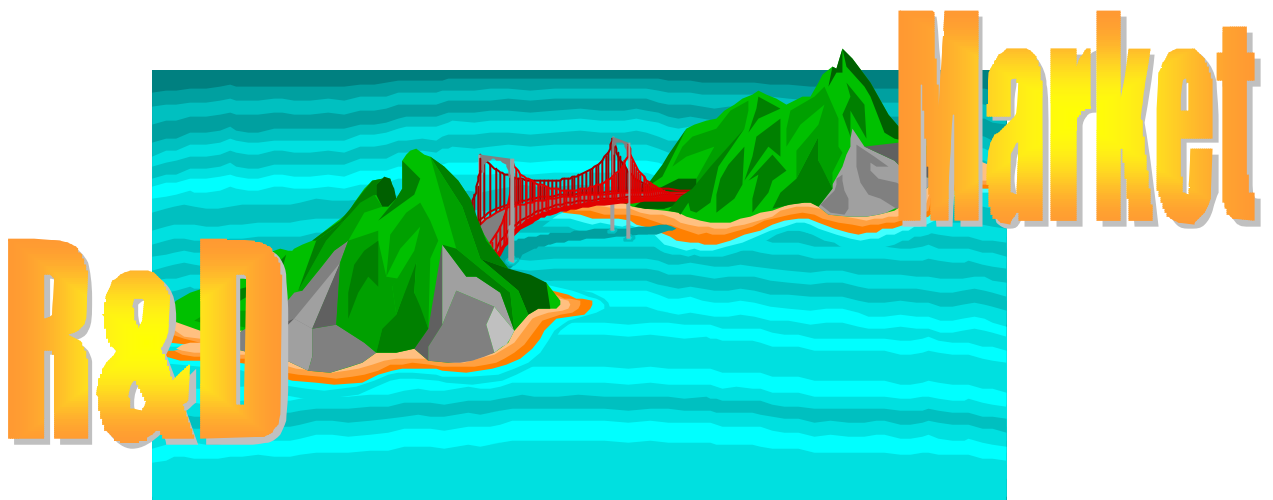


# SEIG

(Strategy for Exploitation  
Improvement Guidelines)

*Specially oriented to small  
European SMEs Multimedia/Internet products  
and services developers*



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# Introduction

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*Anyone who says businessmen deal in facts, not fiction,  
has never read old five-year projections.*

**Malcolm Forbes**

The real antidote for fiction in business is common sense. Unfortunately, besides the fact that common sense is not so common, businessmen, and sometimes also businesswomen, often leave their common sense out in the parking lot when they come to work.

Common sense is basically simplicity. The problem is that what we have learned in the last century has tended to create more and more complication. Probably because one widely extended perception is “if it is complicated, it must be interesting”. Chinese people say: “simplicity is the ultimate sophistication”. But people resist simplicity because they fear it. A simple idea makes people feel naked, specially when they are surrounded by peers who rely on complication to mask their ignorance and hedge their bets.

Embrace simplicity, chaos is for physics. In management, despite complex enterprises and, even, more complex market conditions, certain “old laws of gravity” still apply.

For that reason, the attached SEIG (Strategy for Exploitation Improvement Guidelines) try to be simple, pragmatic and really useful for every company, but specially for SMEs oriented to Multimedia and Internet products and services developers.

The cornerstone is to show entrepreneurs and managers how to cope with superfluous complications by focusing on essentials. And the essentials are:

1. Get the subjectivity out of the situation; good judgement must be based on reality.
2. Avoid wishful thinking. People want things to go a certain way, but how things go is often out of our control. A good business plan should tend to be in tune with the way things are going.
3. Maintain what the military call the “kiss” principle. (Keep it simple, stupid). Simple is clear, and clear is easier to solve.
4. Too much information can confuse. First decide which one will be really useful. Don't pay attention to superfluous data, look only for information that will help to take decisions. Avoid all the rest.

5. Avoid complex language. Specially in promotion communications (advertising, brochures, annual reports, etc.). Unfortunately people usually think that if it is complicated it should be better. But they should realise that complication is at the heart of a bad piece of advice.
6. Virgin markets do not exist anymore. Businesses are not any longer a two players game involving just the company and the customers. The reality of business is that a market consists of consumers held by a range of competitors. And for new products and services potential customers could say “no thanks, I will not buy it”.
7. Customers are the ones who will pay the bill. Nowadays competitors are all of those who do not let your company bill. Customer orientation is a given, not a difference.
8. The prospects’ mind is the battlefield. It is there where a company will win or loose the war against the competitors, the real enemies of your business activity.
9. Competitors orientation is the game. Being different and preferred from competition in the prospects’ mind is the key.
10. Operative Efficiency (good product, good price, good distribution) is absolutely necessary, but it is not enough. It is necessary to communicate and convince of our product or service difference. The difference that will make our product or service better than the others from the prospects’ point of view.
11. Business Strategy is all about differentiation in the prospects’ mind. Your product or service must be very good, the best if that is possible. But if it is not “good” in the prospects’ mind it will not be successful.
12. Marketing, the science that gets in touch –and in tune- company and customers is nowadays the most important discipline. The company cannot survive if it cannot attract and keep customers. Marketing is turning simple ideas into strategy.
13. The best organisation is the simplest one, with everybody driven to the correct strategic behaviour.
14. Top management has to be really involved in the business, and has to be in charge of making sure that a differentiating strategy is clearly defined, communicated and maintained.

Bearing in mind the philosophy mentioned above, and taking into account that this Guide will be used by very busy people, the ECLAIR consortium has drawn up this Guide with the objective to help the reader throughout the critical mission of designing an Exploitation Plan for his/her company. For that reason, this guide has been organised into different sections, each one dealing with a relevant aspect to be considered in the Exploitation Plan. Then, each section has the following standard structure:

1. Questions that many people ask in order to solve their business problems.
2. An explanation about what to do to solve the problems
3. Which are the key factors for being sure that problems will be solved.

In all cases, simplicity and clear advice is treated as the cornerstone for success.

Probably, the best way to read it is starting with Chapter 2, and when Chapter 12 is reached, to make a revision reading the Executive Summary. In this way, readers will first get all the available information and later they will fix the main ideas skimmed in the summary. After that, an entrepreneur or manager will be ready for writing his/her own Exploitation Plan. The recommended sequence is exactly the same: start writing chapter 2 and continue until chapter 12. Then, once every aspect has been analysed, it will be possible to write the Executive Summary, which must reflect at a glance the essence of the plan. Never forget that the Executive Summary is the close-up and must attract the attention of the SEIG prospects (CEOs, potential investors, shareholders, other departments, etc.) and make them continue reading the document.

In any case, probably before starting, many entrepreneurs and managers would ask themselves: “Why should I need to read and use this SEIG?” The answer could be the following anonymous sentence:

*There are three types of companies:  
those who make things happen,  
those who watch things happen and  
those who wonder what happened.*

This SEIG will probably not be enough to design, develop and control a new business, but it certainly would be enough for starting “things happen”.

And it is absolutely clear that if a SME Multimedia/Internet product and service developer wants “to be”, it must work to have “things happen” and play the lead in the change.

The ECLAIR Consortium responsible for this Guide has also its own experience to tell to the reader. This Guide is based on real-life experiences. Most of the companies under test were reluctant to follow the guidelines at the very beginning of the projects. However, after a considerable effort to make them become aware of the need for a plan, all of them with no exception confessed: Why didn't I start before? How could I access the market without a realistic Exploitation Plan?

The learning curve is clear: a lot of time to become aware that an Exploitation Plan is needed, a little time to draw up the Plan. Do not waste your time and go ahead now. Look for expert support when needed, but do not leave your plan exclusively in the hands of third parties. Your business is yours.

This must be your plan and this Guide is full of practical advice to take into consideration.

**Note:** In case the reader wonders what is the right profile of someone who may help to design the Exploitation Plan, detailed profiles appear in Annex I. Then, a decision can be made on whether such an expertise is in or out of the company. Additionally, for those still sceptical, Annex II contains case studies related to enterprises which experienced the ECLAIR approach and are now increasing their sales.

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# Foreword

## 👁 **The goal**

The objective of this Guide is to provide SMEs with a useful set of advises in order to develop a successful commercial exploitation plan for their innovative high-tech results.

## 👁 **The plan**

Many companies fail to put their innovative ideas in the market in a timely manner. High focus on technical aspects and low focus on commercial merits and business ones often conduct to unbalanced situations with scarce market impact. Each SME needs its own Exploitation Plan with a well defined strategy. This Guide has been designed to help SMEs along this essential task taking into consideration that no company should face the market without a realistic Exploitation Plan.

## 👁 **Target audience**

This document is specifically tailored to SMEs in the Multimedia / Internet Technologies sectors willing to bridge the gap between innovative results coming from R&D phases and the marketplace. If you belong to a SME with a promising high-tech product, limited financial and human resources, limited knowledge of business aspects, limited time to waste with complicated handbooks and you are looking for a sensible Exploitation Plan then go ahead.

## 👁 **Easy to use**

Technological development is time consuming. SMEs are often so concentrated in it that very important business aspects are neglected. This guide offers easy to follow guidelines to draw up a sensible Exploitation Plan. SMEs will find that it is easier than expected.

## 👁 **Added value**

Global thinking is a must for these companies and that is why this Guide is based on real-life experiences of other SMEs facing up the same challenge at international level. Hopefully, their experience will be an added value for the target reader.

## 👁 **Promoting early adoption**

When talking about high-tech, looking for an early adopter is very often easier and more effective than looking for a first customer. And in most cases, early adopters eventually become clients. The ECLAIR strategy has been centred on promoting early adoption by foreigner end-users who, in turn, have helped SMEs to refine their products so including end-users' requirements which really make the difference between raw R&D results and commercially exploitable products.

## 👁 **Be imaginative. Trust yourself**

There is no “magic recipe” which guarantees commercial success so each SME needs its own strategy. Be imaginative. “Think different”. If you were able to innovate in the technical field, now you have to try to innovate in the commercial arena as well. The high-tech marketplace is full of challenges and opportunities not only for multinationals. You can create your own position in it. Trust yourself. Some SMEs do not trust Exploitation plans unless they have been written by a third party. With limited resources SMEs by themselves can get reliable data, design their own strategies and go ahead step by step.

## 👁 **Structure of this document**

In order to help this guidelines user to draw up each item of his/her Exploitation Plan, the document has been structured by chapters with a similar scheme. As you will observe, each chapter is divided, whenever possible, in the following four parts:

### ➤ **Questions to be answered**

Corresponding section of your Exploitation plan should provide answers to the questions presented here.

### ➤ **You should know**

This part highlights relevant aspects to be taken into account when drawing up the section at hand.

The content is always focused on key factors of success to be considered when drawing up corresponding section. Common errors arising from real-life experiences are also reflected with the aim at preventing you from making the same mistakes.

### ➤ **Key factors of success (KFS)**

Once you have finished corresponding section of your Exploitation Plan you should check you have not forgotten anything.

### ➤ **Case studies**

Whenever possible a case study has been included at the end of each chapter as an example.

# How to draw up your Exploitation Plan

## 1. Executive Summary

The Executive Summary of your Exploitation Plan should summarise the results obtained from the forthcoming sections. It will serve for having a snapshot at a glance of what is your business about. Do not forget that CEO, investors, stakeholders or anybody else reading your Business Plans will not continue reading the rest of your document unless they feel definitely attracted by concepts presented here. Keep simple, keep clear, keep realistic and keep attractive when drawing up this section which should become the description of conclusions of your business plan. This section should provide answers to the following questions:

### 1.1 Which is the real business are you trying to be in?

The definition of the business in which you are trying to be is not a theoretical exercise; it is the basic cornerstone for your future business strategy. Many times this definition becomes a wishful thinking exercise performed by people with technical or staff functions who ignore the surrounding reality. You should find out how your offer appeals to the customers you are interested in.

### 1.2 Who will be responsible within your organisation?

It is necessary to appoint a direct responsible of the Exploitation Plan. He/she must be able to ensure that the plan will be correctly (in form and time) developed. In critical situations, there should always be a person who takes the final decision. A committee would take too much time.

### 1.3 Which would be the best potential markets? (Rank them)

The question here is: Whom are you going to sell your product or service to? If it is clear for you which is the real business you are in, it will be easier to define to whom you are trying to sell. Sometimes the person who buys could be different from the one who will make the final decision and from the ones who eventually will become the final users. You will have to know exactly who is who (it is a question of *knowing who* rather than *knowing how*).

### 1.4 Who will be the key contacts in each market? (Government, big companies, integrators, dealers)

Each market or market segment, usually has key customers (Government Institutions, Big Companies, Integrators, Brokers, Dealers...) who, in the case they buy your product/service, will give you very useful credentials to convince to "followers". One of your first tasks should be to identify these key contacts.



### **1.5 Which would be realistic objectives?**

Ego and wishful thinking are enemies of successful management. Objectivity is needed.

*A good plan must make the company match the circumstances instead of trying that the circumstances match the company objectives.* Objectives must be defined according to the capabilities and resources of the company.

### **1.6 Which will be the resources necessary?**

- Human (Marketing, Technical, Administrative, Financial)
- Productive (Process Technology, Equipment, Raw Materials, other technical supports etc.)
- Marketing (Market and Competition Research)
- Logistics (Outsourcing specialist firms?)
- Financial (Do you have sufficient financial means or financial endorsement?)

### **1.7 When do you expect profits?**

Basically, earning money is what business is all about. When a new activity starts, it may be necessary to lose money. Therefore, it would be convenient to be sure about when the profits will arrive and when the losses will be compensated.

### **1.8 What experiences could you get from others? (From more mature or from similar markets?)**

We are in a new world order, not only because global markets are open to every company, but because it is increasingly easier to have information about experience in other parts of the world. Effective companies must continuously look around in order to learn from others' successes and failures. You should think global not only in terms of outputs (sales) but also in terms of inputs (information, contacts...).

### **1.9 Which objectives have been fixed for the first steps?**

Even having a clear vision of your final objective, it is necessary you define the milestones that you should achieve in order to fulfil the Exploitation & Internationalisation Plan.

