



INVESTORS FORUM

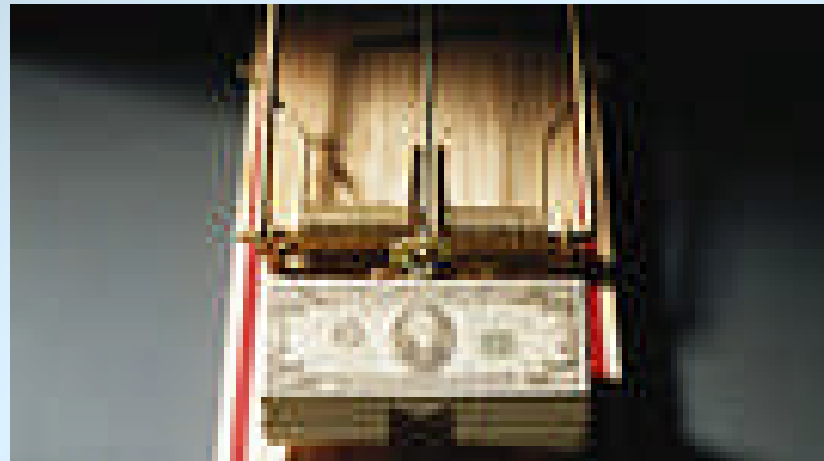
Session 4 - The Early Stage

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Marketing behaviour in the early stage

Marketing behaviour in the early stage of the firm



Classic early stage marketing behaviour

- Organizations are run by “tech gurus”
 - over estimates the value of technology
 - misinterprets what customers want
 - lets organization grow only as far as can be personally controlled
 - is surrounded with innovation-driven disciples
 - product(s) are technically excellent rather than “good enough”
- Failure to understand concept of “making it easy for customer to buy”
- Limited bandwidth to absorb new customers
- Absence of profile definition of an ideal customer
- Founder / tech guru is the “walking visit card”
- Senior management is the marketing / sales organisation
- Selling tools: tech-performance rather than customer-benefit oriented
- Informal market approach reflects management style
- Confusion of marketing, business development and sales



Management of Intellectual Property

- ❑ IP comprises patents, trade marks, copyright, domain names, moral rights, image rights, trade secrets, traditional knowledge, service marks, brands, logos, slogans, customer databases, etc
- ❑ IP management contributes to early-stage performance/valuations
 - acquired (*may develop / complete product offerings*)
 - exploited (*additional revenue streams through licensing*)
 - monitored (*detects competitors, infringers, opportunities*)
 - enforced (*using litigation as a competitive tool*)
- ❑ Early adopter customers insist on IP indemnification; it may also be a way to outsource risk
- ❑ Early stage investors examine IP as part of due diligence
- ❑ Distinguish between IP policies :
 - *defensive (facilitates)*
 - *aggressive (litigation ties up management resources)*



Exclusivity aspects

- ❑ Exclusivity is typically *negotiated* in terms of:
 - product
 - end-customer
 - application
 - specification
 - time / revenues
- ❑ Early adopters negotiate technology rights for *specific applications*,
 - limited in time
 - significant in revenues
- ❑ *Geographically* exclusive distribution channels rarely make sense unless the customer/ partner
 - is the dominant player in the channel
 - has strong relevant IP
- ❑ A customer requiring *excessive exclusivity* should become a shareholder.



Technology platforms vs products

- ❑ Classic “bootstrapping” from *once-off* to *recurring* revenue
- ❑ Transition from applied research to industrialization
- ❑ B2B custom development to repeat production
- ❑ The closer to products, the greater the working capital requirements
- ❑ Platforms *penetrate* markets with once-off developments specific customers
- ❑ Products *grow* markets aiming at multiple customers
- ❑ Transition from *promising* platforms to *successful* products
 - attracts competitors
 - requires a different organization and personnel
 - market pull rather than technology push



Market channel strategies

- ❑ Marketing strategy of the firm is effectively realised by choosing the right distribution channel
- ❑ Classic inventory holding distribution by country market is obsolete -
 - the business is global from the start
- ❑ Value added re-sellers, representatives, agents may still have a role
- ❑ Consider early adopters as market channels for your offering
 - multinationals may have a large internal market
 - have potential value as reference sites (*confidentiality excepted*)
- ❑ In OEM B2B markets, successfully chosen channels can result in significant savings in marketing costs
- ❑ Avoid:
 - channel conflict (*e.g., competing with customers*)
 - backing losers
 - granting exclusivity in return for poor market penetration



Early adopters



- ❑ Consumers who are the earliest within a market to adopt an innovation or new technology
- ❑ Main motivation is to differentiate themselves from the rest of their operating environment
- ❑ Industrial markets:
 - early adopters are risk takers
 - may be part of their own marketing image
 - often require some sort of exclusivity
 - often require an acquisition strategy
- ❑ Consumer markets: feel that they are missing something that can only be fulfilled by early adoption of innovative technology – often fashion conscious

Early adopters: customer or takeover?

