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# Telecommunications Equipment in Taiwan: A Strategic Reference, 2006



Edited by

**Philip M. Parker, Ph.D.**

Eli Lilly Chair Professor of Innovation, Business and Society  
INSEAD (Fontainebleau & Singapore)

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ISBN 0-497-82435-3

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# 1 INTRODUCTION & METHODOLOGY

## 1.1 WHAT DOES THIS REPORT COVER?

The primary audience for this report is managers involved with the highest levels of the strategic planning process and consultants who help their clients with this task. The user will not only benefit from the hundreds of hours that went into the methodology and its application, but also from its alternative perspective on strategic planning relating to telecommunications equipment in Taiwan.

As the editor of this report, I am drawing on a methodology developed at INSEAD, an international business school ([www.insead.edu](http://www.insead.edu)). For any given industry or sector, including telecommunications equipment, the methodology decomposes a country's strategic potential along three key dimensions: (1) latent demand, (2) micro-accessibility, and (3) macro-accessibility. A country may have very high latent demand, yet have low accessibility, making it a less attractive market than many smaller potential countries having higher levels of accessibility.

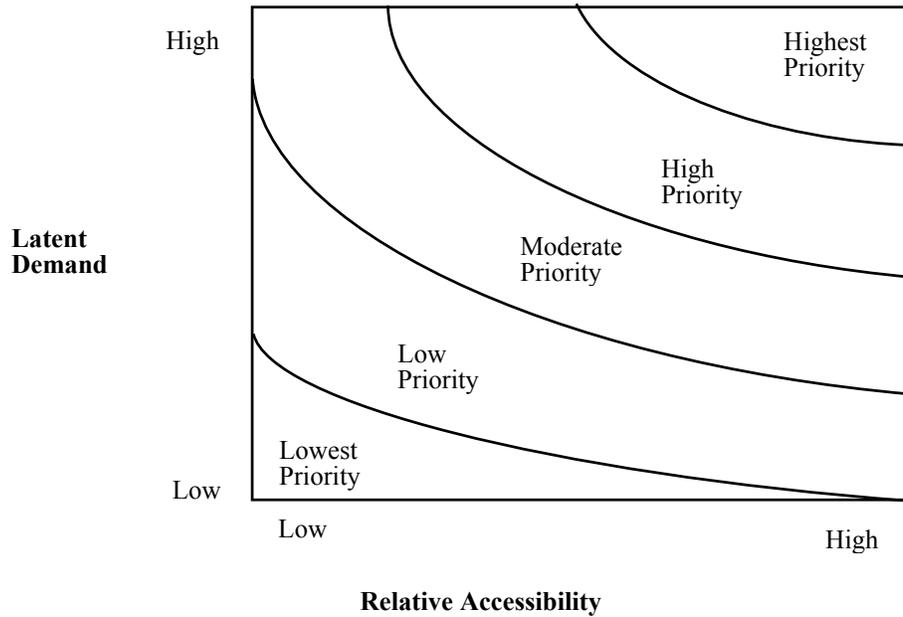
With this perspective, this report provides both a micro and a macro strategic profile of telecommunications equipment in Taiwan. It does so by compiling published information that directly relates to latent demand and accessibility, either at the micro or macro level. The reader new to Taiwan can quickly understand where Taiwan fits into a firm's strategic perspective. In Chapter 2, the report investigates latent demand and micro-accessibility for telecommunications equipment in Taiwan. The report then considers macro-accessibility in Taiwan. Macro-accessibility is a general evaluation of investment and business conditions in Taiwan.