## ***A few warnings about Business Plans***

### **i Some Business Plans fail because:**

- They are not formalised, not written, they just exist in everybody minds.
- They aren't objective, the situation analysis is wrong.
- They are prepared by a reduced number of people, without taking into account the opinion of all the people that will be involved in its future development.
- Their objectives are not realistic.
- The Business Plan is not "adequately sold" to the people who will develop it.
- Business Plans are not a "magic tool", it will be necessary to develop and achieve it.
- There is no direct responsible clearly appointed in the company.
- And because, at least, another 50 reasons, including floods, earthquakes, stock market cracks, etc..

### **ii Why is a business plan so essential then?**

- Because only the cold and realistic facts can be the business basis.
- Because this is the best way to determine opportunities and threats for the company.
- Because it will help to plan the other business areas: Technology, Production, Financing, Human Resources, etc.
- Because the Business Plan is a tool that any modern company cannot live without.  
And because many other reasons that it is not necessary to mention here...



## Some Case Studies on this chapter

Company A, started the Exploitation Plan describing the product as follows:

*XXX permits users to gain a flexible overview of large datasets as well as fast access to individual data or small subsets of data through the combination of an interactive focus+context "fisheye" technique and a hierarchical outliner. Users "formulate" information requests through direct manipulation and receive immediate results instead of having to formulate complex queries in database languages like SQL.*

The company assumes that all readers should know that XXX is a software tool similar to datamining applications. In the project summary, in the first paragraph one should define WHAT we are talking about in order to capture reader's interest.

On the other hand, Company B presented his product:

*YYY is a software tool which allows processing huge amounts of data generated from statistical surveys in an easy and user friendly way enabling an efficient use of the information resulting from the available data*

In this case, potential customers or investors can identify straight out what kind of problems can be solved using the YYY tool.

It is essential to learn to sell your products providing a clear answer to what the potential customer is requesting.

If you belong to the technical department of a small company and you have described your product in the exploitation plan, why do not you try to give this report to your purchasing manager and ask her/him to decide whether to buy or not such product?

## 2. General Business Aspects

### *Questions to be answered*

- *What business are you in?*
- *What are you going to sell?*
- *What will really give you profits?*

### *You should know ....*

#### 2.1 The business cornerstone idea

Think and write as concisely and simply as you can the basic business cornerstone idea.

A clear statement about the scope of your business is also important, in particular if you are working in new technologies involved in permanent change. You must be very careful in narrowing the business focus in order to avoid losing time and money making efforts without any significant result. Nevertheless you should not be self-restrictive, perhaps excluding profitable opportunities.

It is very important to keep in mind clearly that sometimes a company could “sell” for free a product or service, for example a software program, because its real business is to sell hardware and/or maintenance and/or technical support for users or future service extensions.

### *Key factors of success (KFS)*

- *Check-up that all the assets are or can be legally protected (patents, trademarks, names, etc.) is protected*
- *Which could be the company's weaknesses and strengths? (Reinforce your abilities, correct or disguise your weaknesses)*
- *Which are the resources necessary for the development of the company?*
- *Which changes should be done in the company in order to better adapt it to its business environment.*
- *(Remember: You can make changes in the company, you can't change the market or the competition)*



## Some Case Studies on this chapter

Company C identified its main business area as follows:

*Numerical simulation is the technique of the future for many development tasks in the industry. Company C is a developer and service provider for these new and innovative technologies. Our vision is the efficient and fast optimisation of the task.*

Here the business is not clearly defined (what kind of services will Company C provide?)

Now read this from company D:

*Company D is an innovative software development company which specialises in the development of industry-specific portal software. The product ZZZ Portal consist of two separate programmes, one being the generic product and the other being the process-oriented and adaptable product. Well combined, they can be used to quickly create an inexpensive but highly functional B2B or EIP (Enterprise Information) portal.*

It is very important to have a clear view of our role in the market for a specific product/service line. This may vary from market to market or from product to product or between countries depending on the company's potential and resources.

One has to identify the main sources of revenues and benefits. It could happen that the benefit does not come from the direct sale of a tool but from training courses or related services. If this is the case you may well give the tool as shareware. It could also happen that among your product range one specific product is a source of losses, while a side subproduct is the real source of benefits (e.g. a PC colour printer and the printer consumables).

## 3.The Markets

### *Questions to be answered*

- *To whom are you going to sell?*
- *How many customers are there?*
- *Who is really going to decide whether to buy or not?*
- *How many and who are the people that could influence the decision?*
- *Who is going to be the user?*
- *Who is going to pay the bill?*
- *Where are they?*
- *Which are the trends?*
- *Are tech buyers different?*

### *You should know ...*

#### 3.1 Some thoughts about market issues

The first step in order to determine your business potential should be to define which kind of individuals (People or companies) could be interested in buying your product or service. That will allow you to evaluate the total potential market you could try to win.

Business decisions are taken on the basis of market research. Unfortunately, the cost of obtaining the information increases rapidly as you wish to improve its precision and accuracy.

**Remember: A relatively small sample and a low level of research activity, can yield some very useful results.**

**Firstly**, research must be developed **looking for** information not looking for confirmation of your previous ideas- **objectivity is the basis**.

**Secondly**, information is what helps you to minimise uncertainty, in other words, information should help you to make decisions.

In our over-communicated society there is too much information available for free. Independent reports published in general and specialised media are easy to get. Reports about products and services (domestic and international data) on your business sector; customers habits, competition, trends, etc., can be obtained from magazines, newspapers etc. and nowadays from thousands of data banks accessible through the Internet. This information is called “secondary data”.

When you develop specific research, the information obtained is called “primary data”. That means researches *ad hoc* for your own questions when and where you are going to develop your business plan.

In the development of specific research, there are two major points to be taken into account:

- **The samples:** When the number of prospects is small, it may be possible to contact them all; but when in the presence of a large number, you have to select a small sample. How to define the sample is a fundamental task that guarantees objective and useful results.
- **The questionnaire:** Should be designed with great care in order not to influence the prospects answers. This is a very difficult task when carried out by company staff.

Usually market research is classified according to the type of information required:

- **Qualitative:** It gives you information about things like desires, attitudes and conduct of potential customers. **It explains why.**(very difficult to obtain, but the most useful)
- **Quantitative:** Measures specific and concrete aspects in terms of number and percentage. **It explains how many.**

A very simple and cheap system to obtain direct and very reliable information is to talk with the commercial people who are permanently in touch with customers. Customers are the best information source about your own image as well as of your competitor's. To establish a systematic methodology for getting periodically this kind of information from your vendors is very useful indeed.

## 3.2 Market segmentation

Once your total potential market is identified, you should concentrate your efforts on those prospects offering the highest business potential for you.

How can you do that? The answer to this question is: “**Market Segmentation**”.

Customers are different from one another, but some of them have things (a few or many) in common. To achieve a correct segmentation, you must identify the factor or factors common to a particular group or segment. Segmentation will allow you to design a marketing & sales approach that will be uniform for the particular segment that you will be trying to conquer. Therefore, you will have different approaches for different segments, each one with the best potential of success.

There are three factors to the segmentation of a market:

- The type of customer: classified by size (in terms of turnover, number of employees, energy consumption, sector of activity, etc) and/or evolution (in terms of turnover increase, market share, etc);
- User needs and/or preferences;
- The way in which purchasing decisions are taken.

### 3.3 International markets

Being international has become compulsory in business. But global markets are not a simple prolongation of domestic markets (and that applies to European markets too).

**A step by step approach must be the pace to grow-up in the global business.**

A company trying to be international should rank the most attractive markets in order to:

- fix preferences;
- decide on priorities.

(See point 10)

### 3.4 Ranking markets

In the elaboration of your ranking of preferred markets, many different aspects must be taken into account. Some of the most important are:

- **Where are your preferred segments?** You should look for your segment in a global dimension. If you have identified the market segments with the highest business potential for your product or service, you should go where these segments are stronger. For instance, if you have developed a very specific software only useful for high-tech companies, you should be present in Silicon Valley. Talking about a more general issue, if you have developed an specific software for tourist resources management you should go where the tourist main centres are located.
- **Market surrounding:** It is important to have precise data about the Competition, Distribution Channels, Economic and Technical level, Language, Monetary Regulations, Political Stability, ...present. (The closest to your local market, the easier for you).
- **Attitude towards the “foreign”:**  
A **SWOT** (Strengths/Weaknesses-Opportunities/Threats) analysis should be made, taking also into account their feeling about your country and its image in the sector you are going to work in. Countries have some prejudgements with respect to foreign countries which may influence your company's image and potential competitiveness. Germany for instance induces very good perceptions as to engineering but may induce not so good perceptions about computers as Asian companies do. It illustrates how origin may affect your image irrespectively of the quality of your products.
- **Social-Economic environment:** Citizens characteristics, Industrial Structure, GNP (Gross National Product) Distribution, State of the Art, Education System, Technical Institutes.



### 3.5 What will your selling proposal be?

“**Think global, act local**”. It will be necessary to adapt the proposal to each market in order to fit correctly. The question is to find a basic concept as a global reference that could be adapted with slight changes or complementary information.

### 3.6 What about the future?

Being global also means to be informed about what is happening in mature markets. Most probably, similar things will happen sooner or later in other markets. If a company works in different markets, it should take advantage of having direct information and experiences from them.

### 3.7 Tech-buyers profile

#### Introduction

Technology now pervades society, creating a rapidly changing consumer's profile. From digital television to mobile phones or e-commerce, innovative technologies present marketers with opportunities and obstacles. What choices will people make as they approach products and services? What underlies their personal conduct?

*It is important to analyse consumers by the motivations, attitudes and income they bring to the adoption and use of technology.*

As an example it is possible to mention three prospect categories:

- ☐ **Consumer marketers evaluating new channels.** Technology change creates new conduits for promotion and commerce, from Internet banner ads to on-line retailing.
- ☐ **Technology vendors approaching consumer segments.** Consumer electronics and computer companies must understand what motivates consumer purchasing behaviour. Whether pitching software, consumer electronics, or home PCs, technology companies need carefully targeted products and messages.
- ☐ **Communications providers investing in new services.** Phone companies rolling out services like voice messaging and caller ID require information on which consumer groups are receptive or resistant to technology change. Television providers adding interactivity to programming or cable modem services need hard data on how consumers approach on-line media.

### 3.8 Why High-Tech Marketers Need a New Approach

**Working in new sectors and products, market research is more difficult and creates problems for standard research techniques.** The rapid rate of technology change creates problems for traditional market research techniques.

- **□ General demographic and psychographic analyses fall short.** Characteristics like income, education, and socio-economic background correlate with technology use but do not predict technology adoption rates and market sizes. Psychographic schemes focus on general attitudes but do not adequately measure consumers' predisposition toward technology, a key factor in adoption behaviour.
- **□ Surveys lack an organising basis for technology.** Large-scale market surveys from big research firms can overlay ownership and usage questions, but they don't reveal the latent factors that drive adoption.  
Net-focused surveys track usage and penetration but do not segment consumers into identifiable groups of adopters and those who avoid using the product.
- **□ Diffusion-of-innovation models need accurate adopter profiles.** : It is necessary to identify people open to adopt new products and services in order to attract later the "followers". Marketers who hope to apply "Crossing The Chasm" methods are blocked until they identify the first adopters of the new products. Bass models' predictions face limits imposed by the accuracy of early penetration.

When a completely new product or service is going to be launched it is very difficult to estimate the kind of answer it will have from the potential market. There are some sad histories where the market research gave so poor possibilities for the new product that the entrepreneurs rejected their projects. This was the case of Xerox; IBM refused to invest in developing this kind of equipment because a big American consulting firm did not recommend it. They made a market research and advised to IBM not to be part of the XEROX company because apparently there would not be prospects interested in having plain paper copiers. As everybody can realise now, it was an important business mistake as customer reaction to such products has been quite positive. Sometimes, for a new high-tech product it may be better to launch the product or service without any research and hope that it will create the market by itself. "Walkman" is a very well-known example. When the marketers presented it to Mr. Morita, the former Sony Chairman, he refused to develop a market research and decided to directly launch the new product and wait for results. Also in this case everybody knows the results as "walkman" has become a very popular product .

#### **The Technographics Segmentation: An Organising Principle For Marketing**

With this new segmentation tools it is possible to classify consumers along three axes:

- **□ Primary motivation.** Motivations drive people to consume new products and transact through new channels. It is possible to identify three primary motivations:
  - 1) career – the drive to get ahead;
  - 2) family – the need to create a safe and comfortable home and to educate children; and
  - 3) entertainment – the desire for enjoyment.

- ☐ **Technology attitude.** Consumers, based on their curiosity and desire, decide to spend time mastering new technical products or services. The respondents' optimism or pessimism towards technology strongly influences their behaviour.
- ☐ **Household income.** Dividing people into two income groups of roughly equal size:
  - 1) high-income consumers, with annual household incomes exceeding Euro 25.000 for singles or Euro 35.000 for families; and
  - 2) low-income consumers, with incomes that fall below these cut-offs.

The segments could fall into four broad groupings:

- ✓ ☐ **High-income optimists.** These consumers lead all others in technology adoptions.
- ✓ ☐ **Low-income optimists.** This group is filled with strong followers, especially in adoption of low-cost products and services.
- ✓ ☐ **High-income pessimists.** Despite substantial income, consumers in this grouping resist complex technologies.
- ✓ ☐ **Low-income pessimists.** This grouping is rarely a factor in technology markets. A single segment, Sidelined Citizens, includes all low-income pessimists.

Really the most important prospects in the first step are the early adopters, chiefly **High-income optimists**, because they will pull the others.

### Applying the *Technographics Service* and *Segmentation* as examples

It is important that marketers integrate technology attitudes and motivations into their strategies. The main objective must be to attract as quickly as possible the early users in order they create synergy.

Whether used to tailor Web sites to specific audiences or boost product adoption, these methods apply across a spectrum of industries. Here's how marketers can use the *Technographics Service* and *Segmentation*:

- i. **Exploit the Internet.** The rising prominence of the Internet alongside traditional retail, mail, and telephone channels cries out for segmented thinking. Companies pursuing electronic commerce need solid information about where and how their customers do research, conduct transactions, and obtain support. Habits vary widely by segment.
  - ☐ **Car Manufacturers like Volkswagen should target optimist customers.** This car manufacturer's appeal to trendy, lower-income consumers should attract "*low income optimists*". To excite these visitors, Volkswagen's site should highlight its cars' use of technology, make dealer contacts effortless, and offer on-line financing. Other car manufacturers need similarly segmented approaches – Lexus should target "*high income optimists*".
  - ☐ **Travel sites must understand "*high income optimists*".** Who buys airline tickets on-line? Frequent business flyers in search of self-service convenience. Travel sites like Expedia and Travelocity should target this segment with features that boost productivity like personalization; quick, customised searches; and frequent flyer mileage tracking.

