

## How do emerging technology companies enter global markets?

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## Introduction – Why Go Global?

Emerging technology companies are facing pressure to become global much more quickly than ever before. This pressure is being driven by forces such as competition; collapsed windows of competitive advantage and venture capitalist's (VC) demands.

The main driver is 'competitive fear' – the fear that another competitor will occupy significant and growing offshore markets, or that a competitor in another country will be able to rapidly replicate an idea/solution and gain the capital to market globally. The more global flow of venture capital and information/ideas is enabling this real competitive threat.

*“Tech entrepreneurs and venture capitalists are creating multinationals before they even make a nickel. These days fledgings go Global before they even make their first sale.” — Forbes Magazine Nov 2004*

Thus the conventional wisdom of becoming established in the US market before moving to the next market is under stress; executive teams are being asked to expand more rapidly at a time when companies are receiving less funding than during the .com era.

This demands companies apply a rigorous approach to new markets that will optimize the opportunity, mitigate risk, and not become too distracting.

When entering a new market a company wants to achieve faster time to market, reduced business risk, flattened learning curve, less resource investment, high quality partners, and increased revenue and profits.

Whilst there are many notable examples of successful globalization, most companies have a poor track record of achievement. The following reasons for that lack of success were identified by the author in interviews with many companies and investors: incomplete go-to-market plans, poor marketing, under funding, poor plan execution, cultural differences, and under performing teams assigned to the plan.

This whitepaper discusses how these issues can be addressed and answers the following questions:

- Which Market is best?
- How does one enter this market?
- Is the company ready to go global?

## Which markets?

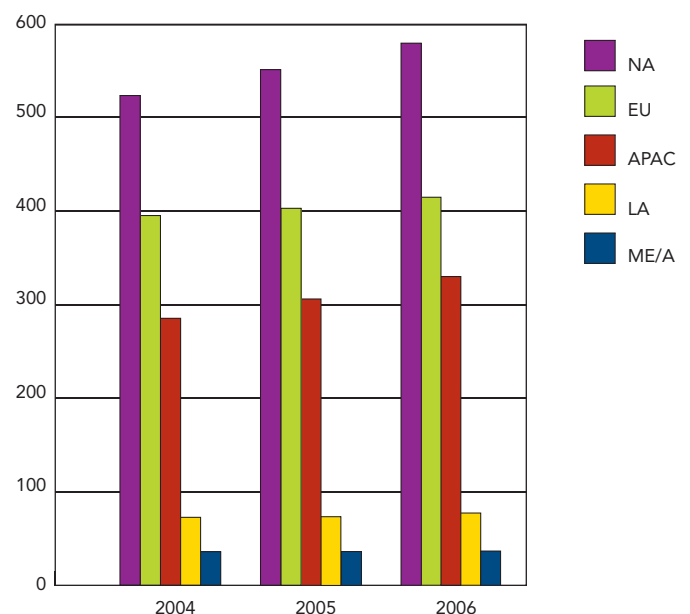
While the US market remains the dominant market for technology spending; other markets represent significant opportunities that, in many cases, are growing faster than the US, and in some cases are less competitive.

It is clear from this analysis that markets in the EU and Asia offer potential, which will vary based upon the type of product. Canada should also be added to the list of potential new markets. One mistake which should be avoided is to view either the EU or Asia as one market – they are made up of multiple countries that have different market behaviors and opportunities.

It is not possible to tackle all markets at one time – so how to choose one market over the other is a key question. More often than not the market is chosen by an event, such as accepting an opportunistic sale in a country that would normally not make the A list. Accepting such a contract may be attractive, but more often than not these sales do not lay the foundation for a sustainable growth opportunity – they are one off and can become expensive to support.

There are several rules of thumb to narrow the market selection down before having to make any significant investments. These include:

1. Identify the size of spending and rate of growth for the type of product in each particular country. This data can be sourced from analysts like Gartner Group; IDC or Forrester Research,



Source: Aberdeen Group (in billions)

2. Start the process with the English speaking countries – UK; Benelux and Scandinavia; Australia and NZ; India; HK and Singapore. The reason for this is that foreign language countries add significant cost of entry and support. It makes sense to always seek opportunity of least resistance. There will be always exceptions e.g. wireless gaming technology - the best markets would be Korea and China.

Especially for emerging companies, one should consider that the markets are not those of the end customers, but rather of the partners that would bring the product to market. This provides the highest possible leverage, but requires more work to secure a significant company as partner.

*“You should be selling into Europe where there are better price points and less competition with the right partner”*  
 — CIO Fortune 500 company, Software 2004 Conference in San Francisco

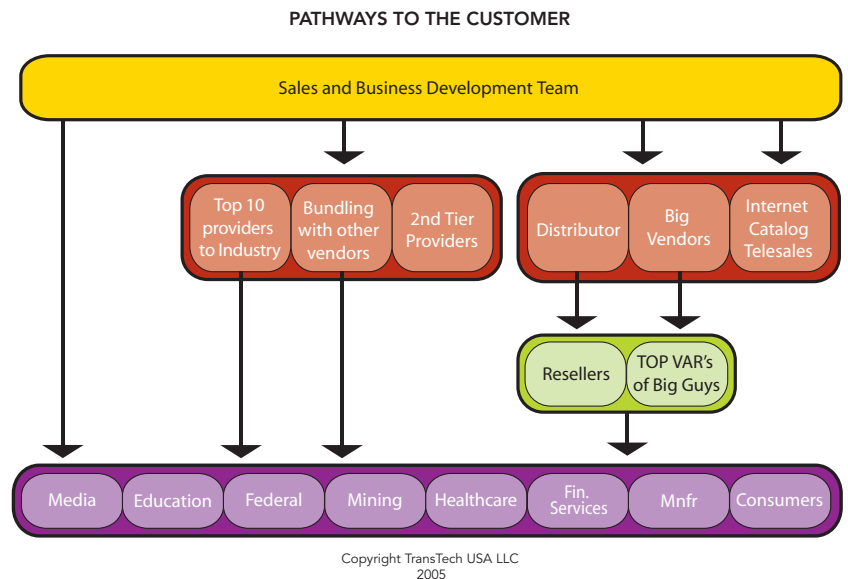
## How to enter the new market?