## 1.2 HOW TO STRATEGICALLY EVALUATE TAIWAN

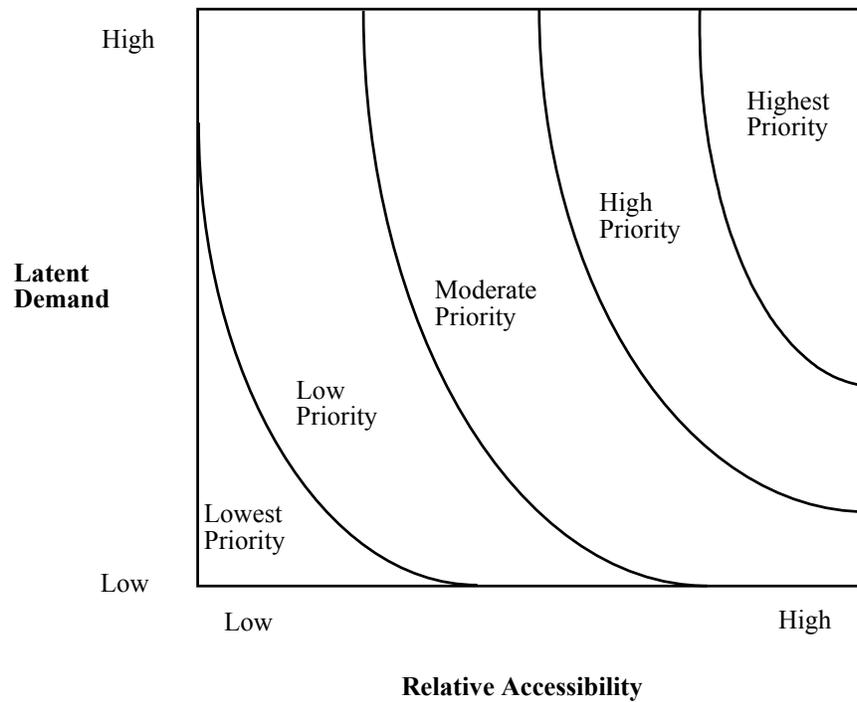
Perhaps the most efficient way of evaluating Taiwan is to consider key dimensions which themselves are composites of multiple factors. Composite portfolio approaches have long been used by strategic planners. The biggest challenge in this approach is to choose the appropriate factors that are the most relevant to international planning. The two measures of greatest relevance to telecommunications equipment are "latent demand" and "market accessibility". The figure below summarizes the key dimensions and recommendations of such an approach. Using these two composites, one can prioritize all countries of the world. Countries of high latent demand and high relative accessibility (e.g. easier entry for one firm compared to other firms) are given highest priority. The figure below shows two different scenarios. Accessibility is defined as a firm's ease of entering or supplying from or to a market (the "supply side"), and latent demand is an indicator of the potential in serving from or to the market (the "demand side").

## Framework for Prioritizing Countries

### Demand/Market Potential Driven Firm



### Accessibility/Supply Averse Firm



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In the top figure, the firm is driven by market potential, whereas the bottom figure represents a firm that is driven by costs or by an aversion to difficult markets. This report treats the reader as coming from a “generic firm” approaching the global market – neither a market-driven nor a cost-driven company. Planners must therefore augment this report with their own company-specific factors that might change the priorities (e.g. a Canadian firm may have higher accessibility in Canada than a German firm).

### **1.3 LATENT DEMAND AND ACCESSIBILITY IN TAIWAN**

This report provides a detailed overview of factors driving latent demand and accessibility for telecommunications equipment in Taiwan. Latent demand is largely driven by economic fundamentals specific to telecommunications equipment. This topic is discussed in Chapter 2 using work carried out in Taiwan on behalf of American firms and authored by the United States government (typically commercial attachés or similar persons in local offices of the U.S. Department of State). I have included a number of edits to clarify the information provided. Latent demand only represents half of the picture. Chapter 2 also deals with micro-accessibility for telecommunications equipment in Taiwan. I use the term “micro” since the discussion is focused specifically on telecommunications equipment.

Chapter 3 deals with macro-accessibility and covers factors that go beyond telecommunications equipment. A country may at first sight appear to be attractive due to a high latent demand, but it is often less attractive when one considers at the macro level how easy it might be to serve that entire potential and/or general business risks. While accessibility will always vary from one company to another for a given country, the following domains are typically considered when evaluating macro-accessibility in Taiwan:

- Openness to Trade in Taiwan
- Openness to Direct Investment in Taiwan
- Local Marketing and Entry Strategy Alternatives
- Local Human Resources
- Local Risks

Across these domains, a number of not-so-obvious factors can affect accessibility and risk. These are covered in Chapter 3, which is a general overview of investment and business conditions in Taiwan. Chapter 3 is also presented from the perspective of an American firm, though is equally applicable to most firms entering Taiwan. This chapter is also authored by local offices of the U.S. government, as is Chapter 2. Likewise, I have included a number of edits to clarify the provided information as it relates to the general strategic framework mentioned earlier.

## 2 TELECOMMUNICATIONS EQUIPMENT IN TAIWAN

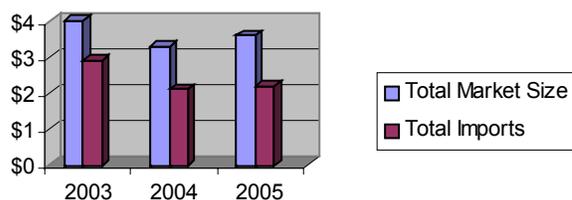
### 2.1 LATENT DEMAND AND ACCESSIBILITY: BACKGROUND

Taiwan's preeminent telecom carrier, Chunghwa Telecom, plans to transform its existing infrastructure into a next generation network with an estimated investment of U.S. \$1.5 billion over a five-year period. The Phase I tender of this project is expected to be awarded in the 2<sup>nd</sup> quarter of 2007. Demand for next generation network equipment in the Taiwan market will remain strong through 2010.