- **Financial services providers need multiple approaches:** “*high income optimists*” represent the core of the female-dominated market for home banking. To satisfy these time-limited and technology-timid consumers, banks must compete on simplicity and technical support. By contrast, “*high income optimists*” who invest actively require one-click transactions with instant access to research and quotes.

## ii. Drive Faster Technology Adoption

Marketers planning new hardware platforms and consumer services can apply the *Technographics Service* and *Segmentation* to decide where to start and how to position their offerings, matching innovations to customers.

- **Internet TV must get more entertaining.** WebTV debuted in late 1996 but did not focus on TV-centred. Its generic “Internet on your TV” message failed to tap into any specific segment. WebTV revised its hardware to create a more entertainment-oriented product. But to successfully target it must drive service prices down to the cost of a premium cable channel and advertise on MTV and during sports programs.
- **Digital photography must emerge from the PC’s shadow.** The most receptive customers for today’s digital cameras are *high-income*, family-motivated consumers. But these segments’ lack of technical skills should reshape camera makers’ strategies. Digital-camera makers like Kodak and Minolta should: (1) target lowest common denominator ease-of use, not fancy features, and (2) create cameras with benefits like easy film loading and instant preview without any other device.
- **High-speed access services must choose targets carefully.** Providers of cable modem and ISDN services risk investing millions in infrastructure to reach the wrong communities. Work provides the most powerful driver for high-speed Internet access, so attract “*high income optimists*” will lead the charge for these services. Data services providers should craft advertising – including on-line ads – focused on the work benefits of a fast home connection and roll out service first in the upscale communities where “*high income optimists*” live.

### *Key factors of success (KFS)*

- Do you know whom you really are going to sell to?
- Are you sure how many customers there are?
- Do you really know the decision process involved?
- Have you checked with each customer how many and who take part in the decision process?
- Have you investigated how the final user is to use your product or service?
- Have you checked before signing the contract how and when the bill is going to be paid?
- Have you ranked the main market segments and customers and prospects?
- Do you know how the sector of your activity is developing?
- Have you checked how the situation evolves in more mature markets?



## Some Case Studies on this chapter

Company E, identified his target market as:

*The target sector to which the product will be directed to the textile industry. This means that in our country the market is made up of 7.657 companies and in the EU this figure rises up to 114.324 companies considering 1998 estimations.*

Here only quantitative aspects are taken into consideration (and overoptimistic)

Company F, said:

*There are three profiles of potential **end-users** for the XYZ application:*

- *Calibration laboratories. These centres offer calibration services to their customers.*
- *Customers of calibration laboratories. Aeronautic and Automotive industries are the main users of calibration services, whereas all the enterprises of industrial sectors which need to calibrate their equipment are potential users of the XYZ application. In Europe there's a vast industry for these sectors, and mainly in Germany, where Company G (the German partner in the project) is located.*
- *Intermediary companies. Companies subcontracted for the management, co-ordination and Traceability of the calibration process.*

Here no quantitative estimation has been made.

Company H target market was presented as follows:

*The target of ZXY are SMEs, therefore the system is cost effective and ready to run. The total cost of ownership (TCO) is very low, due to low license fees, easy administration and intuitive handling. Of specific importance is the connectivity with ERP systems, as it adds real value in customer care and support of internal business processes.*

Now read this from company I. After a qualitative presentation of each profile the following table is presented:

Market group	Estimation of market group size	Maximum investment potential (Keuro per year)
<b>Data producers</b>		
National Survey Centres	150	1,800
National Institutions	500	6,000
Private Survey Research Firms	1,500	18,000
<b>Data Disseminators</b>		
Supra-national Institutions	20	120
National Data Archives	100	900
Universities	7,000	84,000
Libraries	7,000	105,000
<b>End Users</b>		
Researchers	500,000	500,000
University Teachers/Students	5,000,000	500,000
Educators/Students in Sec.Schools	5,000,000	300,000
Journalists	187,500	56,250
Opinion makers	75,000	225,000
Consultants	375,000	1,125,000
Decision makers	50,000	100,000

In which of these companies would you invest your savings?

A general comment from quite a number of SME managers is related to the difficulties in the estimation of quantitative data on markets. How to get the correct information without investing big amounts in market analysis? In general terms, investing money in analysis of a market for new technology products is in many cases useless due to the lack of available information on new products. Accurate information can be obtained using indirect sources resulting from general studies on market trends (many of them available for free in the WWW, e.g. OCDE Web pages).

The most useful data can come from direct contact with customers, suppliers and competitors (visit your competitors' Web sites) or potential customers. When looking for figures related to potential customers there are other sources of information e.g. Chambers of Commerce or Entrepreneurs Associations.

In short it is some times better to have a few but reliable data, than huge amounts of general diffuse information.

## 4.The Competition

### *Questions to be answered*

- Who are your competitors? (direct, indirect, collateral)
- Who really are they?
- Where are they? (Local, International)
- Which products/services do they sell?
- Which products/services do they develop?
- Which is their market share? (Geographically, per segment, ...)
- Is their offer original in any way? (Differentiation)
- Which product/service features do they promote?
- Which benefits do they claim for their product/service?
- Which is their price policy?
- How do they commercialise (channels, integrators...) their products or services?
- What do they represent in the customer's/user's mind? (Which image do they have?)
- What kind of personal profile do their main executives have?
- Who are the shareholders?
- Have they special relationship with some other big companies or corporations?
- Which is their financial situation?
- Which is their legal situation? (Patents, trademarks, ...)

### *You should know ...*

#### 4.1 Competition identification

*Competitors: Simply think of them as the enemy in your business world.*

**Competition may come from different sides and sources**, many of them not as obvious as you may think. An analysis of the competition is a fundamental issue for an Exploitation Plan.

In fact, the main business problem in the current hypercompetitive world, is how to compete in an effective way. **Today it is not difficult to know the prospects, what is difficult is to achieve that prospects know (and differentiate) your company.** However, many people do not think sufficiently about the danger of competition. Ignoring this problem may lead to losing many business opportunities.

There are five possible forms of competition:

- a) Your potential customers, due to two reasons:
  - If they think that they can go ahead without your product/service.
  - If they think that they can solve their problem without outside help
- b) Other suppliers of the same or similar products or services.
- c) Suppliers of alternative products.

- d) Other ways of doing the same thing or other ways of solving the same problem.
- e) Other competitors looking for part of the customer's budget (your proposal may not be a priority in the customer needs)

An interesting exercise would be to try to answer the questions listed above.

## 4.2 Sources of information about competition

There are many sources available. Some of them are:

- Published information
- Customers
- Sales force (Your sellers are “walking on the street”. They should pay attention)
- Asking for proposals or, even better, buying competitors' products or services (directly or through others)
- Congresses and Exhibitions
- Interviews and recruitment (Recruiting competitors' personnel is one of the best ways of learning about them)
- Asking for third party report on competition

These sources are not indeed always available, but one very important thing in a competition oriented company is to create an internal routine to look for information about competitors

## 4.3 Which are the strengths and weaknesses of each competitor?

It is an useful exercise to assess the relative strengths and weaknesses of your own company and your key competitors. This could be done as a **SWOT** analysis, expressing the **strengths** and **weaknesses/ opportunities** and **threats** in the form of a grid.

To carry out this exercise, objectivity is essential. You should work on this by thinking very critically about yourself. You should be willing to record the bad news as well as the good ones. **You should try to see the situation through the market's eyes, not as you would like it to be.**

**Benchmarking:** To compare your products or services with those offered by competitors is a good exercise in order to check the technical level and commercial merits of yours and improve them if necessary. (Warning: read carefully point 3.8 – Communication).

## 4.4 Think about Competitors as the enemy in your business war

Business today is not about reengineering or continuous improvement. **Business is about war.**

Jack Trout and Al Ries were the first to present this observation more than 25 years ago in a book entitled *Marketing Warfare* (translated to more than 20



languages). In hindsight, this book was published in the dark ages of competition. A decade ago, the term “global economy” did not exist. The vast array of technology taken for granted was still a glimmer in the eyes of some Silicon Valley engineers. Global commerce was pretty much limited to a handful of multinational companies.

Now, at the beginning of the new century, from the world’s 100 largest economies, 51 are not countries but corporations. The 500 largest account for a stunning 70 percent of world trade.

Today’s marketplace makes the situation 20 years ago looks like a tea party. Wars are escalating and breaking out in every part of the globe. Everyone is after everybody else’s business everywhere, 24 hours per day.

All this means that the principles of *Marketing Warfare* are more important than ever. Companies must learn to deal with their competitors –how to avoid their strengths and how to exploit their weaknesses. Organisations must learn that it is not about your company living or dying. It is about making the others companies die.

In simplest terms, to be successful today a company must become **competitor-oriented** (see Point 8). It must look for weak points in the positions of its competitors and then launch marketing attacks against those weak points.

It is all about pursuing the right competitive strategy. It’s all about understanding the four types of marketing warfare and figuring out which applies to your situation.

#### The strategic square

Defensive Warfare	Offensive Warfare
Flanking Warfare	Guerrilla Warfare

These principles constitute a very simple strategic model for company starting and survival in the twenty-first century. Let’s review and update them.

**i Defensive Warfare Is What Market Leaders Wage.** Leadership is reserved for those companies whose customers perceive them as the leader. (Not pretenders to be leaders). Microsoft is one of them.

The most aggressive leaders are willing to attack themselves with new ideas. A rolling company gathers no competitors.

Also an aggressive leader always blocks competitive moves.

**ii Offensive Warfare Is the Strategy for the Number Two or Three in a Category.** The first principle is to avoid the strength of a leader’s position. What you want to do is find a weakness and attack that point. Then you focus all your efforts on that point. Lotus is an attacker on Microsoft’s position leadership.

One of the best ways of attacking a leader is with a new-generation technology. As an example we could mention the race between Measurex and AccuRay.

In the land of paper making, quality control systems have become a two-horse race between Measurex, the current leader, and AccuRay (a part of ABB), the former leader of systems that measures paper’s uniformity as it is produced.

AccuRay has just attacked Measurex with a new generation of electronic scanning that measures the entire sheet instead of just parts of the sheet. This new weapon is called Hyper Scan Full Sheet Imaging, and it promises a quality control measurement that Measurex can not surpass. This idea will work because AccuRay has just made its competitor obsolete.

**iii Smaller or New Players That Are Trying to Get a Foothold in a Category by Avoiding the Main Battle Pursue Flanking Warfare.** This strategy usually involves a move into an uncontested area and contains the element of surprise.

When a 19-year-old named Michael Dell started his own little computer company, he knew he couldn't compete with established companies for floor space in stores. However, the rules of the industry, at that time, dictated that computers has to be sold in stores. Every company in the industry believed that customers would not trust a mail-order company to provide such a high-end item.

Michael Dell broke the rule. He flanked the industry and direct-marketed. And he built an \$800 million company in five years.

**iv Guerrilla Warfare Is Often the Land of Smaller Companies.** The first principle is to find a market small enough to defend. It is the big fish in a small pond strategy. Meta 4 (the Spanish human resources management software company) is a clear guerrilla in the software world.

No matter how successful you become, never act like a leader. Going "big time" is what kills successful guerrilla companies.

A guerrilla company, as a guerrilla soldier, has to be prepared to react at a moment's notice. Small companies can not afford to take those losses. Melt into the jungle so you can live to fight one more day.

**Finally, if you are at war, it is important that you adopt the qualities of a good general.**

- **You must be flexible.** You must be flexible to adjust the strategy to the situation and not the reverse. A good general has built-in biases, but he or she will seriously consider all alternatives and points of view before making a decision.
- **You must have mental courage.** At a point in time, your open mind has to close and a decision must be made. A good general reaches deep inside himself to find the willpower and mental courage to prevail.
- **You must be bold.** When the time is right, you must strike quickly and decisively. Boldness is an especially valuable trait when the tide is running with you. That is the time to let them have it.  
Beware of those that show off too much courage when the deck is stacked against them.
- **You must know the facts.** A good general builds strategy from the ground up, starting with the details. When the strategy is developed, it will be simple but powerful.
- **You need to be lucky.** Luck can play a large part in any success, provided you can exploit it. And when your luck runs out, you ought to be prepared to cut your losses quickly. *‘Capitulation is not a disgrace. A general can no more entertain the idea of fighting to the last man than a good chess player*

would play an obviously lost game”, says Karl von Clausewitz (the greatest military strategist of the war history; author of the best-seller military book “On war”).

A simple motto: **Know the competitors. Avoid their strengths. Exploit their weaknesses.**

### ***Key factors of success (KFS)***

- *Are you sure that you have identified all your potential competitors?*
- *Do you have enough information about them?*
- *Have you developed an objective benchmarking?*
- *Did you define in detail all the weaknesses and strengths of each competitor?*
- *Have you drawn the strategic square? Have you been objective putting your company and your competitors in the right quadrant?*
- *Have you developed a competitive strategy according to your relative size compared to your competitors?*
- *Is your staff adequately prepared and trained for this hard competitive world?*



## Some Case Studies on this chapter

Company L tried to identify its competitor looking for all companies manufacturing and selling products similar to the software tool it intended to launch.

As the product was really innovative, they were not able to find a competitor at all in the whole EU. So the product had to be a real success. However, In this case the project failed because the real competitor was an alternative process to perform manually the same task that the software tool would perform. There was a different way of doing the same thing with less effort, less investment and more user friendly.

Think about the potential competitors of the laser or telescopic pointers for overhead presentations. Yes, most people still use his/her finger or a single a pen during presentations.

Company M, selling a system to help glasses users to select a new pair without wearing them aided by a video system described their competitors as follows:

*In Europe there are many products which compete with the System as we have seen. Some of them consist of a video-camera connected to a computer and the other uses a TV screen instead of a computer. Some of them like AB, CD or EF are more glass measurement and visual data oriented.*

Presently the company has realised that the main competitor is the actual process for buying glasses itself . Customers are not used to the new process and in many instances will not be interested at all in changing procedures. In addition, in some other cases the person who decides which glasses they will buy, is a relative and not the end user, so that there is no need to use such a system. In these cases you do not need to see yourself, it is your wife, your husband, your son, or daughter or a friend at your side who will advise you or will decide for you.