There are so many channels available to sell a product into a new market, that the decision to pick the right one and then the right partner can be daunting.

Many variables affect both the channel chosen and what the characteristics are of a good partner in an indirect model. The wrong partner can be very detrimental in terms of time and money lost, and reputation squandered.

There is no right answer or one model – direct sales to end users, bundled solutions with major integrators, or selling through regional VARs - are all appropriate depending on the market and the product.

The fundamental knowledge required to make these decisions is who the end users of the product trust and ultimately buy from in the chosen market. The seemingly expedient opportunity, at a show or other meeting, to sign a partner rapidly is seductive, especially with their market knowledge and promises of big deals, but is often fatal.



A systematic, but rapid, assessment needs to be conducted to identify the appropriate partners and then begins the selection process.

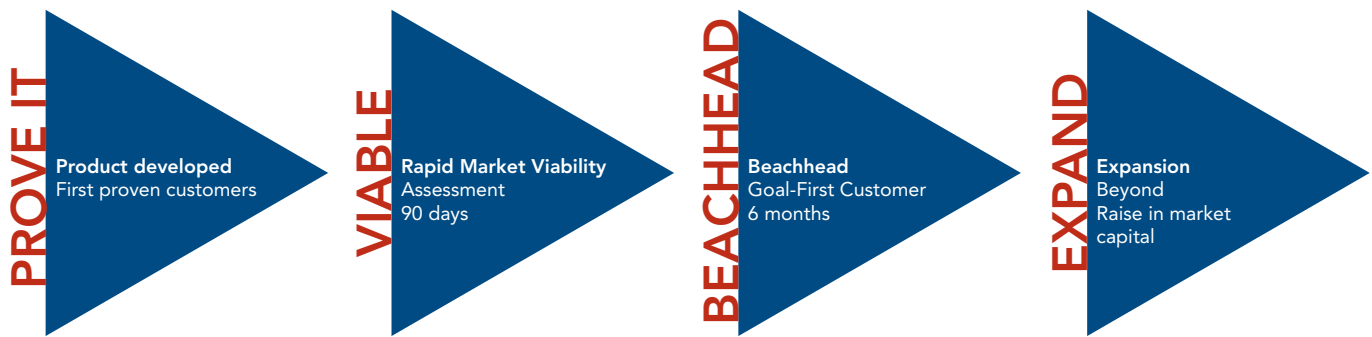
## Ready to go global?

Determining whether a company is ready to support an effort in another country is a basic and often over looked step. This is all about clearly understanding what is being entered into so the correct time and financial expectations can be set for all stakeholders – no surprises and minimal risk.

There are some basic ingredients for entering a new market to ensure a higher chance of success. These include:

Market Conditions	The Right People	
<ul style="list-style-type: none"> <li>• Buyers</li> <li>• Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Staff</li> <li>• Partners</li> </ul>	<ul style="list-style-type: none"> <li>• Board and advisors</li> <li>• Passionate</li> </ul>
Funding	The Solution	
<ul style="list-style-type: none"> <li>• Capital</li> <li>• Fiscal Prudence</li> <li>• KPIs and milestones</li> </ul>	<ul style="list-style-type: none"> <li>• The product</li> <li>• Compelling message and positioning</li> </ul>	<ul style="list-style-type: none"> <li>• Aligned channel Program</li> <li>• Service and support</li> </ul>

Given these ingredients are in place then a 4 step process can be followed for entering a new market:



These four phases will mitigate the risk of entering a new market;  
lay out a roadmap that requires constant review.

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The most important phase is the Market Viability Assessment (MVA). The MVA is designed to reduce risk, provide a faster path to market, reduce the learning curve and maximize the resource investment. It is a rapid process designed to mitigate risk and identify the key elements of market success.

The benefits of performing an MVA prior to investing significant capital, both human and cash, is to establish the competitiveness of the solution in the new market and to prove the upside of investing in a new market.

The results of the MVA are an invaluable tool in convincing the board and investors to commit the required capital to meaningfully attack the new market, starting with the Beachhead phase.

The MVA provides answers to critical questions such as:

- How compelling is the technology?
- Is the unique value proposition compelling?
- Are the six key differentiators defensible?
- What is the appropriate target market?
- Who is the competition?
- Are there evident solution gaps for the geography (e.g. language)?
- What are effective pathways to the customer.
- What are the support requirements?

## Conclusion

While entering a new global market seems to be a lot of work, and that there are many things that could and will go wrong – the imperative to go global is worthwhile as long, as it is prepared for in a systematic way.

To conclude, here is a 'Letterman Top 10' guide for going global:

1. Use local people and ex Pats for knowledge and technology transfer in the market;
2. Exercise fiscal prudence;
3. Hire the best people;
4. Package your solution for the market – 80/20;
5. Apply cultural sensitivity –
  - a. eat and drink the local culture
  - b. show genuine interest
  - c. understand what value you bring;
6. Engage at least local partner – equity alongside your equity;
7. Know the legal system;
8. Make commitments carefully;
9. Remember the Ethics (Foreign Corrupt Practices Act); and
10. Solve issues through relationships