- First customers can be predatory: sense early stage dependence
- Exclusivity may be forerunner to control
- IP ownership may be disputed
- Form of cost effective, risk free R&D
- Hiring key person may collapse firm
- May exert financial leverage (pricing, credit terms, etc)
- May exit due to strategic risk once novelty advantage declines



Market research

- ❑ Markets are dynamic – customers, markets and market conditions in rate of constant change
- ❑ Early stage firms often *create* markets with disruptive technologies
- ❑ Apples & oranges don't add up to fruit
- ❑ *Marketing research, market research* and *market intelligence* tend to be confused and used interchangeably
- ❑ Typical information obtained:
 - target markets
 - products
 - distribution
 - competitors
 - pricing
 - intellectual property
 - external factors (legal environment, target market cultural factors)



Resources available for marketing

- ❑ 69% of start-ups have less than \$1 million in available cash
- ❑ Resource priority ranking:
 - product development
 - recruitment
 - direct selling
 - **marketing**

Source: Industry Standard survey on start-ups, 2008



Four steps of early stage marketing behaviour

- ❑ **Step # 1: Plan:** without a structured and researched plan, the early start-up will not succeed
- ❑ **Step #2: Program quality not quantity:** success is determined by the quality of individual marketing programs rather than the quantity of actions involved
- ❑ **Step #3: Execution:** precision, integrated, skillful, tuned to customers' and stakeholders' expectations. Communicate the message, win the customer.
- ❑ **Step #4: Repeatability:** ensure programs can be repeated:
 - to audiences large and small
 - using situation-specific information
 - citing offering of the firm in terms of features, applications and benefits

Marketing tactics which go a long way

- ❑ Set clear goals, objectives, tactics – and strategies on how to reach them
- ❑ Competitive behaviour – take the best and leave the worst
- ❑ Focus spending and own your chosen communication channel
- ❑ Create effective selling tools for many marketing situations
- ❑ In engineer to engineer marketing, use quantitative data - *figures*
- ❑ *“Fish where the fish are biting”*
- ❑ Try the unusual
- ❑ Look and act bigger than you are
- ❑ Exploit the *bush telegraph*
- ❑ Free media is always available. Seek and you shall receive.



Early stage marketing in a recession

- ❑ Stricter cost supervision of marketing costs
- ❑ Liquidity creates optimality
- ❑ Detect and exploit weakened competition
- ❑ Ensure offering is mainstream, not exotic
- ❑ Over communicate with sales team in times of turmoil
- ❑ Listen to firm's stakeholders and other market data
- ❑ Continue fundraising and building product
- ❑ Get product into as many customers' hands as quickly as possible
- ❑ Select market applications which are less recession prone
 - healthcare
 - life science
 - food
 - government: defense, infrastructure, utilities



Mastering the new media challenge

The 2008 race for the White House fundamentally upended the way presidential campaigns are fought in the United States, a legacy that has almost been lost with all the attention being paid to the battle

It has re-written the rules on how to reach voters, raise money, organize supporters, manage the news media, track and model public opinion, and wage – and withstand – political attacks, including many carried by blogs that did not exist four years ago. ...

The year campaigns leveraged the Internet in ways never imagined. ...

The year the paradigm got turned upside down and truly became bottom up instead of top down. ... reaching voters who no longer rely primarily on information from newspapers and television. ... Obama has done a tremendous job in waging a campaign through the new media challenge. ... Even more crucial, ..., has been Obama's success at using the Internet... to raise enough money... to expand the map and compete in traditionally Republican states.

INTERNATIONAL
Herald Tribune
THE GLOBAL EDITION OF THE NEW YORK TIMES

“Sea change in U.S. politics after race for president”, November 5, 2008

Thanks for your attention...

Any questions?



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