Now the company has realised the actual market requirements and through a small change in market orientation will soon start exporting to an EU country.

Company M described its competitors as follows:

After a presentation of the capabilities of each competitor and each product all the data were summarised in the table below:

Criteria	SADIA	PIOLIL	ILUSES A	STAR	OUR PRODUCT
Price	(?)	Not commercial	(?)	Expensive	<b>Cheap, to be defined</b>
Publisher	NO	NO	NO	YES	YES
Explorer	Static	Static	NO	YES	YES
Search	Limited	YES	YES	YES	YES
Interactive Statistics	Limited	NO	NO	YES, very complete	Limited
Downloads	YES	NO	NO	YES, with sub-setting	Limited
Security control	NO	NO	YES	YES, very strict	Optional, Limited
Hardware Requirements	LOW	LOW	HIGH	<b>HIGH</b>	<b>LOW</b>
User Support	YES	YES	(?)	Third party agreements	YES
Usability	Good	Good	Good	Good	Good
Agreements with disseminators	YES	YES	YES	YES	YES
Market Segment	Large Scale Disseminators	Disseminators	Disseminators	Data Producers + Disseminators, high scale	<b>To be defined</b>
Commercial product	NO	NO	NO	YES	YES

## 5.The Product / The Service

### *Questions to be answered*

- Which is the basic product or service you are going to sell?
- Which is the basic benefit that your prospects will get from your product or service?
- Is your product a physical device with a service support? Or, is it a service supported by some physical devices?
- Is the product or service properly developed and ready to be commercialised?
- Are the total costs of production completely clear?
- Is your product or service really a new one? Or, is it a new tech improvement of an existing one?
- Could prospects understand what you are offering? How can you explain what kind of benefits they will get?
- Is the intellectual property duly protected?
- Have you made a research in order to know which is the state of art?
- Have you checked that you are not trying to re-invent something already existing?

### *You should know ...*

#### 5.1 The product or service description

Nowadays many people still make the big mistake of thinking that what they are selling is restricted to the product or service itself.

Clearly to have a product or service to sell is the first step; however in our super-hyper competitive world there usually are too many products and services that too many companies are trying to sell to the same people in the same markets; products and services too similar; sometimes impossible to differentiate.

In these circumstances, products fade into the background and what becomes really important is how they are perceived in the prospects' minds, where the decision will be finally made. The company who better understands this problem will be the winner.

**!People do not buy products or services; they buy solutions to their problems!**

After defining the product or service, it is important to know exactly what kind of product you are trying to sell:

- **A product or service pulled up by the market** (e.g. cars, TV sets, food, etc. mainly classic ones)
- **A product or service pushed up by the company** (e.g. computers, internet, etc., mainly new ones)

## 5.2 Additional aspects to take into account:

There are some basic factors that will help you to know what kind of product or service you have:

- **Tangible Factors:** All that can be measured in a product some way or another. For the manufacturer these factors tend to be the most important, but they are not. Everyday technology is more and more affordable for everybody; and the product tangible factors are becoming more and more similar, almost alike.
- **Intangible Factors:** Technical people tend to believe that customers only buy on the basis of the factors they can measure, touch and see. But what customers can not see is often more important than what they can see. For instance, despite the technical specifications, computer experts could buy clonic PCs for their homes but never for their companies, specially if they are employees from a big firm. This is a very delicate point for new high-tech products and specially services like multimedia/internet software. Not taking this point into account could represent a high risk for a new project that could bring about its failure.
- **Peripheral Factors:** Many buying decisions are made not on the basis of the product or service itself, but on side-issues which can be relatively trivial. To identify these side-issues at any time is essential to the company.
- **Personal Factors:** Even when you are trying to sell to another company, the decision maker will be a person, and in a personal relationship salesperson to buyerperson, personal factors will be part of the transaction.

To compare your product or service with the competitors ones is a very good exercise. You could learn which are your and their strengths and weaknesses. This is what is known as “Benchmarking” which was mentioned before.

## 5.3 The product life cycle

Although we normally speak of the “**product life cycle**” it is, perhaps, more correctly described as a “**marketplace life cycle**”, because the product may well have to be adapted to meet the changing needs of the market.

The essential point to realise is that at different stages in the life cycle, you may be selling a different product to a different type of customer at a different price with different profitability, with different strategic objectives, marketing emphasis and marketing expenditure. If you do not realise these points, you might not only fail to take the right actions, but you might also do exactly the opposite of what you should do.

<b>Life Cycle</b> <b>Aspects</b>	<b>Introduction</b>	<b>Growth</b>	<b>Maturity</b>	<b>Decline</b>
<b>Product</b>	Basic	Improved	Differentiate	Rationalised
<b>Customers</b>	Innovators	Early Followers	Late Followers	Conservative
<b>Price</b>	High	Declining	Lowest	Rising
<b>Profitability</b>	Negative	Peak	Risk of Decline	Low, with possible opportunity to increase
<b>Strategic Objectives</b>	Create Market	Expand and Develop Market	Defend Market Share	Optimise the situation
<b>Marketing Emphasis</b>	Product Awareness	Brand Preference	Brand Loyalty	Selective
<b>Marketing Investment</b>	High	High (but lower percentage of total sales)	Falling	Low

## 5.4 Extending the life cycle

Assuming that the progression through the life cycle is inevitable, a key task of marketing is to attempt to extend it. Taking into account that the life cycle is shorter everyday, the issue will be to extend the mature part improving the existing product, specially in a competitive world full of products and services.

In any case, it will be useful to mention some ways of doing that:

- **New markets:** Not only international ones, also new sectors/segments in your current market. Jeep, the first 4x4 car, was created for military use, but Mr. Lee Iacocca re-invented and extend it not only to countryside enthusiastic but urban car drivers.
- **New uses:** Nowadays it is difficult to invent a real new product, but it is not so difficult to apply a new technology to improve a product performances. That allows to apply it to new uses. Laser technology has been a clear example. It was born as an strategic device and now it allows to listen to music, read bar codes, make surgery, etc.
- **More frequent use or multiple use:** Promoting the use among the current customers. Computers could be an example for this. The more soft we have the more time we spend seated in front of the screen.
- **Extending the range of products and services:** One of the most popular examples could be sport shoes; a few year ago we used to have a pair of tennis shoes to play any kind of sport. Now, there are probably more than 100 different kinds of them.



- **Restyling design:** Sometimes a product is not mature, it only looks old fashioned. A good example could be the electric mixer. As the kitchens became smaller without room for such appliances, the MINIPIMERS substituted them.

Sometimes all this efforts for extending the mature part of life cycle could mean to re-invent the product; for instance bikes became obsolete in developed countries, but somebody designed a “mountain bike”; one of the most successful products for open-air activities.

## 5.5 Selling pure technology

Sometimes it is possible that the product is “pure technology”. That means knowledge capable to be patented; “technology”, or not that can be formally patented what is generally known as “know-how”. In those cases, there are some useful thoughts:

- To choose correctly the target, looking for a long term relationship.
- To fix clearly the users needs that new technology or know-how is going to rise and/or fulfil for them, thinking without arrogance.
- To handle carefully the technology capabilities avoiding complex extensions that do not add any real value.
- Not to introduce too much or too complicated information in the presentations. The prospects are experts in their own trade not in the technologies or know-how they are using or going to use.
- To built up and promote a clear and solvent identity to the brand and/or the company who is offering the technology or know-how.
- To avoid becoming impatient in the market acceptance process speed.

Additionally there are some guidelines for marketing technology or know-how. Some of them are:

- **The Clear Definition Rule:** To express in a simple and clear way the idea or the concept.
- **The Tangibility Rule:** Be sure that the stage of development is advanced enough.
- **The Contrast Rule:** To get objective opinion from people with knowledge and prestige enough.
- **The Filled Hole Rule:** The technology or the know-how should really cover a real need.
- **The Specific Price Rule:** It will be necessary to carry out a feasibility analysis.
- **The Economic Benefits Rule:** The application of the technology or know-how should be easy for future users.
- **The Technological Perfection Rule:** Trying to market marginal technologies is too risky and sometimes useless.
- **The Marketing Knowledge Rule:** Technology and know-how marketing does not necessarily require from the vendors a deep knowledge of the

development, but a knowledge of applications and its advantages will be essential.

- **The Knowledge Rule:** From a simple description to full details there is a long way, that must have been covered.
- **The “Ace-in-the-Hole” Rule:** It is convenient not to give all the details from the very beginning. It avoids bargaining.
- **The confidentiality Rule:** Having the technology duly protected with a good patent will cover any breach of contract.
- **The Copyright Notice Rule:** To include a Copyright notice in all printed support is essential.
- **The Prospect Identification Rule:** Besides knowing the target market, a clear prospect profile is also vital.
- **The Absorption Capacity Rule:** The buyer must have enough skills to digest the new technology or know-how.
- **The Follow-up Rule:** The follow-up about how the new technology and know-how runs at the customer’s company is also relevant.

## 5.6 Intellectual property rights

Always, but specially for high-tech products and services, it is important to protect the property rights. This is the only way not to risk when negotiations take place with a prospect.

Talking about pure technology, this issue is even more important and all the care should be taken to protect from the very beginning the intellectual rights.

### **Warning:**

*To get advice from legal experts will be essential.*

### ***Key factors of success (KFS)***

- *Describe the product, process or service in a simple way.*
- *Define clear and objectively the benefit for prospects.*
- *Are you sure that the product or service is ready for sale and, if not, when will it be available and at what cost?*
- *Have you checked the strengths and weaknesses of your product compared to similar and equivalent ones?*
- *Does it have legal protection?, and, if not, why not? Have you been advised about patents?*
- *Which is the commercial attribute of the product or process that makes it different?*
- *Will you provide other services such as certifications, guarantees or after-sales service?*
- *Is your product a pure technology or know-how one?*



## Some Case Studies on this chapter

Company N, identified its market orientation with regard to its product (software tool for remote management of calibration operations) as follows:

*In fact, in Spain the tool will be used to promote our company services amongst potential customers, but it won't be commercially distributed. It will be used as a competitive advantage before our competitors.*

The actual result of this approach has been proved to be effective and well appreciated among actual and potential customers. Here as a result of an internal software development to improve internal processes, Company N will provide its customers with added value service. In addition, the company will sell the tool in other countries to help companies providing similar services to improve the overall performance of the sector.

In many cases the final result has to be a mixed product & service. Companies have to define to which extent they will provide services because this will imply big investments (e.g. if training is required, or after-sale service in third countries, or maintenance, etc). In these cases specific agreements will be needed to cover all stages.

## 6. The Price

### *Questions to be answered*

- *How much the direct costs will be?*
- *How much the indirect and fixed costs will be?*
- *Which percentage of the total overhead will be necessary to apply?*
- *Could you know which would be the “monetary value” that prospects are ready to pay for a product or service like yours?*
- *Which are the competition prices? Which is the average?*
- *Why do clients pay more to expensive competitors?*
- *Have competitors some special economic conditions that improve their pricing competitiveness?*
- *Do you know which is the marginal profit for each product or service?*
- *Do you know where your real profit is?*
- *Could you design any method for financing payments?*

### *You should know ...*

#### 6.1 Setting prices

Pricing is a great under-explored management competitive tool. The best way to compete is not always a price reduction.

Experience all over the world, in developed and in-development countries, with common and sophisticated products, mature and novelties; show that many companies set their prices too low while others set them too high. The first ones are losing margin, the second ones are losing volume. In both cases they are losing profit. The art of pricing is to contribute to maximise total profitability.

Pricing is the amount of money customers are ready to pay for your product or service. This amount will depend on the value that they give to it. This means that pricing is one element of the company-customers relationship. Therefore it is a fundamental part of the marketing function. It cannot be carried out in administrative or financial departments without reference to the market and the competition.

The question is not: How much is the cost; the question is: How much will the market bear? Adding, because of the competitive world we live in; How much competitors let you ask for the product or service?

**Price must be defined in an “outside-inside” way!**

The first thing a company should investigate is “how much prospects will be ready to pay”. And then go backwards and see if the amount is enough for paying costs and have a profit.

Remember: *“The price of something depends on what the buyer will pay for it and how much the competition will let you charge for it”.*

## 6.2 Different parts of the business chain could have different profit potential

A very common mistake, resulting from cost-based pricing, is that you must charge the same profit percentage on everything you do.

This assumption is totally unfounded. A balanced portfolio of high-margin/low-volume and low-margin/high-volume activities or low-margin/competitive proposals and high-margin/non competitive proposals is the correct way to work. The aim is to maximise the total profit of your overall business.

The most important aspect for pricing is to know clearly which is the “value” that customers are ready to pay in each transaction. Sometimes it could be necessary to sell a product or service with a small margin if we are sure that the customer will need your support or maintenance when he works with it.

## 6.3 The risk of a commodity price orientation

The word “commodity” implies that there is a number of products or services which, although not necessary identical, are broadly equivalent or interchangeable. “Classic commodities are minerals or cereals in products and commercial banking services”.

A big risk that people take when they try to compete only by reducing prices is that of transforming a differentiated product into a commodity. That is the case of electronic components. Since all the manufacturers use similar technology to make them, and most of them have been competing at price level, these products have become in some way a “commodity”.

Markets tend to move towards a commodity position as they mature. When a product is new, it is relatively easy to give it a meaningful differentiation. In mature markets, many products (quite similar physically) coexist and tend to be very similar from the customers point of view.

**Only professional marketing management can save this situation and avoid the commodity price orientation.**

## 6.4 Determining the market price

It is not an easy task. As a general reference, we can mention the problem of “demand elasticity price”. This concept attempts to quantify the sales amount increase if we reduce the price by a certain amount and vice versa. This reference is typically used in a high-volume selling situation.

For business where the unit sales volumes are much lower, like business between companies, the statistical approach is not practicable and other means have to be adopted in order to determine the market price. Some of them are:

- Finding out the customer’s budget available for your offer.
- Suggesting a “guide price” to the customers: trying to test the situation without doing anything final.