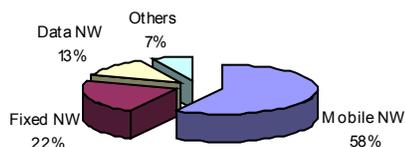
### 2.2 LATENT DEMAND: MARKET COMPOSITION

In 1996, Taiwan initiated the liberalization of its telecommunications sector to modernize its communications networks and meet World Trade Organization (WTO) commitments. Deregulation brought new service providers and competition to the market. Ten years into the deregulation process, Taiwan boasts one of the most sophisticated telecommunications infrastructures in Asia. Taiwan ranks number one in Asia, and number seven globally for penetration of fixed-line phones, with 59.8 users per 100 people. Taiwan also has one of the world's highest mobile phone penetration rates, with 98 users per 100 people.

**Taiwan Market Demand for Telecommunications Equipment in 2005 (US\$ Billion)**



**Taiwan Telecommunications Services Revenue in 2005 : US\$ 11.8 Billion**



Note: NW – Network

Source: Taiwan Commercial Guide, Taiwan National Communications Commission

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## 2.3 CHUNGHWA TELECOM

Chunghwa Telecom, originally a government-owned monopoly, completed its corporatization in 1996. By August 2005, Chunghwa Telecom had sold 62% of its shares on the open market and formally became a private enterprise.

Chunghwa Telecom is the dominant service provider in Taiwan's telecommunications market. Chunghwa Telecom accounts for 98% of the fixed line market with 13.2 million subscribers and 38% of the mobile market with 8.2 million subscribers. In addition, Chunghwa Telecom accounts for 94% of the Internet Service Provider market with 4.2 million subscribers. The company's scope of services covers local and international calls, 2G, 3G, data communication, Internet, satellite communication, intelligent network, mobile data, and multimedia on demand (MOD).

Despite its dominant market position in multiple services sectors, Chunghwa Telecom's sales revenue has remained at the same level of U.S. \$5.7 billion (NT\$183 billion) for the past three years. As a result, Chunghwa has aggressively sought solutions to generate new service revenues and reduce operational costs.

Communications are traditionally enabled by three separate networks—the conventional fixed line network, the wireless network, and the data network. Network Generation Networks (NGN) are the next step in world communications converging all three of these networks into a common packet infrastructure. This intelligent, highly efficient infrastructure delivers universal access and a host of new technologies, applications, and service opportunities.

### 2.3.1 Infrastructure Transformation

To boost revenues, upgrade its technological capability, and fend off rising competition in one of Asia's most mature markets, Chunghwa Telecom plans to upgrade its infrastructure by replacing the existing circuit-switched Public Switched Telephone Network (PSTN) with a completely digital packet-switched NGN based on Internet Protocol (IP), with an estimated investment of U.S. \$1.5 billion (NT\$50 billion) over a five-year period (2007-2011).

The planned NGN will integrate fixed, wireless, mobile and Internet-based networks, to provide digitized voice and data communications, as well as multimedia services. The IP-based digitalization will begin with Chunghwa Telecom's fixed-line network, followed by the mobile network, data network, and then the other multimedia networks. The services-driven NGN will simplify business for Chunghwa Telecom while supporting its drive to enhance competitiveness by enabling new revenue generating services, optimizing service delivery capabilities, and reducing operational costs.

Chunghwa Telecom recognizes that today's business environment is more competitive and complex than ever before. Customer service is the key to success and demand is growing for powerful new communications services. The NGN, which is the center of these new services, is a strategic investment by Chunghwa Telecom to enable them to enhance customer service and build a competitive edge.

### 2.3.2 Procurement Process

Chunghwa Telecom's NGN projects are expected to use a multi-phased procurement process. Tenders will be released in different phases that are in line with planned requirements. However, information is unavailable on how many future phases there may be, or the timing of each phase. Chunghwa Telecom finalized the Phase I requirements for the Request for Proposal (RFP) in August 2006. The tentative schedule of the NGN Phase I tender is as follows:

- November 2006, Phase I RFP to be released.

- December 2006, Proposals due.
- February 2007, Short list of 4 vendors released.
- March 2007, Chosen vendor do benchmark testing.
- May 2007, Project to award two vendors.

