

# **Building a Global 'Go to Market' Strategy**

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**January 2015**

# What is the Category?



# My 3 Different Companies

- Technology: Semiconductor, Enterprise Software, Consumer
- Funding: Angel, VC, VC
- Size of Funding: <\$1M, >\$35M, -\$10M
- Customer: PC mfrs, Global Corporations, Entertainment Companies
- Product: Chip, IT Services, Video Distribution
- Team: 80% Chinese, 50:50 US/India, 80% US
- Business Model: OPTi: never Lost money; Selectica: never Made money; Dyyno: goal was profitable recurring \$
- Exit: OPTi IPO 1993 \$400M; Selectica IPO 2000 \$5B; Dyyno shut operations , VCs trying to License Platform

# My Entrepreneurial Strategies

- *Responsive to Market*
- *Fast Product Development*
- Great Teamwork – Delegate, trust
- *Fierce Competitor – Sun Tzu Art of War*
- *Lose the Battle, not the War*
- *Personalize your Customer relationships*
- Total transparency
- Learn – Teach Team to Learn

# Global Marketing was at the Heart of the Strategy

- Targeted Market Development
  - OPTi decided NOT to promote in the US/Europe market till we DOMINATED the Far East Market
- Customized Value Added Marketing
  - Selectica built up a huge Technical Team in India to serve Global 2000 accounts with Customized Solutions
- Niche Marketing
  - Dyyno served the Ethnic Diaspora Market worldwide with Ethnic Content sourced Globally

# Basics of Marketing

- The Management Process responsible for identifying, anticipating and satisfying customer requirements profitably
- The Marketing Mix 4Ps
  - Product
  - Pricing
  - Place
  - Promotion (Awareness, Interest, Desire, Action)

# Selling vs Marketing vs Branding

- Theodore Levitt (Marketing Myopia)
  - Selling focuses on the needs of the seller; marketing on the needs of the buyer.
- Phillip Kotler
  - A distinctive identity that differentiates a relevant, enduring and credible promise of value associated with a product, or service or organisation and indicates the source of that promise

# OPTi-World's Largest Chipset company in 5 years

- The odds:
  - No money
  - No technology
  - No fab
  - Competition: Chips, Intel, TI, VLSI, WD Public cos
- In 5 years (1994):
  - 25 million PCs/Laptop Chipsets – Leader, 25% mkt share
  - IBM, Compaq, HP, Dell, Acer, NEC are customers
  - Rev of \$170M in 1994
  - IPO in 1993 for \$400M valuation



# OPTi Global Marketing Strategy

- Gave Far East Mfrs Time-To-Market (TTM) over US mfrs
- Educational Seminars in Far East
- Launch with Press Release with 3 Key Endorsements
- Flooded Comdex at Every Far East Booth with Standard no-name Motherboard
- Demo rather than Technical Manuals

# OPTi Global Marketing Tactics

- Product in Stock: available immediately
- Turn Key Mfg Package (TMP) includes Film, BIOS, Manuals, U/L certification, Marketing Material
- Instant Payment: Taiwan L/C vs 30-60 days for A/R in the US and Europe
- Local language Sales and Tech support
- 2 week trip to Far East, every 6 weeks
- Sales support in the US and Europe

# How L/C Transformed OPTi Finances

- Let's take a step-by-step look at how take a typical international transaction works today using a letter of credit.
- **The agreement** - A seller and a buyer reach agreement on a specific transaction. They agree to a contractual agreement which will specify - among other items - the quantity and type of good(s) to be purchased, the purchase price, and the date/place for delivery of the item(s).
- **Buyer initiates letter of credit** - To begin the actual purchase transaction, the buyer works with a commercial bank to have a letter of credit issued. This letter of credit - with the seller named as beneficiary - must be fully funded by the buyer before issuance. These funds can come from one of two sources – either a deposit made by the buyer or a debit from the buyer's existing account balance with the issuing bank (if sufficient funds are available in the account). The issuing bank also commonly required Insurance to be taken-out to ensure the transaction against a variety of risks (such as damage, delays, insolvency, etc.). For these services, the issuing bank levies a fee on the buyer. Such fees typically range from 1 to 10% of the total value for the transaction. This fee varies both on the specific underwriting characteristics for the transaction and the relationship of the issuing bank to the buyer.
- **The transmittal of the letter of credit** - The buyer's bank issues the letter of credit and it is sent to the seller (see Figure 1).
- **The receipt of the letter of credit** - The seller receives the letter of credit. The company then presents the letter of credit to its commercial bank. With the guarantee from the issuing bank, the seller then has - in effect - a line of credit that it can potentially draw upon for its operations available at its bank and final payment will be made once the delivery conditions of the contract are satisfied (See Figure 2).
- **The shipment is made** - With the letter of credit in its possession, the seller then provides the consignment of goods to the shipping company (regardless of the nature of transport - water, trucking, rail, air) (See Figure 3).
- **The bill of lading is issued** - In exchange for the consignment, the seller receives a bill of lading. This document serves a number of purposes, as it is, in effect - a document of title, and a receipt for the goods. It also is a contractual obligation - a contract of carriage - that the shipping firm will deliver the consigned goods to a specific destination on or before a specific date.
- **The receipt of goods** - After the shipment is made, the buyer actually takes ownership of the goods and confirms that the seller's consignment to them meets the specifications in the contract (quantity, quality and condition, etc.) (See Figure 4).
- **Payment is made** - Once all necessary steps are completed and it is assured that the consignment meets the terms of the contract, the seller can claim final payment from its bank from the funds that were previously deposited.
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# Selectica – Enterprise Configuration Software Leader in 5 years