- Defining authority levels: In most organisations there are certain levels of autonomy although there are established discretionary purchase ceilings.
- Proposing alternative situations: If you are able to offer more than one option, such as the basic version, you may discover how much the buyer is prepared to spend.
- A direct question: this might take the form of “how much are you ready to pay for this product or service?”.

The above approaches should only be used if you are offering good value for money. Persuading customers to pay too high a price is not a basis for a long term business.

### **Warning:**

***Be careful:** Discounts are, in general, good in the short term but bad in the long term. To have customers get used to discounts is not a good policy. Like democratic systems in politics, trying to find out market prices has its limitations, but any alternative is far worse. The better you do it, the higher your profitability will be.*

## **6.5 Determining the technology or know-how price**

Fixing the price of technology or know-how is a very difficult task. You have to define a methodology that both the seller and buyer can understand. This means that the first notion to keep in mind is that a “technological product” transaction is unique, you will have to negotiate case by case.

As it will not be possible to apply the classic rules of supply and demand, one of the most difficult problems is to agree on the price. This problem will only be solved through common sense: *The amount must be high enough in order to satisfy the vendor interest and low enough to assure profitability, in accordance with his type of business, for the buyer.*

One thing that looks simple is very complicated indeed and despite many experts have dedicated a lot of time and efforts trying to clarify the question looking for fixed rules, the solution is still unaccomplished.

It is possible to mention two models as references:

- “Mini-Max”.** It is about negotiating a price agreement that will compensate the vendor’s cost plus a margin and will give the buyer the possibility to compensate his investment with the resulting profitability of applying the new technology or know-how. In order to define the balance for both parts, a strict study will be necessary where either the vendor and the buyer must show their internal figures.
- Shared profitability.** It is about how to fix clear references in order that the vendor repays himself with the buyer business, according to the buyer profitability or business income. This is really a royalties payment system. It will be necessary to agree an exchange of trustful information from one part to the other.

It will be convenient to have external advice from experts.

## 6.6 Pricing should be used: Strategically and Tactically

Pricing is a key tool of the Marketing Plan, and could become –in special situations- a business strategy. There are examples of both ends: Low price strategy and High price strategy. The second is always better.

Nevertheless, sometimes tactical use of pricing is absolutely appropriate. When launching a new product, or attacking a new market segment or geographical region, the first few sales could be absolutely decisive. If the company or the product or service are unknown, the lack of credentials or image constitutes a barrier to purchasing. But you should be very, very careful not to underestimate the perceived value of what you are selling.

To find the right balance is very difficult. Several options are open to you on strategic and tactical pricing:

- i **“Skimming”**: When the company decides not to attack the mass market, and looks for profit from a high-margin/low-volume approach.
- ii **High prices**: This approach would be adopted when people is prepared to pay for excellent quality reliability, high-tech, etc.
- iii **Normal competitive situation**: If the company is already in the market, the best strategy is to make the effort of differentiating. If the company is trying to go in a first tactic of reducing prices it could be appropriate, but the full strategy should include the way how the price will be risen in the future. It must be very careful.
- iv **Low price**: The more competitive is a market more difficult is to apply this strategy and to obtain profits. This is the opposite idea to (ii).
- v **Rock bottom-pricing**: This should be a short term tactic, and would only be used when the overriding consideration is to achieve volume. Generally speaking, it might also be used as a temporary measure in order to press competition.

These two last pricing strategies and tactics are more adequate for low value products.

## 6.7 Payment options & others

To define different payment options could be an important part of pricing. To think about new payment options could also be a way of being different.

On the other hand, being creative with dealers/distributors/wholesalers “reward” (commercial commissions, training people, sample merchandising and so on) is also part of the pricing policy.

### ***Key factors of success (KFS)***

- *Do you have a clear pricing policy?*
- *Do you exactly where your profit lies?*
- *Are you trying to develop a marketing policy in which pricing is not the main reference?*
- *Are the marketing people involved in the pricing policy? Or is pricing only a responsibility of the Administration Department?*
- *Are you using pricing strategically as well as tactically?*
- *Could you try to compete at a high-pricing level?*
- *Would it be possible for you to create a method in order to help prospects to buy? (Credit, leasing, renting)*





## Some Case Studies on this chapter

Although price estimation should not be a very difficult task, many companies have failed in defining a pricing strategy and what is more important once a price estimation was fixed it did not ensure a reasonable benefit to the company.

Prices have to be estimated taking into consideration, firstly the price a customer is willing to pay, secondly the price competitors are charging "for the same product/service", and thirdly company costs and reasonable margins. All this compared with the evaluation of the return of investment(ROI) has to give an approximate result. Then discounts, rappels policies, etc can be evaluated.

At this stage the following question can be asked: If you did not know how much you were going to charge why did you decide to invest so much in developing the product?. Decisions on ROI, market policy, distribution, etc have to be outlined by the time a decision on investment is made.

## 7. The Distribution Channels

### *Questions to be answered*

- *From the customers point of view “distribution” means accessibility. Are your products/services really accessible for the prospects you are interested in?*
- *Are you selling directly to customers or through any other channel? Or both?*
- *Are your distributors allies or potential enemies?*
- *Are distributors gatekeepers or only sellers?*
- *Could the distributors really make any influence in the prospects’ decision?*
- *Is there any possible innovation in distribution for you?*
- *What are the competitors doing?*

### *You should know ...*

#### 7.1 A Distribution Channel

The real problem a company must solve in this chapter is how to make its products or services accessible for buyers.

For consumer products it is not difficult to identify the best way to facilitate the prospects approach to the product. The problem could be that distributors, agents, wholesalers or retailers are so full of products that it is very difficult to arouse their interest to adding a new one to their stock. Here again the problem is not “to know the channel”, but have “the channel know the company”.

In the “business to business” world to go into a channel is not the biggest problem. The real problem is to choose and work with the effective one.

Additionally: Presently a very powerful channel has emerged the Internet. It seems as if the Internet is revolutionising our commercial environment. But it is most important to be very careful to make sure that the “revolution” is a good chance of a new commercial order, and not a “terrorist” act that will bring your company to a “chaos”.

**In only word Distribution or Placement is to built accessibility for the prospects to get the “product”.**

#### 7.2 A step-by-step approach to customers.

In order to make the company product or service accessible to customers and prospects, there are different lines of approach with different degrees of risk and reward:

- **Home based:** This implies that all your activities will be based in the own company. This approach will be useful when dealing with a small number of customers and prospects and/or when the product or service is no so easy to

present or explain. The company's people will be the best people to push up the product.

- **Agents or distributors:** In this case, the key point will be the agent or distributor skills and capability. For an effective selection the following points will be useful:
  - Being objective and professional (avoid personal relationships);
  - Check that the candidate covers efficiently the market segments you are interested in.
  - Check that the candidate is capable, skilled and experienced.
  - Verify compatibility with yourself.
  - Check their representations/distributions list. He could be more a competitor than an ally.
  - Sign a provisional contract until you are sure that the selected agent or distributor does a good work.
- **Strategic partnerships:** This form of relationship is becoming increasingly common and has some great advantages. The assumption is that both parties have something to share, that brings mutual benefits to the relationship. Traditionally, the manufacturer would have products or services to offer, and the strategic partner would have market knowledge and access. This kind of relationship is normally deeper relation than the one between a principal and a distributor. Moreover it should be a major long-term agreement, therefore the selection of partners must be made with great care, specially if your company is a small one.
- **Mergers and acquisitions:** If a partnership is not possible to buy or to be bought could be a good solution to improve business. Sometimes, the best way to create a real business is to integrate the company into a bigger organisation that can add skills, resources and market share.

### 7.3 The Internet as an allied accessibility

**The Internet is becoming a new way to make the products accessible to prospects and clients, changing the distribution basic concept.**

Presently time the accessibility is reduced to information and to make the purchase orders, but it does not solve the delivery problem for non-digital products.

In any case, it is a new way to be in touch with your prospects to interest them in your proposals.

Nowadays it is essential to be in the Internet. **To a company “to be or not to be” in the net is as essential as it was to Shakespeare’s Hamlet.**

More about the Internet in **point 8.5.**

### ***Key factors of success (KFS)***

- *Are the products or services really accessible to prospects?*
- *Are you going to sell directly or through dealers or agents?*
- *What would be the ideal dealer profile?*
- *Could “gatekeepers” be useful?*
- *Could you find some partnerships that give you synergy?*
- *How should you organise the company internally in order to follow-up and control the distribution channels?*



## Some Case Studies on this chapter

This is an extract from an exploitation plan from Company O:

*The strategy for product distribution is based on techniques already used in the market and closely related to shareware or freeware strategies. In the context of our company we wager on a specific characteristic of this type of environment, which is the need for two tools, one for publishers and another for end users.*

*Our strategy is based on a simple idea: “if users like this tool, providers will want the publisher to let their customers use it to assess their data”. This idea is as simple as apparently effective, especially in the Internet where users create the demand, and then the product appears to satisfy them. In our context, the strategy it is somewhat different since there is a primary product (survey data), which is needed by users, but there are no effective ways for many users to consume it. By putting in the market a tool that makes it easy to consume survey data, end users will begin to ask for new surveys in the same format. They will possibly redirect their demands to the data disseminators or providers. These would react either of these ways:*

- *Ignoring the demands, not a very commercial reaction.*
- *Satisfying the demands with alternative products. Fortunately there aren't many, if any, equivalent to our product.*
- *Satisfying the demands by buying Our Product Publisher.*

*As it is easy to see, this loop is self-feeding. The more the surveys in Our Product format, the more the users, the more the demand for new Our Product compatible surveys, and the more the sales of Our Product Publisher. There have been equivalent strategies for products such as Acrobat, which has the reader version (free) and the publisher version (very expensive). The obvious problem, as for any self-feeding system, is how to start. A car with a very powerful engine remains still unless a 12 V battery starts it up. In the same way, we cannot expect a demand for Our Product unless there are published Our Product modules accessible to everyone.*

*Here is where the agreement with the Eclair's associated user plays its role. The associated user has been chosen especially because it is the disseminator of very prestigious surveys. They already disseminate, by means of an agreement with two other data providers a Our Product for CD-ROM version of some of the studies they are in charge of. In this way there is already a knowledge about Our Product features on the end user side.*

A different strategy has been decided by Company P, selling a software tool applicable in Travel Agencies. A common feature is based in the use of a well known "support" to product distribution as Galileo.

The strategy consists on the massive distribution of the software to all TRAVEL agencies subscribed to the Galileo platform, in such a way that they all have this service as quickly as possible. Once implanted, in all the terminals of the Galileo platform, the strategy will focus on the dissemination to the rest of the potential market.

For the exploitation of the application, Company P should not only offer a basic service ,but also complete it with a series of additional services such as:

- 1.- The edition of a specialised CD-ROM for their installation.
- 2.- The commercialisation of an images bank.
- 3.- The possibility to be advertised.
- 4.- The collection of trip offerings by TRAVEL Agencies prior to commercialise them.
- 5.- The promotion of the trips packages.
- 6.- The possibility to carry out more efficient and specialised offers.
- 7.- The promotion and explanation of the cultural aspects.
- 8.- The possibility to establish in the net a chain of virtual agencies with access to all the places of the world and information of any type.

A third strategy has been decided by company Q:

*Company Q provides an open interface. In addition to its main features it supports the design of new innovative applications that fit specific needs. Therefore we are intensively seeking the co-operation of small software houses, Our Product Solution partners. This strategy expands on the one hand the applicability of Our Product and on the other hand it gives the opportunity to the solution partner to cover niche markets.*

*In 1999 we had as main goal to establish a solid solution partner network. This goal was reached with 50 solution and competence partners, mostly small system houses with 10 to 15 employees. Solutions that are being developed currently include among others:*

- **CTI Call Centre solution** with Our Product;
- **Online ordering applications** based on Our Product and the Web;
- **Interfaces for the mobile user** (GPS phones, Windows CE, groupware in vehicle);
- **Integration of communication solutions**, e.g. fax/mail/telephony software;
- **interfacing to archive management.**

In short, any decision could be valid taking into consideration that it has to be considered as a company strategy. This strategy has to be balanced and evaluated (economically). Of course specific products require very specific solutions but in most of our cases a couple of alternative ways can be selected.

## 8. The Communication

### *Questions to be answered*

- *What does business communication really mean?*
- *Is it enough to have a good product?*
- *Which is really the problem? Prospects or competition?*
- *How could you differentiate from competition?*
- *Are there some basic principles that could be useful for defining the communication strategy?*
- *Is the name important for positioning your offer?*
- *Must you be in the Internet?*

### *You should know ...*

#### 8.1 A definition of the word

**Communication.** 2 a) *a giving or exchanging of information, signals, or messages, by talk, gestures, writing, etc. (Webster New World Dictionary).*

For a company, just to “communicate” to the prospects, it is not enough. What a company should try, in order that its message work efficiently in the prospects mind, is what is known as advertising.

**To advertise.** 1. *To tell about or praise (a product, service, etc.) publicly as through newspapers, handbills, radio, etc., so as to make people want to buy it. (Webster New World Dictionary).*

Advertisement in its different ways (a company is always advertising, positive or negatively, to its customers and prospects) is what a company should look for.

#### 8.2 “Operative efficiency” is not enough.

Today, operative efficiency is not enough. To produce a product or service with a good quality, at a reasonable price and well distributed, is something that is within the scope of many companies. Anybody can appoint the right advising to improve its operative efficiency in order to match the one of the competition.

**Programs like TQM, reengineering or benchmarking do not provide a special competitive advantage anymore. Something is needed: Differentiation.**

In a world crowded with products and services, that everyday are more difficult to differentiate, **a company must supply its customer with a reason to buy its product or service instead of its competitor's.**

If the company does not offer that reason, then it better have a very good price.

In other words, a good quality, with a very good price and adequately distributed is what is needed today for being in the game. To win the game, a company needs something more, **it needs to find that reason that allows it to be preferred by its prospects.**

Something similar to what Roser Reeves called, many years ago, in its landmark book entitled “Reality in Advertising”, “Unique Selling Proposition” or USP. This was something you looked for in your efforts to differentiate your product or service.

**Summarising, what a company basically needs (besides of being operatively efficient) to be competitive is that its prospects “perceive its products or services as different and better from the competition’s”.**

### 8.3 Competitiveness is differentiation

As said before, products and services are each day more alike. Therefore, what can make a company succeed in this hyper-competitive world is to be perceived as different in the prospects’ minds. Being different in their minds is the key aspect to allow you to win the marketing battles.