The Phase I tender calls for 1.14 million landline ports with a total budget of U.S. \$75 million. The two winners expected for this phase will split the project in a 50/50 ratio. The winners of the Phase I tender will have an advantage for future phases, as they will be setting the specifications for network interfaces.

## **2.4 ACCESSIBILITY: THE STRUCTURE OF COMPETITION**

International telecommunication equipment and solution vendors such as Alcatel (France), Siemens (Germany), Ericsson (Sweden), Nortel Network (Canada), and Lucent Technology (USA) are all jockeying to position themselves to work with Chunghwa Telecom to provide solutions for the NGN projects. According to local press reports, for example, Chunghwa Telecom deployed trials of the Alcatel aggregation and transport solutions for the delivery of digital video services under the NGN initiative in September 2006. Chunghwa Telecom conducted a trial of Nortel's softswitch with Session Initiation Protocol (SIP) multimedia services capabilities in April 2006. In addition, Chunghwa Telecom conducted laboratory trials of Caspian (a San Jose-based U.S. firm) media controllers for a new all-IP network in July 2006.

## **2.5 LATENT DEMAND: DYNAMICS**

In the heterogeneous telecom markets of the Asia Pacific region, the concept of "next generation" can vary widely from country to country. U.S. equipment vendors and solutions providers should speak the local NGN "dialect." Those that are best able to relate to the local NGN state of affairs and the carriers' priorities will have a clear advantage. Major procurements will occur within the next three years, so U.S. suppliers that are interested in Taiwan's NGN projects should act expeditiously.

## **2.6 KEY CONTACT**

National Communications Commission  
Public Telecommunications Department  
Contact: Kuo-Rong Chen, Director  
Address: 16 Chinan Road, Sec. 2, Taipei, Taiwan  
Tel: 886-2-2343-3601  
Fax: 886-2-2343-3600

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## **3 MACRO-ACCESSIBILITY IN TAIWAN**

### **3.1 EXECUTIVE SUMMARY**

Taiwan is small, it's population is just 23 million, it has few natural resources, and it has faced enormous security challenges under conditions of severe diplomatic isolation for decades. Nevertheless, the people of Taiwan have built one of the world's top twenty economies, amassed the world's third largest stock of foreign reserves, become the global number one in the manufacture of a broad menu of leading-edge technologies, and in so doing have afforded themselves one of the highest standards of living in Asia. Taiwan has also become one of America's leading trade partners, ranking well within our top ten export markets for both agricultural and non-agricultural products. While U.S. exports to Taiwan are extremely broad-based, rice, meat, fruits, electrical power equipment, laboratory instruments, chemicals, and electronic industry components and manufacturing equipment lead the field.

Among the most impressive accomplishments of the people of Taiwan is the achievement of a vibrant representative democracy, moving from authoritarian one-party rule under martial law to a multi-party political system determined by the ballot box within less than 20 years. While many of Taiwan's political institutions and traditions are still in transition, in the area of trade and investment these winds of change have brought a high measure of transparency, accountability, and rule of law to the business environment. Taiwan's accession to the World Trade Organization (WTO) in 2002 strengthened and accelerated these trends. While this report details a number of serious concerns which the United States holds regarding individual issues such as Intellectual Property Rights (IPR) protection and public procurement, most American businesses will find this a generally open and fair place to do business.

#### **3.1.1 Quality of Infrastructure**

Taiwan has a well-developed infrastructure system. There are five international airports, in Taoyuan (of northern Taiwan), Taichung (of central Taiwan), Kaohsiung (of southern Taiwan), Hwalien (of eastern Taiwan), and Makong (of an island in the Taiwan Straits). The airport in Hwalien newly opened in 2002 and the two in Taichung and Makong, inaugurated, in early 2004 are all designed to serve international chartered flights only. Fifteen domestic airports connect major cities, sight-seeing spots and key offshore islands. Six international harbors facilitate import and export trade. Toll highways and railways form an extensive inland transport network, including a north-south freeway. The average family has more than one telephone, and the penetration rate of mobile phone services exceeded 115%. Fax machines, personal computers, and Internet communications are common for business firms. Virtually every family has access to electricity and household tap water, except in remote mountainous areas.

Taiwan's infrastructure construction efforts have improved traffic congestion and power shortage problems. Additional lanes have been added to the first north-south freeway, while the second north-south freeway was opened to traffic in early 2004. Construction of a metro system for Kaohsiung and a freeway between Taipei-Ilan is underway. Taiwan authorities recently decided to build by itself a rapid mass-transit system between CKS Airport and downtown Taipei when the local contractor closed down. Projects in the planning stage include another freeway in eastern Taiwan and three light-rail metro systems in the cities of Hsinchu, Taichung, and Tainan. The economic authorities are planning construction of five reservoirs on low land areas to ensure sufficient water supply for households and industrial users.