- The odds:
  - 5 years late to market versus Trilogy, Calico
  - No experience in Enterprise SW mkt
  - No relations or credibility with Fortune 500 CIOs
- In 5 years, (2000)
  - Replaced Trilogy/Calico at IBM, Dell, GE, Aetna, Cisco
  - Signed \$10M license deals
  - 800 employees Worldwide
  - Rev of \$50M, IPO \$5B, raised \$230M

# Selectica Customized Marketing Strategy

- Built up pre-emptively 400-person strong Tech Team in Pune and Chennai
- Prepared pro-actively “mock-ups” for Global companies like Hitachi and Samsung
- Provided on-site resources in Korea, Japan, India, US and Europe cost-effectively
- Crack a vertical in US, expand globally (IBM .... Target Hitachi; Cisco....Target Samsung; Dell...Target NEC)

# Dyyno – OTT Broadband Services

- The odds:
  - Video is free: Youtube, Justintv, Ustream
  - TV and Movies is mature industry
  - 5 years late: Neulion, Brightcove, Ooyala
- In 3 years (2011)
  - 500+ TV channels using Dyyno
  - 300,000 broadcasters using dub
  - Cable companies, worldwide, licensing discussions for Dyyno OTT platform

# Dyyno Niche Marketing

- US market for on-line Video saturated
- Found Malayalam online TV customer: BOMTV
- Round the Clock support in Malayalam from the US initially, then Pune
- Built FULL online TV distribution/billing platform with help from BOMTV
- Used Reference and Full Platform to Target: IPWORLDTV for Turkey (<http://www.ipworldtv.tv>) ; Ghana TV, etc

# How Global helps your Business

- New Markets
- Extends Sales life
- Diversify ... stabilize business cycles, currency fluctuations, payment variations
- Less competition generally
- Attack Foreign competitors in home ground
- Economies of scale
- Improve your product line-up
- Improve your Supply Chain



# Pitfalls of Global Business

- May not get paid...with no recourse: Indian customers!
- Loong collection cycles...France, Italy
- Time zone difference can burn out employees
- Language/Culture issues can cause all kinds of misunderstandings
- Expectations vary ... Japan for perfection; Germany for accuracy; Taiwan for lowest price; Korea for Delivery
- IP protection ... Create competitors – OPTi chip database was wired out to competitor by our Taiwanese engineer
- US DOCOMO security rules required clearance for 32-bit CPUs
- Impossibly expensive to shut down French sales office, Israeli Development office, Legal liability of being Director in Indian company for 5 years after closing
- Handling Bribery and other payments for expediting services
- Public company Tax and Income consolidation cost and complications

# How to do Business Globally

- Every Country has its preferred method for dealing with imported products
  - Taiwan: Get a Stocking Distributor
  - Japan: Trading Company as Rep
  - UK: Direct Sales
  - France: Use a Rep
  - Korea: Use a Rep
  - India: Set up a Subsidiary

# Understanding Foreign Cultures

- [Etiquette International](#) in New York City, less than 25 percent of U.S. business ventures abroad are successful
- Relationship before business: Japanese marathon sales cycles; Taiwanese business after dinner; Korea order after a drink; France no-hurry lunch with wine; Sweden Sauna and Ice-lake jump; Hong Kong 9-course dinner with 100 year old eggs; Japan stinky Tofu took the cake for me
- Bring your Interpreter and Drinker; study their culture and be respectful – Koreans hate Japanese when they are drunk; French dislike the English; Germans have no respect for Italians and Spanish....
- Suit and Tie in Japan and Korea; Go informal in Taiwan and Hong Kong; etc

# What is your Foreign Sales doing?

- Can you Trust your own Foreign Distributor?
- Did your CEO/VP Sales get compromised in a “massage parlour” or get caught with in Chinese “Honey Trap” or trapped by a Mata Hari?
- Did your FSE get wasted or sickened by food poisoning by Customer?
- Did your FSE quote ridiculous prices and delivery commitments, just to get the deal?
- What is your Foreign Salesman saying in Chinese or Korean or French?