Therefore, when a company is trying to launch a new product or service into the market, what it should ask first to itself is not “in what am I better?”, but “in what am I different?”. Otherwise, the product or service is likely to die buried surrounded by a plethora of undifferentiated products

**Differentiating yourself comes in three parts:**

- **Having a simple idea that separates you** from your competition.
- **Having the credentials** or the product/service that makes this concept real and believable.
- **Building a communication program** to make your customers and prospects aware of this difference.

### 8.4. The Positioning principles

**Principle N° 1** *It’s better to be first than to be better.* Many people believe that the basic issue in marketing is convincing prospects that we have a better product or service. Not true. The basic issue in marketing is creating a category you can be first in. Is the principle of leadership. It is much easier to get into the mind first that to try to convince someone you have a better product that the one that did get there first.

Talking about computers. After IBM became a big success in computers, everybody jumped into the new business. Burroughs, Univac, NCR, Control Data, Honeywell, General Electric were some of them, but no one became successful. The first company that robbed some important market share to IBM was Digital Equipment Corporation, because they invented the “mini computers”.

**Principle N° 2** *If you can’t be first, set up a new category you can be first in.* Usually people is not interested in better products. They prefer novelties. In computers, companies who were successful after DEC are: Apple (home computers), Compaq (PC), Cray (super



computers), Sun (work stations), Dell (direct selling); all of them did create a new category. Nowadays in the “new economy surrounding” everyday there is a new category with a new leadership.

**Principle N° 3**

*Marketing is a battle of perceptions, not products.* Many people think marketing is a battle of products and they figure that in the long run the best product will win. Many marketing people are preoccupied with doing researches and “getting the facts”. They analyse the situation to make sure that the truth is as the company thinks it is. They are then confident with their products, with the security in the knowledge that they have the best ones and that ultimately the best products will win. It’s an illusion, there is no objective reality. In the market, the “objectivity” is only the “general subjectivity”; that means that a product is the best if most people thinks so. It could be possible to prove that Apple soft is better than Microsoft Windows, but despite that knowledge Microsoft wine. The lesson is that a company must check how the product is valued in the prospect’s mind.

**Principle N° 4**

*You must know your competitor’s position as well as your own.* Two companies cannot own the same concept in the prospect’s mind. When a competitor owns a word or position in the prospect’s mind it is futile to attempt to own the same word. For instance, talking about cars, Volvo own the word *Safety*, and despite all the efforts from Mercedes Benz, Saab, Ford and General Motors, none of them could get the same attribute. Volvo is still the safest car in the customer’s mind. For that reason, before you decide which would be the best word or concept for positioning your product or company, you must know clearly the competitors position in the prospect’s mind.

**Principle N° 5**

*If you’re not first, you must reposition the competition.* When you are not the first and it is not possible to create a new category, your strategy is determined by the leader. In strength usually there is a weakness. Wherever the leader is strong, there is an opportunity for a would-be successful attacker (see point 4.6 – Offensive and Flanking Warfare). A general example could be if your high-tech service company is an small one, you should attack to the big talking about “flexibility, personalised service and fast answers”.

**Principle N° 6**

*Don’t try to be all things to all people.* The is an irresistible pressure to extend the equity of the brand. This is one of the most popular mistakes. Usually a company becomes famous because it has a good product or service, and when the success arrives the company executives thinks that the company’s name could be applied to any kind of product or service with total success guarantee. Big mistake. Take IBM. Years ago, when

IBM was focussed on mainframe computers, the company made a lot of money. The last 15 years with IBM trying to go into everything in computers, they lost an important part of market share and its image faded. The same thing happened to Xerox trying to change in the customer's mind from copiers to computers. Fortunately, 6 years ago Xerox understood that copiers were not enough but the concept was very fixed in the prospect's mind, then changed to "The Document Company" and with this concept they expanded their activities without changing the basic idea of copiers and documentation.

## 8.5 The name issue

*"The single most important marketing decision you can make is what to name the product"* (Trout&Partners).

The name is the hook that hangs the brand in the prospect's mind.

In the past, when there were fewer products, when the volume of communication was lower, the name was not nearly as important.

Today, however, a say-nothing name isn't good enough to cut into the mind. What you must look for is a name that begins the communication process, a name that tells the prospect what the product major benefit is.

There are two name problems in the launching of a new high-tech product: The brand name and the name of the category.

Many times, a new product can easily fall apart just because its manufacturer is unable to explain to the prospects which kind of product he is trying to sell them.

Naming the category is the way of telling the prospects what the product does and for what. And the company should remember what has been said in point 3.5. **prospects do not buy products or services, but solutions to their problems.**

The best way to talk to the prospects is being simple.

A few simple and basic rules to choose an effective name:

- **Initials are not names:** Names that use real or even invented words are about 40 percent easier to remember than alphabet-soup names.
- **A name should start the communication process:** The best names are locked directly to a product benefit or a selling proposition.
- **A name should be pleasing to the ear, and not just to the eye.** The mind translates words into sounds. Chances are that your name will be said aloud more often than it is read.
- **A name should be easy to remember.** The repetition of a sound is a powerful aid to memory.
- **A name should be coined with care:** Newly minted words are called neologisms. And in a world where trademarks have run amok and with dictionaries running out of words to exploit, it is obvious you will often have to build up neologisms.
- **A name should work globally:** As the world goes global it is evident that a company should screen its name for multilingual suitability.

## 8.6 Internet as a communication tool (“e-communications”)

There are some basic simple rules to take into account:

- **A company must have a Web site.** It can clearly reduce the cost of delivery of information to clients.
- **Try to design an interactive Web site.** Customers, prospects and visitors must have the chance to connect the company without effort.
- **The Web site should content useful and interesting information** about the company and its products or services.
- **Internet is changing rapidly many communication paradigms. It is a threat but an opportunity as well.** As already said, if you were able to create innovative products, now you must be able to innovate in this field too.

### **Warning:**

- *If your company is not in the net, it is running the risk of not existing from customers viewpoint*
- *The message and the company philosophy included in the Internet must be coherent with the communication strategy seeking differentiation.*

### ***Key factors of success (KFS)***

- *Have you developed a communication strategy?*
- *Are the company first-level executives involved in the communication strategy definition?*
- *Have you assumed the communication strategy as the axis of the business strategy?*
- *Have you developed your communication strategy focusing on success rather than “process” (creativity, production, ego, etc.)?*
- *Is the company’s name and product or service name an advantage or an obstacle?*
- *Do you develop your communication supports with professional help?*
- *Do you have an definite Web page design?*



## Some Case Studies on this chapter

Company Q, after reviewing its product strategy modified the product positioning as follows:

### **FIRST VERSION:**

*We need to convince the users that OUR PRODUCT is the only application for the development of their multimedia books, whether educational or not. This is the best positioning for our product. The best to support to OUR PRODUCT is the way it was developed.*

*The second positioning aspect is directed at corporate customers but with the same intended goal. It will be supported by the fact that OUR PRODUCT allows individual and corporate users to reduce production costs and duration by half with respect to competing products. The basic message is also reinforced by the mention of the Cell Library technology.*

However in view of account the competitors already identified, the PRODUCT owners redefined their strategy as follows.

### **SECOND VERSION:**

*Even if OUR PRODUCT is designed to be user friendly we cannot position OUR PRODUCT using this old cliché because all our competitors use it (although untruthfully, because all of them imply a more or less stiff learning curve). The user friendliness of OUR PRODUCT is something that we will use as an additional feature that will surprise the user once he starts using the product.*

*Our positioning will be based on the two unique product features: content structure and cells that allow a professional management of the course contents.*

*OUR PRODUCT will be marketed as a trainers' tool, developed by trainers, emphasising the easy way the application allows to structure the contents and creates reusable content objects.*

There are significant differences in the way the product owner is dealing with the issue. It also implies a different approach in all communication aspects.

## 9.The Marketing Plan

### *Questions to be answered*

- *Do you have a written marketing plan?*
- *Who is responsible for the plan?*
- *Do you have specific marketing person? (Even if she/he has other major responsibilities)*
- *Do you know the external surroundings that affect your business activity?*
- *Do you clearly know who you are when compared with your competitors?*
- *Do you clearly know who your competitors are? (direct, indirect, collateral, potential, and so on).*
- *Have you measured yourself? (concerning your product, prices, placement and promotion)*
- *Have you implemented the internal mechanisms in order to follow and control the marketing plan development?*
- *Will you be ready to solve possible contingencies?*
- *Who will be the responsible for the marketing plan audit?*

### *You should know ...*

#### 9.1 Marketing

**Marketing is everything a company has to do to achieve the sale. Do not forget that “sale” means exchange of goods or property for money.**

If a Chief Executive Office conducts the symphony, it is marketing that controls the arrangement of the music. It is simple to understand, marketing is everything a company must do to have customers buy its products or services.

Unfortunately, people like to complicate things, the world is crowded with books deals with the complexity of marketing and all its functions, and philosophical and esoteric thoughts about what “sale” is all about.

But it is possible to give **the essence of marketing in two sentences:**

- It is marketing's responsibility to see that **everyone is playing the same tune in harmony in the company..**
- It is **marketing's assignment to turn that tune or differentiating idea into what could be called a coherent marketing direction, in order that prospects become more interested in your offer than in that of your competitors.**

## 9.2 The differentiating idea

A differentiating idea is a *competitive mental angle* that makes your proposal different from all the others in the customers mind.

This kind of idea must have a competitive angle in order to have a chance of success. This does not necessarily mean a better product or service from a performance point of view, but there must be an element of differentiation. It could be heavier, lighter, smaller, bigger, cheaper, more expensive, with technical support, without technical support, with after-sales service, etc. It could also be a different distribution system, and so on.

On the other hand, a differentiating idea must have a competitive mental angle, because where the marketing battles take place is in the prospects and customers mind. Competitors that do not exist in the mind can be ignored.

A competitive mental angle is the *point* in the mind that allows the marketing program to work efficiently. That is the *point*, it must be leveraged to achieve results.

## 9.3 To turn the idea into the business strategy.

To have a differentiating idea is not enough: It must be integrated in a business strategy (If the idea is a nail, the strategy is the hammer). Both are needed to establish a position in the mind.

What is strategy? A strategy is not a goal. Like life itself, a strategy ought to focus on the journey, not the goal. Top-down thinkers are goal oriented. First they determine what they want to achieve, and then they try to find the ways and means to achieve their goals.

Unfortunately most goals are simply not realistic. Goal setting tends to be an frustrating exercise. Like Politics, marketing is the art of the possible.

Strategy is not a goal, it is a coherent marketing direction. A strategy is coherent in the sense that it is focused on the idea selected.

A strategy implies coherent marketing activities: product, pricing, distribution, advertising. All the activities that make up the marketing mix (the correct mix of these four activities) must be coherently focused on the idea.

Finally, a strategy is a coherent marketing direction. Once the strategy is established, the direction should not be changed.

The final purpose of the strategy is to mobilise the resources available to pre-empt the differentiating idea. By committing all the resources in one strategic direction we maximise the exploitation of the idea without the limitation inherent to the existence of a goal.

The idea differentiates your business from your competitors'. Strategy gives wings to the idea that can make your business soar.

## 9.4 Guidelines for a marketing plan

There is an endless array of books explaining how a Marketing Plan has to be done. But there are some basic guidelines that might be the key points for writing an useful Marketing Plan:

- i The present situation.
  - The economic and market environment;
  - The Marketplace (size, shares and trends);
  - Who your company is in the market? (qualitative and quantitative data);
  - Who your competition is in the market? (qualitative and quantitative data per each player);
  - Company and competition SWOT analysis (which could be your actual advantages and disadvantages).
- ii Where can your company go? (not: want to go)
  - Which are the opportunities?
  - Which opportunity has the higher success potential?
  - Has the company capable of taking advantage of the best opportunity?
  - Who will be your main competitors? Could you flight them?
- iii Marketing Strategy.
  - Set up the differentiating idea;
  - Define how to turn the idea into strategy;
  - Detail Product, Pricing, Distribution, Advertising issues that must be achieved.
- iv Describe the changes to be made in the company in order to develop the strategy correctly.
  - Human changes;
  - Technical changes;
  - Financial changes.
- v Follow-up
  - Create a way to follow-up the plan;
  - Name the person responsible for making corrections if it is necessary.

### ***Key factors of success (KFS)***

- *Do you have a written marketing plan?*
- *Is it objective and realistic?*
- *Have you inserted the marketing function into your R&D process?*
- *Is it known to the appropriate people?*
- *Is the differentiating idea absolutely clear for everybody?*
- *Has it turned into the business strategy?*
- *Is this accepted by all the company's executives?*
- *Are all the people involved following-up the marketing plan development?*

## 10. The International Marketing Issues

*(Some Basic Thoughts)*

### *Questions to be answered*

- *Why is it necessary to become international?*
- *Are you prepared? (people, products, infrastructure)*
- *Which would be the most affordable markets?*
- *Is there any free help or advice from Official Institutions?*
- *Are your main clients working abroad? Where? Why?*
- *Could you get some advantage from your client's internationalisation?*
- *Could you agree any alliance with somebody?*
- *Will you need some financing to support your international venture?*

### *You should know...*

#### 10.1 The Cornerstone

Internationalisation must be a first level decision and commitment. If the Chairman and the President or CEO are not clearly involved, all efforts will be useless.

#### 10.2 Introduction

In general, one important problem from the marketing and commercial point of view is what could be called “marketing nyopia”. CEOs and Marketers think that prospects will think in the way they think prospects should think. The reality is that customers and prospects have their own ideas and they take decisions in accordance with them.

Probably there are two sectors in which myopia is a more serious illness: Public Services (railways, airlines, etc.) and high-tech.

The first ones because the companies' executives pay more attention to the infrastructure equipment than to servicing the clients. The high-tech sector because their people think prospects should accept as good news everything they offer them and because their proposals are product oriented instead of application oriented.

For that reason it is essential to make an initial general review on the project changing the traditional approach. Internationalisation must be a first level decision and commitment. If the Chairman and the President or CEO are not clearly involved, all efforts will be useless.



## 10.3 The Reality

International business are much more complex than local ones, but to think and work global is imperative in order to survive in our hyper-competitive world.