Taiwan's power grid network is composed of 41 hydraulic power plants, 32 thermal power plants, three nuclear power plants, and one wind-driven power plant all over the island, ensuring relatively stable power supply to households and the industrial/commercial sector.

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## 3.2 POLITICAL RISKS

Over the past decade, Taiwan has made the transition from single-party, authoritarian rule to a democratic, multi-party political system. Martial law, which had been in force since the 1940's, was lifted in January 1988. Taiwan's first democratically elected legislature was chosen in December 1992. After the second fully democratic election for the national legislature was held in December 1995, Taiwan completed its democratization by holding the first direct election of its President in March 1996.

A defining characteristic of Taiwan's international relations is a lack of diplomatic ties with most nations of the world. The authorities on Taiwan call their government the "Republic of China," and for many years claimed to be the legitimate government of all China. The PRC, however, considers Taiwan to be a province with no right to play an independent role in world affairs. The PRC will not maintain diplomatic relations with countries that also have official ties to Taiwan. Most countries have, therefore, chosen to establish diplomatic relations with the PRC rather than with Taiwan. As of June 2004, twenty-six countries maintained diplomatic relations with Taiwan. The PRC was admitted to the United Nations and most related organizations in 1971, forcing out Taiwan. The U.S. switched diplomatic recognition to the PRC in 1979.

Although it is still stipulated in the constitution, several years ago the Taiwan authorities changed policies and no longer insist that it is the sole legitimate rulers of all of China. While still acknowledging that Taiwan is "the Republic of China", the Taiwan government now seeks recognition as one of two "legitimate political entities" in China (the other being the PRC). Under this policy, Taiwan is seeking to join various international organizations, including the United Nations, but have encountered stiff PRC opposition. Taiwan has been able to join the Asia-Pacific Economic Cooperation (APEC) dialogue as an "economy" and the World Trade Organization (WTO) as a "customs territory."

Although the United States does not have diplomatic relations with Taiwan, the U.S. maintains extensive ties with the 23 million people on Taiwan. The American Institute in Taiwan (AIT), a private, not-for-profit institution, was established in 1979 to maintain the unofficial relations between the peoples of the United States and Taiwan. More than forty other countries, including most major European and Asian nations, also maintain unofficial representation in Taiwan.

## 3.3 MARKETING STRATEGIES

Taiwan is the ninth largest export market for the United States. U.S. goods enjoy a reputation for quality on the island. As Taiwan is a member of the World Trade Organization (WTO) with a relatively liberalized economy, most imported products face few structural or legal barriers. Nearly every type of sales channel exists in Taiwan. U.S. goods reach end-users through agents, distributors, franchisees, direct marketing, mail order and almost any other imaginable means. Distribution policies vary with the types of products and end-users, but all distribution channels are changing rapidly under the pressures of new demands from sophisticated Taiwan consumers, intensified competition between foreign and domestic rivals, and the introduction of IT applications to the distribution chain.

The marketing of products is too complex a subject to be treated comprehensively in this brief space, so the comments made here are, of necessity, very general. Taiwan end-users tend to make purchasing decisions based primarily on price -- although a higher price may increase the attractiveness of certain kinds of consumer goods.

Taiwan is a land of small businesses and traders who import from all over the world. The strength of Taiwan's economy lies not in its few large firms -- although Taiwan has given birth to a handful of large firms whose presence is felt in world markets -- but in its multitudinous small- and medium-sized firms. There are about 1.1 million registered businesses in Taiwan. The island has 132,000 legal manufacturing plants and over 100,000 illegal factories. Reflecting the importance of personal relationships in Taiwan's society and culture, a strong local

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presence, with a wholly owned subsidiary, branch office, joint venture partner or agent/distributor, is another key to success in the market. Although it may be possible to directly supply a few types of highly specialized products from the United States, most U.S. firms will find it necessary to have some kind of local presence to market their products and services.

### 3.3.1 Distribution Channel Options

The most common distribution route in Taiwan moves products from suppliers to distributors, from distributors to retailers, and then from retailers to consumers. Some suppliers use shorter distribution channels, distributing products directly through retailers only. Multi-level marketing is accepted in Taiwan, and some direct-selling organizations are well established here. Foreign firms, especially small- and medium-sized companies, generally rely on agents to sell their merchandise to distributors. For certain products such as apparel, however, the distribution channels tend to be more complex.