# Breaking into a Foreign Country

- International Trade-shows
  - CeBIT, CES, ...
- Hire your competitor or partner's VP of Intl Sales
- Hire Foreign Engineers studying in the US
- Sign up Intl Sales Reps by tracking your competitors Sales offices
- Give "Talks" at Foreign Conferences

# The Financial Benefit...

- A [recent McKinsey study](#) shows that while *global* U.S. companies only account for less than 1 percent of all U.S. companies, they earned 25 percent of total U.S. gross profits
- Whatsapp...\$19B valuation because 35% of customers are from India
- Apple gets 60% of revenue and profits globally
- Tax avoidance (Apple has over 100B in cash abroad, to avoid US 35% tax rate)

# A Case Study...Ferris Mfg Corp

- APRIL 4, 2001 "How can we sell our product to six billion people on the planet?" asked Jeff Dzuira, director of international sales at Ferris Manufacturing Corp.
- In 1996, 97 percent of the company's annual revenues were being generated from local sales. Dzuira knew the company had a good product, PolyMem, a pink dressing used to improve the healing of wounds. He also knew the product could be used around the world. Five years and a lot of work later, foreign sales account for 25 percent of total company earnings. "International sales have certainly contributed greatly to the overall growth of Ferris," said Dzuira. The Burr Ridge, Illinois-based company, founded in 1977, employs about 30 people and posts annual sales of \$10 million.
- Federal officials involved in promoting international trade are urging other business owners to enter the global game, especially as the U.S. economy is slowing down.
- "We've been telling small-business owners now is the time to get involved in exporting," said Jean Smith, assistant administrator for trade at the U.S. Small Business Administration. "Take those profits and put them into expanding into overseas markets."
- Smith said there are about 200,000 small companies engaged in international trade, a fraction of the 24 million businesses in America. However, she points out that only about 12 million firms have products or services that are exportable.
- Having a product or service that works at home and abroad is the first step toward export success. Medical products, like PolyMem, are among the products finding eager customers overseas.
- In 1988, founder and CEO Robert W. Sessions patented a formula for his drug-free and irritant-free wound-therapy treatment that stimulates healing and reduces painful wound dressing changes. Now it's known worldwide as "The Pink Dressing."
- But going global wasn't always part of Ferris' vision. It began its sales efforts, as most small businesses do, with a strictly domestic focus. But Dzuira said he visualized the world as a single market. He researched and contacted every government office that he could. Working with the resources of state and federal agencies helped him secure the Illinois Governor's Export Award two years in a row.
- "I learned of a subsidy available to us through the federal and state governments that would help fund our participation in 'Medica 96,' the world's largest annual medical device exhibition held in Dusseldorf, Germany," said Dzuira. "That venue launched our international sales campaign. The first Medica show yielded us more than 140 qualified leads worldwide and secured us our first large block of distributors."
- He acknowledges going global requires a serious investment of time and money. And companies without financial resources cannot make international deals.
- "Our packaging needed to be redesigned with multilingual text and accompanying instructions for use," he said, adding that he often relied on suggestions from his local distributors.
- It takes effort to build a small business into a world-class operation. Regulations have to be followed and payment methods have to be put in place. It took Ferris three months to secure an international distributor, and sales didn't materialize instantly. Due to the complexities involved in marketing medical products abroad, the company had to seek approval from the U.S. Food and Drug Administration.
- Despite the delays, the effort was worth it. "It's truly rewarding knowing that at the end of the day, not only have international sales been spectacular, but people worldwide have benefited from a very remarkable medical product," says Dzuira. "The lessons I learned have not come from seminars, textbooks or advice; rather, they have come from practice in the global playing field which hones the necessary skills to succeed in the marketplace."

# Case Study: Jeff Dzuira's Tips for Taking on the World

- 1. Get a company-wide commitment. "Every employee at Ferris is a vital member of the international team, from customer service through engineering, purchasing, production, and shipping."
- 2. Research and map out your export journey.
- 3. Know where you want to go and go there.
- 4. Take that decisive step and follow it up with sensible judgment. Jump in with both feet first, but keep them firmly planted on the ground.
- 5. Keep your ego in check. Don't let the prospect of "going global" inflate your ego and cause misjudgments.
- 6. If it smells, looks, or feels bad, don't try to rationalize otherwise. Trust your instincts.
- 7. Treat people as you yourself want to be treated. "People are basically the same worldwide; it doesn't matter where you are. Awareness and respect of cultural protocol demonstrates honesty and goodwill, and this leads to trust, which in turn leads to mutually profitable relationships."
- 8. Make personal contact with attentiveness, courtesy, professionalism, and consistency. "In-person visits are vital to building a relationship with rapport."
- 9. Factor in a three-year lead-time for world market penetration. It takes time and patience.
- 10. In a global marketplace, welcome the unknown. "Don't let the prospect of the unknown frighten you. Rather, learn to welcome it, take it apart piece by piece, and then slowly digest it all. The rewards can be great."



# Summary: Go Global

- *you have made it...only if your global marketing strategy is humming*