## 10.4 The Main Conflicts

There are a series of conflicts, all of which are surmountable fortunately:

- I. The division between the technological and the economic and commercial aspects can act as a deterrent to person for each sector. A rapprochement is needed to generate a suitable synergy. This is taking place more and more naturally.
- II. It is essential to set up an efficient mechanism to look after the dissemination and exploitation of technological developments.
- III. The need to take into consideration the dissemination and exploitation aspects from the beginning of each R&D project. This is the problem this paper attempts to solve.

## 10.5 Key factors of success (KFS)

- ✓ **Organisation Chart:** It must be definite person responsible and everybody must be aware and feel part of the task.
  - *Who are them?*
- ✓ **Markets ranking:** A market ranking be necessary to answer the following questions:
  - *What size has it?(Inhabitants, GDP,HDI, Business environment, etc.)*
  - *What risks could you have? (Political, money exchange, economical, personal security, etc.)*
  - *Which will be the entrance costs?(Company installation, language, trade and commercial barriers, local workers skills, technology level, corruption, foreign people installation, etc.)*
  - *How many and who is the Competition? where do they come from?(Be careful if there is nobody working in the area you are trying to go in...)*
  - *How many of your current clients are working in the new market?(they must be your launching support, the “dragging effect”)*
- ✓ **About Product**
  - *Direct application, adaptation or a complete new design?*
  - *Which are the local standards? Does your product fit into them?*
  - *Is the product legally protected? (Patents, Trade marks, etc.)*
  - *Which is the “state of the art” level in the new market?*
  - *Is there sufficient local installation and maintenance capability?*

✓ **About Prices**

- Which strategy; one global for all markets or one for each one or a mixed solution?
- Will an entrance price be necessary? (be careful; it is difficult to increase prices later...)
- What could happen with currency exchange? Which would be the best one as prices reference?
- What about commercial commissions(Official and non official for dealers, agents, representatives, lobbies, distributors, etc.)
- Are you having a clear idea about payment conditions and their risks?

✓ **About Promotion**

- There are five possible strategies:
  - Same Product/Same Message
  - Same Product/Different Message
  - Different Product/Same Message
  - Different Product/Different Message
  - All new: reinvention...
- Communications (Public relations) are better than advertising at the beginning
- Which would be the best media? (Local, General, Specific, International, etc.)

✓ **About Placement**

- Where will you deliver?
- How will you deliver?
- Which will be the best distribution channels in each market?
- Are you objective enough when choosing dealers/agents? (be careful with old friends or relatives living in that country)
- How much money would you invest for launching the distribution network?
- Could new multimedia supports really be useful? (Internet, CD, etc.)

## 11. Who you Are

### *Questions to be answered*

- *How many staff will be required?*
- *Have roles been assigned?*
- *How will the staff be trained?*
- *How will quality be maintained?*
- *How will you solve problems?*

### *You should know ...*

#### 11.1 The Team

Today “who you are” is a key question to the analysis of a business project’s potential success.

Aspects like:

- Who are the shareholders?
- Who is the management team?
- Which are their experiences individually and as a group?
- Which is the human empathy between shareholders and the management team?

may clearly contribute to the project’s reliability.

The business plan should contain a specific part detailing who is who in the organisation, which are their responsibilities (including an organisational chart) and how their personal skill can contribute to develop the outlined strategies and the expected success of the project. Take into account that the Team description is not only the sum of members' individual curriculum. It goes beyond and the key factor is to demonstrate that synergy between members will conduct towards the expected goals.

To include in this section of the business plan your lacks in terms of key personnel, will contribute to reinforce the confidence of potential investors and lenders. Are there any critical skills your current team lacks? How and when are you going to solve that problem? How is going your company to operate in the interim period? Accepting this, you will show that you have analysed carefully your project in terms of the team’s management skills and the project’s needs.

You should also include in this section details about the number of employees and a description of pension and incentive plans, and how this compare with the industry’s standards.

## 11.2 The Description

Personal curricula are many times loaded with dates and information that may contribute to make your business plan too cumbersome for potential readers. This is a way to explain the qualifications of your team without messing up the business plan.

- **The briefing.** In the “who you are” section, you should include a synopsis of each team members’ background including the most relevant aspects of their biography related with your type of project. Maximum length: half a page.
- **The curricula.** As an annex to the business plan, you may provide a complete curriculum including education (Universities and Schools attended, degrees received and dates); professional biography (company, position, dates of employment and reasons for leaving); and personal data (languages, home address, family situation, memberships, hobbies, etc.)

### ***Key factors of success (KFS)***

- *Does the Team description clearly demonstrate how appointed people will add value thanks to synergy between individual expertise?*
- *Do you have an organisational chart?*
- *Are the duties and responsibilities of each member clearly defined?*
- *Is there a specific person responsible for the project?*
- *Is his/her decision capability clear?*
- *Whom must he/her report to?*

## 12. Financial Aspects and Forecasts

### *Questions to be answered*

- *Taking into account the cash-flow forecast, are you going to need key resources?*
- *Where are you going to get financial resources if they were necessary?*
- *Are you going to need capital risk?*
- *Are you prepared to offer capital share to potential investors?*
- *What guarantees do you offer to obtain a credit?*
- *Do you expect to obtain complementary funds from anywhere?*

### *You should know ...*

#### 12.1 At last but not the least

The last part of a business plan is the financial section. It is elaborated once the potential incomes and estimated costs have been established.

Nevertheless the financial aspects and forecast are key parts of the business plan as:

- They reflect the degree in which all the previous data has been analysed and elaborated. The more mature is the analysis, the more complete the financial statements will be.
- They allow the company internally to foresee possible shortfalls of previous analysis and assumptions.

Remember that both banking people and potential investors are financially oriented professionals, and that quite probably the first things they want to examine is the financial statements and the plan's forecast.

The financial section should include two main parts: The financial statements and the funding application.

#### 12.2 The Financial Statements

The financial statements include both the company's past results and its future forecasts.

**Existing companies** should include in their financial statements the balance-sheets and cash-flow statements of the previous three years plus a five year balance-sheet and cash-flow forecast.

**Start-up companies** should provide potential investors with information including sales forecast, selling and general costs and cash-flows. Additional financial information, including significant aspects of the project, may be convenient.

Accurate financial statements provide potential investors and lenders the information necessary to evaluate the potential of your project and your company.

At the same time, the forecast should be a tool for the financial management. It allows you to evaluate the accuracy of your assumptions as the project progress and to update or review your forecast as necessary.

## 12.3 How to Work-out the Financial Forecast

The following are the main points to be considered when preparing the project's financial forecast. They include both, general aspects and advice on the elaboration of specific accounts to be forecasted.

### • **Frame of Work**

- *Time frame:* The typical business plan forecast covers five years with a minimum of three years. Less will be insufficient and more would be too speculative. Cash-flow statements should be prepared monthly (for the first two years) and quarterly (thereafter). Balance-sheet on quarterly and annual basis for the same periods.
- *Assumptions:* A forecast represents an estimation of the future. That means that the figures have been elaborated on the assumption that certain facts will take place. These assumptions should be known by potential investors and lenders.

Consequently the first step in elaborating a forecast is to set-up the necessary assumptions. As far as possible, they should be supported by verified information: facts, market and industry researches or thorough analysis.

- *Coherence:* A key aspect of the forecast is coherence. All the data included in the balance-sheet and cash-flow statements must be based on the same assumptions.
- *Sensitivity analysis:* This kind of analysis consist on identifying the most critical assumptions used and determine what the impact would be if those assumptions were changed. The typical critical assumptions are: sales forecast, market growth, production costs, etc. The milestone and dates of the project may also be a critical assumption.

As long as the reliability of your forecast depends on the accuracy of your assumptions, potential investors and lenders may be interested in this type of analysis as it may affect to additional funds needs or to the incomes and return on equity forecasted.

### • **Income Forecast**

- *Sales:* Sales assumptions generally being the most critical in a forecast, the criteria used should be clearly explained and supported by objective information.

Consistency is essential. Sales forecast should abide by the market researches, competitive environment, target segment, marketing strategy, positioning pursued, competitive advantage, etc.

Sales can be forecast by unit (used for the earlier years) or as a percentage increase per month (used for the latter years of the forecast).

If you have different product/service lines or you intend to achieve different market segments, show separate forecasting and assumption for each one.

- *Complementary income:* Information technologies products allow sometimes to obtain complementary incomes (obtained from training, maintenance, updating, etc.) that can be critical to the project in terms of profitability.

• **Costs Forecast**

- *Costs of Sales:* You should analyse the costs of material, labour and overhead. Like the sales forecast, costs should be detailed per product/service line and market segment. Information technologies products/services have some specific direct costs related to the use of basic software (royalties), special hardware, etc.
- *R&D Costs:* R&D costs are critical in projects involving information technologies products/services. Somehow these can be considered part of the cost of sales, but they are also essential for the updating of the product. Definition should be based on a detailed programme including possible delays, fault corrections, etc. Updating costs should be based on market and competitors habits.
- *Marketing & Placement Expenses:* For the first two years, expenses should be based on a detailed marketing plan including sales & marketing team, sales commissions, exhibitions, public relations, direct marketing, promotional campaigns, advertising, etc.  
For later years these costs can be estimated as a percentage of sales (based on the amounts established for the first years).
- *General Expenses:* Here you should include costs like administrative and support personnel, rents, leasing, supplies, outsourcing, etc. and the criteria used to forecast these expenses.
- *Debt and Interest Expenses:* You should specify your sources of borrowed funds and their expected cost.
- *Asset Depreciation:* You should indicate the useful lives of the equipment and the method used for calculating their depreciation.
- *Taxes:* Include an estimation of the annual tax rate, federal and local taxes and available tax credits.

• **Other accounts**

- *Collecting Term:* You should estimate the length of time between the invoicing and the correspondent collection. This period will be determined by the industry statistics.
- *Payment Term:* You should estimate the expected period for the payment of your bills. Normally it should be assumed a shorter period than the industry average during the early years.
- *Stock:* You should detail the expected sources of capital, including number of shares, prices and if you plan to develop new rounds of venture-capital investment.
- *Cash:* A minimum amount of cash to cover the period should be estimated. Generally this amount ought to meet three months disbursements and allows some protection for unexpected expenses.

## 12.4 The Application for Funds

If a company/project needs financial support, the financial section of the business plan should include a funding application stating:

- How much is needed;
- Why it is needed;
- When it is needed;
- What use is it intended for.

In its elaboration you should take into account the following general considerations:

- ☐ Coherence: The funding application should be prepared in total coherence with the financial forecasts resulting from the financial statements and should be supported by them.
- ☐ Flexibility: You should allow some room for flexibility. This will provide for small deviations from your plans and will prevent putting the project in a cash squeeze.
- ☐ Capital structure: You should explain how the capital structure will be affected by the funding achievement. Starting companies should detail how they have been capitalised, who the shareholders are, how much stock they own, etc.
- ☐ Complementary funds: You should explain if you plan to obtain complementary financing besides the venture capital or loan funds you have itemised, in order to finance short-term working-capital.
- ☐ Balanced debt: You should keep an adequate balance between debt and equity capital. A project with a too high debt-to-equity ratio may be seen as too risky by investors and lenders.
- ☐ Future needs: You should explain clearly your expected future funding needs, specifying when, how much, from what source and on what terms you expect to obtain the funds.

## 12.5 The Investor's Approach

One basic point on the elaboration of the financial section of a business plan is to consider how potential investors and lenders will look at your proposal.

Almost the first thing experts examine is the reasonability and consistency of plans' forecasts and assumption. Next, they will review analytically the data included. Again a basic point in this analysis is that your ratios are consistent with those of other companies in your industry.

As investment is an expectation business (particularly in the information technologies industry), experts are increasingly analysing aspects of the project traditionally considered of lesser importance. Aspects like the experience of management team, your marketing strategy, the differentiating element of your concept, your competitive advantages, etc.



### ***Key factors of success (KFS)***

- *Does the company have firm orders?*
- *From which clients is it expected to obtain orders during the next six months?*
- *How much money could represent the expected orders?*
- *Could you prepare a cash-flow chart for the next year?*
- *Do you know if you will need some external financing support?*
- *Would it be useful to look for a venture partner?*



## Some Case Studies on this chapter

In general terms many small companies fail in defining realistic financial estimations with respect to the potential exploitation of their products in new markets. This failure is many times caused by lack of objective data. Before starting any commercial action one should answer to a couple of questions to define the extent of the action in terms of resources needed. In short you have to give an answer to how much you will invest (and have you already invested in RTD) and how much you can get from sales. Keep in mind that each single sale has its individual cost and associated turnover.

### Let us see two examples.

Company R selling an ERP like tool estimated his ROI as follows:

*Investment (development of different modules only labour costs included) : 314,172 €*

*Expected benefits: Benefits are expected on 2002, after three years of sales.*

*Income: 150 Complete installations : 3,155,427 €  
80 TPVs : 480,827 €*

*TOTAL: 3,636,254 €*

Here the product owner did not take into consideration any such costs as distribution, promotion, translation, maintenance, update. Although one can assume that a potential revenue can be obtained, a more detailed estimation is required prior to any additional investment.

Here a different approach has been followed to estimate the Return on Investment (all data in DM):

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
<b>Average Product Simulation</b>	<b>664</b>	<b>1278</b>	<b>2846</b>
<b>Average Product Price</b>	53.783	53.234	52.012
<b>Income Expected</b>			
Software & Licences	33.775.319	60.959.063	124.724.825
Updated Agreements	1.936.452	7.073.382	23.302.622
<b>Total Income</b>	<b>35.711.770</b>	<b>68.032.445</b>	<b>148.027.447</b>
Estimated variable unit cost	5.660	6.052	6.218
<b>Total Variable Costs (DM)</b>	<b>3.758.570</b>	<b>7.734.801</b>	<b>17.696.789</b>
<b>Operative Margin</b>	<b>31.953.201</b>	<b>60.297.643</b>	<b>130.330.658</b>
<b>Fixed Costs</b>	<b>46.585.000</b>	<b>55.333.200</b>	<b>66.975.115</b>
<b>Profit &amp; Loses</b>	<b>-14.631.799</b>	<b>4.964.443</b>	<b>63.355.543</b>
<b>Investment Requirements</b>	<b>43.507.479</b>	<b>0</b>	
<b>Contribution requirement</b>	<b>25.000.000</b>		
<b>Net Profit (After Tax)</b>	<b>0</b>	<b>3.226.888</b>	<b>41.181.103</b>
<b>R.O.I.</b>			<b>95%</b>
<b>Pay Back (With 30% transfer Reserves)</b>			<b>4<sup>th</sup> Year</b>

The ROI and Financial analysis can be as complex as needed, but a minimum amount of data is required to achieve a realistic estimation of what could happen.