Most foreign firms gain their initial foothold in the market by using a Taiwan agent. Taiwan firms prefer the partnering aspect of an agent relationship. Although some companies are willing to act only as distributors, there is a fear that firms seeking distributors are not serious about the market and will not support their distributors. Firms selling equipment or machinery frequently find it necessary to locate a partner willing and able to do some assembly or manufacturing in Taiwan. Although not necessarily formal joint ventures, these efforts require a higher degree of commitment to the market than simply selling through an agent. If the size of the market warrants, companies may wish to consider setting up a branch office or subsidiary in Taiwan. Taiwan officially welcomes foreign investment and establishing an office in Taiwan is relatively easy, if the procedures sometimes bureaucratic.

### Using U.S. Commerce Department Services to Market American Products in Taiwan

AIT's Commercial Section, on behalf of the U.S. Department of Commerce, provides a number of services to help U.S. firms, large and small, export their goods and services to Taiwan. Through our office in Taipei (covering northern and central Taiwan) and a branch in Kaohsiung (covering southern Taiwan), we offer a variety of resources and services (including market research, agent distributor searches, advocacy, trade missions and trade shows) to assist U.S. companies entering the Taiwan market. Please contact us at Tel: 886-2-2720-1550, Fax: 886-2-2757-7162, email [taipei.office.box@mail.doc.gov](mailto:taipei.office.box@mail.doc.gov). It is also on the World Wide Web at the following address: <http://www.buyusa.gov/taiwan/en>.

The first step in using these services is contacting an Export Assistance Center in the United States. A comprehensive list of U.S. Export Assistance Centers (USEAC) can be found at <http://www.buyusa.gov/home/us.html>. These offices can help U.S. exporters determine which service is most suited to their export needs.

- **Arrange Business Appointments through the Gold Key Matching Service** - If one is planning to visit Taiwan to locate an agent or distributor, or begin discussions with potential buyers or business partners in Taiwan, the U.S. Commercial Service staff in Taiwan can arrange a schedule of meetings with pre-screened potential buyers, agents or distributors for a nominal fee.
- **Promote Companies on the U.S. Commercial Service Web site** – The U.S. Commercial Service in Taiwan can translate product information into Chinese and feature company information on the local version of its Web site, which targets Taiwan importers and buyers. At the time of this report, the service is offered free of charge. Qualified U.S. exporters may register for the program directly at <http://www.buyusa.gov/taiwan/en/aboutfuse.html>.
- **Connect with Local Professional Firms** - The U.S. Commercial Service in Taiwan maintains an on-line directory of local attorneys, accountants, translators, and travel agents, as well as companies that provide meeting facilities, temporary help, executive search services, market research, instant office rental, patent and

trademark services, trade show and exhibition services, moving and storage. These firms have English-speaking staff and experience in working with foreign companies.

### 3.3.2 Pricing Issues

Brand is an important determinant of price policy. Generally speaking, price margins at the distributor level for international brands are lower than for local or regional brands. Distributor price margins range an average between 15 percent and 40 percent, depending on which party maintains responsibility over marketing. In addition, price breaks and discounts for quantity purchases are frequently offered.

Taiwan importers and distributors often sell through modern retail stores. It is estimated that over 90 percent of imported consumer goods are sold through five types of modern retail outlets with different price margins:

<b>Department Stores</b>	<b>Average 15-35 percent margin</b>
Warehouse Stores	Average 15 percent margin
Convenience Stores	Average 30-40 percent margin
Supermarkets	Average 20-25 percent margin
Shopping Malls	Average 20-40 percent margin

### 3.3.3 Creating a Sales Office

Establishing a subsidiary or representative office in Taiwan is not generally considered to be particularly burdensome. There are, however, a number of different corporate structures from which to choose, and an array of forms and procedures to complete. In addition, a Chinese name is required. Consultations with reputable local attorneys or accountants are strongly recommended in order to identify and analyze key issues relevant to each business, and complete all necessary steps for establishment in Taiwan.

### 3.3.4 Selling Strategies

The most important consideration for the majority of Taiwan buyers is initial price. The most common complaint against U.S. goods is that their price is too high. Americans often find Taiwan businesspeople short-term oriented, and are frequently frustrated by the fact that most Taiwan firms do not factor in life-cycle costs when negotiating a purchase. Although attitudes are changing, most Taiwan firms will only pay a higher price for a product if they see a near-term payoff. After price, the next most important considerations are quality and after-sales service.

### 3.3.5 Advertising and Trade Promotion

Taiwan businesspeople are active participants in the global marketplace. They read trade journals from the U.S., Europe and Japan, participate in major international trade events and are well aware of current trends in their industries. There are local trade shows for most major industries and the Taiwan External Trade Development Council (TAITRA) is the co-organizer of many of these shows (usually in conjunction with the relevant industry associations). A local partner can give the best advice on where and how to advertise, but participation in the major trade shows and advertisement in the relevant Taiwan trade journals and industry newspapers are important.

