestern U.S.A. for selected Canadian computer products and technology. The Southwestern U.S. is generally regarded as the leading computer producing region in the United States and it accounts for approximately 40 percent of all computer production in the U.S. For this reason, the area could be the focal market for increased Canadian computer sales in both hardware and software categories for Canadian companies wishing to establish a viable market base in the U.S.

The Department commissioned this study and report from Peter Louch & Associates, a Los Angeles based consulting firm. It is intended that the report will provide Canadian companies with a full background to the Southwestern U.S. computer market. In addition, the report is intended as a directory of possible contacts for interested Canadian suppliers and as a source of effective market strategies designed to enable Canadian companies to compete successfully with U.S. and other producers in this vital market place.

Over forty Canadian computer companies responded to the Department's request for information to support the study. These companies are interested in marketing a wide range of products in the Southwestern U.S. including hardware, software, and services. Canadian companies which responded were in the main small and medium sized producers. This report has been specifically prepared for companies in those categories.

1.1 STATEMENT OF OBJECTIVES

The Department's brief for the study requested a wide range of information designed to build up an accurate picture of the potentials and problems offered by the computer market in the Southwestern U.S.A. The Department also requested an evaluation of future trends in various segments of the computer industry designed to assist Canadian computer companies with future product development and research. The objectives of this study, outlined by the Department, are as follows:

— To evaluate Southwestern U.S. regional markets for Canadian manufactured data processing hardware and software products with specific emphasis on opportunities in the San Francisco Bay area, Santa Clara (Silicon Valley), Los Angeles, Orange County, the San Diego area, Arizona, Utah, Colorado and Nevada.

— To provide Canadian suppliers with effective contact information on companies interested in doing business with them in the market areas. The study concentrated on computer systems manufacturers, hardware, distributors, and turnkey systems operators in the market areas. However, as a result of a mid-project meeting, it was decided to emphasize retail opportunities for software and hardware as well. Accordingly, a number of software producers, distributors, and end-users were added.

— To provide the widest possible background information on the overall state of the computer industry in the market areas and to evaluate future hardware, software and marketing trends in the industry.

— To provide information on distribution channels and methods currently in use in the industry. To discuss tariffs, transportation costs and any other matters affecting the ultimate salability of Canadian computer products in the Southwestern U.S.A.

— To supply effective and workable market strategies specifically designed to assist small and medium sized Canadian manufacturers to sell successfully in Southwestern U.S. markets.

1.2 PRODUCTS AND TECHNOLOGY COVERED BY THIS STUDY

A listing of product types to be included in the study was provided with the original "terms of reference". The list was modified with input obtained from Canadian companies which provided product information. The final revised list of products was agreed as the study progressed. The list has been separated into three categories. They are as follows:

— *Software* (in three groups): Systems software and program development tools for mini and mainframe computers; applications software for commercial, professional, or scientific use; and computer aided design software for technical applications.