# ANNEX I - Expert's profile

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Many SMEs may wonder which is the right profile of experts assessing the elaboration of the Exploitation Plan. The obvious answer is as high as possible. The ideal expert enjoys large experience in marketing, sales, market research, internationalisation, finances, strategic management, research and development processes, etc. and also has a deep knowledge of high-tech and target market sectors. However, this profile is not always available or affordable for SMEs. ECLAIR has defined a minimum threshold for professionals running this task so allowing SMEs to make a decision to hire professional external services or to appoint internal staff fulfilling these requirements.

The check-list of skills is presented in terms of a training course to upgrade professionals who are to be in charge of Exploitation Strategies. In case the SME does not find anyone matching all the requirements neither in or out the company, the SME may well appoint someone to receive complete training or may well identify missing skills from the check-list below and look for specific training to complete the required background of someone who now fulfils several but not all of the skills listed below.

## **Training Course Implementation of Commercial Exploitation Plans for High-Tech Products. Theory and Practices**

### Attendant Minimum Profile:

Bachelor's technical degree.

Basic management background.

English language knowledge.

Duration: minimum 80 hours to cover proposed contents

### **Introduction to Marketing**

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Content: Description of key concepts and key tools involved in the marketing practices.

### **Competitive Marketing**

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Content: Marketing actions to become different with respect to your competitors. Direct and indirect competition. Real competitive marketing versus virgin marketing. The war allegory.

### **Competition and Competitiveness Search**

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Content: Ways of achieving competitiveness by the operative efficiency and the perceived differentiation.

### **Analyse your competitors.**

---

Content: Analysis of your competitors' products, their market share, their pricing policy, their weakness and strengths. Optimise the investment required to reach this necessary information.

### **Positioning and its Principles**

---

Content: Natural identification of your product and the concept you want it to be associated with. Reach the right position in your potential customers' minds.

### **The Marketing War**

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Content: Definition of the strategy aimed at placing your product in the market. Defensive strategy. Offensive strategy. Flanking Strategy. Guerrilla Strategy.

### **The technological product. New product in a new market.**

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Content: How to identify a feasible idea. Define the new product-service based on the potential market acceptance. The limited reliability of market studies for new products.

### **Analyse the state of the art.**

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Content: Identification of technological developments, product and market trends. Optimisation of the investment required to reach the necessary information.

### **Key aspects for the exploitation plan definition (Analysis and Plan).**

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Content: The exploitation plan as the living working tool to introduce the product in the new market.

### **Previous Analysis. Product and Market**

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Content: Definition of the product's features to satisfy market needs.

### **Previous Analysis. Customer and Services**

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Content: Analysis of the customers' profiles and of the services to be provided.

### **Previous Analysis. Strategy**

---

Content: Analysis of the strategy to launch the product into the market.

### **Reckon your Return of Investment.**

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Content: Specific analysis on how to assess the Return of Investment. How to recover development expenses (personnel direct costs, overheads, equipment, fungibles,...).How to reckon marketing expenses (personnel, costs, mailing costs, IPR costs,...).

### **The Plan. The Exploitation Plan.**

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Content: Definition of a detailed action plan on the basis of the analysis performed .  
Examples.

### **Define your own Exploitation Plan. Workshop.**

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Content: Drawing-up of a complete Exploitation Plan. (Group activity)

## ANNEX II- CASE STUDIES

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This annex presents two samples of results arising from the ECLAIR project, one for a SME in Spain and the other for a SME in Germany.

These case studies document what has happened to involved SMEs thanks to the support provided by ECLAIR in comparison to what could have happened without support. Obviously, companies could have succeeded in their international commercial activities without any external support. Nevertheless, the speed of the overall process and the effectiveness of the approach followed within ECLAIR make us trust the strategy followed.

In addition, by the time the SMEs presented their projects to the National bodies responsible for ECLAIR implementation (CDTI in Spain and DLR in Germany), most of the 18 cases supported under ECLAIR were not able to define clearly their strategy to set up IT product commercialisation. Moreover, some of these cases were not even able to define clearly their specific product/service and the target market.

Presently, after receiving professional support and advice from the ECLAIR consortium, all these companies have a definite strategy, a clear business objective with respect to the specific products presented to ECLAIR and have a well balanced business plan (reviewed by third parties) to commercialise such products.

### **CASE STUDY I, SPAIN**

#### **INTRODUCTION**

ABC, a Spanish firm founded in 1987, currently specialised in the distribution of data-banks in CD-ROMs and through Internet, the dissemination of public opinion surveys using ABC Software, as well as the development of standard software packages for management. A fourth line of work is oriented at supplying SW consultancy to big firms.

In 1999 ABC made an agreement with an European National Archive to do the data cleaning of the ISSP international surveys, for alternate years, starting with the 1997 module on "Attitudes towards Work". Also in 1999, ABC made an agreement with the Ministry of Work in Spain to produce the annual version of the "Working situation" poll and the "Quality of Life at Work" poll.

In agreement with the European National Archive mentioned above, ABC submitted a collaborative proposal to the ECLAIR program in order to further develop ABC Software and to test the effectiveness of the tool through end-user validation. The project has been successfully completed, ABC becoming a highly recognised company in the target sector.

The Ministry of Internal Security Matters asked for several studies on Electoral Logistics and prediction models, ABC's products and services being the preferred choice.

In 2000, ABC has officially become the World Values Survey data cleaning co-ordinator, with the assignment to produce the first official WVS CD-ROM, that will be based on ABC Software for Internet.

Today, ABC has several hundreds of customers, bringing small and medium firms and institutions.

Through the ECLAIR project, ABC entered the Internet Survey dissemination market which remained almost virgin until a few years ago. Editorial dissemination of survey data, whatever the media used, remained an almost virgin field as well.

ABC was the first to prove that CD-ROM dissemination of surveys can go further than merely giving pure data files and word processing documentation. Now it has developed one of the few products allowing to disseminate surveys in the Internet.

The ECLAIR project has been focused as a very important market opportunity, since it allowed to involve one of the most prestigious data archives in the world.

In this way the associated end-user played a very important role as validator and as sponsor of a software tool that subsequently may be adopted by other international bodies, as it has been the case during the 12 months of project development.

Thanks to ECLAIR, a more business orientation was given to the product. The exploitation plan, made with the help of ECLAIR's marketing experts was the key to produce a coherent strategy for product introduction in the market, as well as to produce a coherent list of sub-products and services to be offered to the different market segments identified therein.

The steps and actions defined in ABC's business plan are being implemented and getting its first results. The last of these the contract signed with the World Values Survey Committee to carry the data cleaning of their three waves of surveys since 1990. This contract covers the distribution of a CD-ROM using ABC Software Explorer for Internet, that will allow access to all documentation in the CD-ROM.

ABC now declares: "One year ago ABC was nearly lost as everybody recognised our SW tool as a very powerful one, but nobody seemed interested in making the purchasing decision. Over the last year we have redefined the tool with the end-user support and advice and a new commercial strategy has been decided with ECLAIR experts support. The guarantee of being under the umbrella of an EU initiative also made the end-user conscious of the support that lays behind it. ECLAIR also persuaded us to follow our own way which has definitely been essential in order to position our product in the market. ECLAIR support has been very helpful, not only because of the economic support for carrying the first marketing actions but also for their advice and information. Promotion actions planned by ECLAIR will also contribute to the commercial success of our tool, which we expect to definitely take off starting September 2000".

## THE RESULTS

The main investment in the initial phase is that of promoting ABC Web page in most popular searching engines, as well as producing some printed material to distribute in international conferences, seminars and fairs.

Attendance of these fairs is also necessary in order to present the product within workshops or thematic sessions.

Investment in building a powerful site, with real examples extracted from recent projects is also necessary. Although the investment has been already done in part, more work should be done in order to improve the site.

The potential revenues and the ROI for the initial period was calculated in detail and in summary, a return of investment is expected by the end of the first year, reaching benefits of some 50,000 €. In the 5th year, a benefit of between 1 and 2 M€ is expected.

### **Measured benefits to the users.**

A first implementation of the product was tested by a Spanish private firm that produces and disseminates survey data.

A prototype of an Internet Survey Databank was built using ABC's Software. Over 60 surveys have been documented using the standard DDI notation, in order to build a publicly accessible database.

Once finished, it was included in the Spanish Private firm's Web page, with no special access restrictions apart from a simple (and free) registration screen.

The experience has proven that ABC Software Publisher is a productive tool easy to learn by not specially skilled people. A single person working full-time with the tool has been able to produce 60 modules, while different tools used in other known disseminators hardly lead to a couple of modules per month and person.

Users' response is a key parameter to control. ABC intends to follow up users by means of direct selection of user groups and by measurement of response to different promotional actions through Internet (banners, group mails and so on).

One of the most repeated advantages mentioned by users is that of productivity when importing already existing documentation in other formats. The National Archive acting as end-user has more than 2000 modules defined in OSIRIS. The OSIRIS importation module is able to import these specifications in seconds, so the reported benefit of the tool is very positive. They also highly appreciated the facilities to import SPSS SAV files and even to mix them with complementary documentation written in OSIRIS.



## **The FUTURE**

Since the beginning of the involvement in the ECLAIR initiative, it was in ABC staff's mind not to limit the target markets to the Spanish and German ones, but to tackle all the wide world market. For that purpose the experience of ECLAIR has helped in the definition of the approach and first field trials of the introduction in foreign markets.

With the aim to introduce the product in other foreign countries, relevant agreements have to be reached with local distributors to have proper input of the local market features, and to arrange distribution and benefit share agreements. Additionally, some actions are to be carried out immediately:

First, the product will be tailored to all relevant hardware platforms as currently the first version is limited to Windows based platforms.

Second, the publisher tool must incorporate more functions to control user access on a "pay per access" or "pay per time" basis.

Also new services will be added to ABC catalogue in order to favour the adoption of the publisher by survey disseminators and producers.

## **CASE STUDY II, GERMANY**

### **INTRODUCTION**

XYZ GmbH, based in Germany, is an innovative software development and consulting company specialising, with its XYZ Business Portal product family, in developing software for corporate portals and vertical business-to-business portals. Because of its previous experience in the sector, XYZ gives priority to the insurance and financial services industry. The company aims at expanding its target markets in the insurance and financial services sector in Germany, Switzerland, France, Spain and the US.

### **The PRODUCT**

XYZ Business Portal is a software for internet-based corporate portals in the insurance and financial services sector. The portals combine applications and insurance information crucial to sales both office-based and field-based, and also for brokers, enabled through an internet-based interface. The software allows access to the company's system anytime and anywhere. Push technology ensures that different user groups are provided automatically with accurate data they need. The single point of access integrates all existing information sources and applications, thus guaranteeing full investment protection.

The new portal solution from XYZ offers insurance company employees and financial service providers access to all relevant customer data, as well as product and company information from a uniform user interface. It is possible, for example, to access everything from new internal circulars and rates tables to address records, Web coaching or route planning for external service providers, all from the same interface - no more switching back and forth between applications. Through the use of push technology, subscription news tickers, rates tables and circulars can be automatically updated online. This means that users do not have to select the subscribed areas for download themselves, as these are sent independently by the system whenever changes are published.

Other functions of this sector-specific portal simplify new customer acquisition or provide call centre agents with access to the schedules of field agents, who then automatically receive planned routes for their latest appointments on their display. Once at the customer site, a whole host of functions are then available thanks to access to the host systems, from maintenance of customer data to conclusion of a contract.

### **THE ECLAIR PROJECT**

The ECLAIR project had two distinct goals. The first was to prove that such a complex software could be used in a wider market than that of Germany. Though insurance companies operate pretty much the same way around the world there was uncertainty whether the work processes covered within XYZBusiness Portal would match the ones from abroad.

The second goal was to get enough knowledge about the European markets to come up with an adequate internationalisation strategy to conquer those markets within the next two years.

The ECLAIR project was launched on the French market to make sure that the product specifications used for the German market are indeed the same for the French one. For that reason, a co-operation was formed with, a small French insurance company. In the first step, the French company looked at the specifications from the French market and through the input the product was approved as suitable for the French market. This company thus served as a pilot customer in France, running the product through a test within its external sales force.

In the next step, this small French company used its connections to bigger insurance companies active in France to aid XYZ gain an entry in the French market.

At the same time the business plan was developed by looking at the European markets and the competition rooting from those markets.

## **THE RESULTS**

By the end of the project the results were quite promising. The product was ready for the European market, the markets were evaluated and a suitable marketing concept was in place. Now the marketing and sales activities are defined and put into practice

At the same time XYZ has acquired partners which will be capable of aiding in the process of growing internationally. Especially to mention is the partnership with a big German Corporation, who will be marketing, implementing and supporting the ABC product throughout Europe and world-wide on at a later stage.

## **The FUTURE**

An extremely important factor for the growth of the company was a quick internationalisation. For all enterprises active in WWW businesses it is of paramount importance to be present in the United States, since this is the prime market for developments around the Internet. For this reason it was planned to settle a small office in the United States in co-operation with an American partner, which is intended as the first step for introduction of the product in the American market.

In the course of the ECLAIR project, sponsored by the European Union, a business plan was developed to detail the internationalisation strategy for Europe. This included detailed financial overviews for each international office. Within Europe the primary focus was turned to Britain as well as the German speaking countries. Concerning internet technologies these two markets occupy leading positions within Europe, which allows to turn to the other markets once they are ready for such a product.

An office in England is planned as well. The office in the United States will have acquired the first customers. Hopefully, through the adaptation to the American market the product can quickly be used on the British market too.

In future, the presence within the United States will be further increased. In Europe there will be new offices in additional countries, starting out with the Benelux countries. After a successful language adaptation the product can go into the sales pipeline of the respective countries and sold there as well. In a few years ABC plans to become a global player within its industry segment.