Information on shows can be obtained from TAITRA. The TAITRA World Wide Web address is <http://www.taiwantrade.com.tw>. Taiwan offers several lists, including a frequently updated calendar for

international conferences and trade exhibitions held at the Taipei World Trade Center. TAITRA-sponsored trade shows can be found in Chapter 13 of this document and at <http://www.taipeitradeshows.com.tw>. Most trade exhibitions in Taiwan are export-oriented. Some have a significant number of non-Taiwan companies exhibiting.

## **TAITRA Offices in the United States**

### **U.S.A. - New York**

Taiwan Trade Center, New York Inc.  
Director: En-Lei Tuan  
1 Penn Plaza, Suite 3410  
New York, N.Y. 10119  
Tel: 212-904-1677  
Fax: 212-904-1678  
E-mail: [newyork@taitra.org.tw](mailto:newyork@taitra.org.tw)

### **U.S.A. – Miami**

Taiwan Trade Center, Miami Inc.  
Deputy Director: Michelle Kung  
5301 Blue Lagoon Drive, Suite 150  
Miami, FL 33126  
Tel: 305-266-9191  
Fax: 305-266-8787  
E-mail: [Miami@taitra.org.tw](mailto:Miami@taitra.org.tw)

### **U.S.A. - San Francisco**

Taiwan Trade Center San Francisco  
Director: Richard Tsai  
5201 Great America Parkway, Suite 307  
Santa Clara, CA 95054  
Tel: 408-988-5018  
Fax: 408-988-5029  
E-mail: [office@taiwantradesf.org](mailto:office@taiwantradesf.org)

## **Professional Journals and Magazines**

U.S. companies that do not have representatives or agents in Taiwan should target professional journals and magazines. The following are some of Taiwan's major industry/commercial newspapers and business publications:

### **Commercial Times (Daily Newspaper)**

Mr. Chang Huei Lin, Deputy Manager  
Business Service Department  
2F, 68 Ying Peng South Rd., Taipei  
Tel: 886-2-2382-1598, 2381-3199 ext. 5001  
Fax: 886-2-2382-1252  
E-mail: [s119@comm2.chinatimes.com.tw](mailto:s119@comm2.chinatimes.com.tw)  
<http://www.news.chinatimes.com/>

**Economic Daily News (Daily Newspaper)**

Mr. Kofeng Tseng, Reporter  
Business Services Department  
8F, 557 Chunghsiao E. Rd., Sec. 4, Taipei  
Tel: 886-2-2768-1234 ext. 6175  
Fax: 886-2-2764-7757  
E-mail: kofeng.tseng@udngroup.com  
<http://www.udnnews.com.tw/>

**Business Weekly (Weekly Magazine)**

Ms. Vicky Hsueh, Manager  
Advertising Department  
Rm. B, 21F, 333 Tunhwa S. Rd., Sec. 2, Taipei  
Tel: 886-2-2736-8999 ext. 201  
Fax: 886-2-2736-4605  
E-mail: jyng.hsueh@bwnet.com.tw  
<http://www.ebusinessweekly.com.tw/>

**Commonwealth (Monthly Magazine)**

Ms. Joyce Liang, Manager  
Advertising Department  
4F, 87 Sungkiang Rd., Taipei  
Tel: 886-2-2507-8627 ext. 137  
Fax: 886-2-2507-8045  
E-mail: joycel@cw.com.tw  
<http://www.cw.com.tw/>

**Breakthrough (Monthly Magazine)**

Ms. King Lane Liang, Vice President  
Advertising Department  
15F, 181 Fu Hsing North Rd., Taipei  
Tel: 886-2-8712-6882 ext. 886  
Fax: 886-2-2546-6053  
E-mail: cyndiliang@mail.chinamgt.com  
<http://www.harment.com/>

**Directory of Taiwan (Annual Edition)**

Published by The Taiwan News  
Mr. Chi-Sen Chiu, Vice General Manager  
Advertising Department  
7F, 88 Hsin Yi Road, Sec. 2, Taipei  
Tel: 886-2-2351-7666 ext. 264  
Fax: 886-2-2351-5330  
E-mail: chiucs@etaiwannews.com  
<http://www.etaiwannews.com/>

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## International Advertising Firms Doing Business in Taiwan

Taiwan's advertising sector is comparable to that of other developed economies and covers a wide range of media. There are some restrictions to advertising, especially for alcohol and tobacco commercials on television. Major international advertising firms doing business in Taiwan include:

**Leo Burnett Co. Ltd.**

9F, 207 Tun Hwa S. Rd., Sec. 2, Taipei

Tel: 886-2-2732-1211

Fax: 886-2-2732-8810

E-mail: office@leoburnett.com.tw

**DDB Worldwide Inc.**

1F, 427 Kong Kuan Rd., Peitau, Taipei

Tel: 886-2-2828-5166

Fax: 886-2-2828-5177

E-mail: jerome.fung@ddb.com.tw

**Bates Taiwan Co., Ltd.**

6F, 120 Chienkuo N. Rd., Sec. 2, Taipei

Tel: 886-2-2505-5305

Fax: 886-2-2505-5332

E-mail: janicel@mail.bates.com.tw

**Dentsu, Young & Rubicam Co., Ltd.**

8F, 198 Tun Hwa S. Rd., Sec. 2, Taipei

Tel: 886-2-2378-8938

Fax: 886-2-2378-8949

E-mail: Steve\_Kuo@tw.yr.com

### 3.3.6 Entering the Consumer Goods Market

Taiwan is renowned as an industrial dynamo which has been driven by exports of industrial and high-tech goods for well over twenty years. Less well known is the fact that Taiwan offers a booming domestic consumer market. Taiwan's consumers enjoy a level of average disposable income which is among the highest in Asia, and their tastes are becoming increasingly cosmopolitan. American brands are widely known and respected. U.S. firms wanting to enter the market will find a network of support firms that can help them identify what consumers want, how best to deliver it, and what they are willing to pay.

As in the industrial sector, finding a good local partner -- be it an agent, distributor, licensee or joint venture partner - is essential. Partners will frequently offer guidance on the staggering number of different marketing channels. Consumer goods distribution in Taiwan is dominated by a vast number of small, independent retailers, served by a network of wholesalers. As the Taiwan market becomes more attractive to investors and consumers become more sophisticated, however, this fragmented system is giving way to consolidated distribution and larger chains with greater economies of scale. New players are changing the face of Taiwan's retail market.

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### 3.3.7 Major Types of Modern Retail Stores

Modern retail outlets such as shopping malls, department stores, warehouse stores, supermarkets, and convenience stores, have played important roles in retail, while other traditional retail outlets, such as “wet markets” and mom-and-pop stores, have become less important as consumer patterns change.

#### Department Stores

There are about 50 department stores located throughout Taiwan, concentrated mainly in the large cities. Most of these department stores are run on a Japanese model, i.e., the bulk of the floor space is rented out to concessionaires who pay rent and a fixed percentage -- about 20 percent or so -- of either their gross or net income. Such arrangements help department stores avoid risk and enable replacement of concessionaires recording poor sales. Concessionaires are responsible for decorating and staffing their sales areas. Although the department stores do purchase some merchandise on their own account, most of their sales are through the concessionaires. To compete with lower priced bulk quantity selections available in warehouse stores, Taiwan department stores carry high-quality, upscale and expensive merchandise.

The introduction of computerized systems to track sales should help department stores make purchases and control inventory to alleviate problems associated with the lack of merchandise selection. Because Taiwan consumers are very attentive to customer service and ambiance when shopping, department stores will continue to focus on distinguishing themselves through special design, decor, fashion shows, art exhibitions, VIP cards, in-store child care and food courts to attract their target market.

#### Warehouse Stores and Supermarkets

Carrefour and RT-Mart are two major warehouse store chains. Geant is the third largest market player. The U.S. warehouse store chain, Costco, has opened stores on the island and is enjoying brisk sales. British Tesco and Japanese Jusco GMS have also entered this profitable market.

The current supermarket leaders are Taiwan’s Chuan Lien Sher and Hong Kong-based Wellcome. These two market leaders are expanding businesses by aggressive opening of new stores.

#### Convenience Stores

There are over 7,500 convenience stores island-wide, which offer food products and toiletries 24 hours a day and are major outlets for consumer food items, such as snack foods, beverages and juices. 7-Eleven is the market leader. Convenience stores have been the fastest growing retail outlets, in terms of revenue sales, in the Taiwan retail market in recent years.

#### Shopping Malls

According to Taiwan’s Shopping Center Development Council (SCDC), Taiwan’s first shopping mall was established in 1994. But the island’s shopping mall industry really only took off in 1999, when the first composite commercial zone shopping mall, TaiMall, opened in Taoyuan. The establishment of shopping malls provides a promising new venue for both department stores and specialty chain stores. U.S. brands are prominent in Taiwan’s malls, noticeably more so than in traditional channels.