

White Paper – Starting up a UK Business Operation

Overseas software companies that wish to commence business operations in the UK have a number of alternative start-up options, this white paper examines these options and analyses the Strengths, Weaknesses, Opportunities and Threats (SWOT) of each. It then provides an example case study of an actual overseas UK start up.



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Introduction

Overseas software companies that wish to commence business operations in the UK have a number of alternative start-up options, this white paper examines these options and analyses the Strengths, Weaknesses, Opportunities and Threats (SWOT) of each. It then provides an example case study of an actual overseas UK start up.

UK Business Start Up Options:

Option 1 – UK Software Distribution

Software Distributors typically handle tens to hundreds of thousands of software titles and so are suitable generally for well established volume software companies, e.g. Microsoft, Adobe, Sage, Symantec, etc. They may claim to specialize in specific areas; however the volume of titles usually precludes any depth of expertise on particular products.

Strengths – Offer broad access to UK marketplace for established larger software companies.

Weaknesses – Due to volume of titles may be difficult to differentiate product from competitors.

- Introduces a third party between the Software Development Company and customer, with potentially reduced customer control and feedback.

Opportunities – Able to potentially distribute new products widely once channel established.

Threats – Will generally leave marketing to software manufacturer and may discard title in preference to another if sales are less profitable than another's products.

Option 2 – Reseller Partners

Reseller partners that can provide added value, either in technical know how or vertical market expertise can be an invaluable resource in penetrating the UK market. However, in order to be fully productive they need careful nurturing on a regular basis, usually face to face. Like any business, they need to be profitable and will sell those products that they can understand, sell easily and from those companies that are easy to do business with, i.e. have a good working relationship.

Strengths – Have established customer relationships and provide potentially free expanded sales and marketing capability.

Weaknesses – If unsuccessful with your product may move on quickly to an alternative solution to satisfy their customers' needs.

- Can be difficult to manage directly from overseas.
- Introduces a third party between the Software Development Company and customer, with potentially reduced customer control.

Opportunities – If nurtured correctly may have the capacity to add value to your product and provide feedback on future product development.

Threats – Quite rightly customer satisfaction comes first, so partners are generally more loyal to their customers than your product. Therefore, if a customer is dissatisfied with an overall solution of which your software is a part, there is the potential to lay blame on your product, rather than admit a failing in the partner's technical capability or support etc.

Option 3 – Full time UK staff and office Infrastructure

If the overseas company is successful within its home market and has carried out due diligence to assure it of success in the UK, i.e. confirmed that there is no competitor already dominating the same market space, that the market actually exists in the UK and there are no cultural, business or other reasons that might preclude success. Then it may consider making a direct investment in offices, sales, marketing and operations, administrative technology etc.

Strengths – Full control over UK business operations, sales marketing, finance etc.

Weaknesses – Upfront costs can be expensive, with long term leases on business premises,

- UK employment costs, equipments, legal fees, etc. Anticipate investing a minimum of 100,000 GBP per year or significantly more depending upon numbers of staff and offices.

Opportunities – Assuming your UK sales staff are successful and results are in line with planned budgets and forecasts then success can be forthcoming. Realistically for a completely new product with limited previous UK market exposure the sale lead time can be three or 6 months, sometimes longer. Therefore sufficient funding needs to be in place to cover until break even and to assure that income continues to exceed ongoing expenditure (positive cash flow).

Threats – Worst case, your market forecasts are incorrect.

- Your sales people aren't suitable and cannot sell the product.
- A competitor launches a cheaper more functional product that forces a price war and reduced profits.

- Cash flow insufficient in early months of operation due to over expenditure, resulting in failure of the UK business.

Option 4 – Venture Capital or Business Angel Investment.

Generally the UK company viability is as Option 3 except that the investor will take a share of company, profitability and possibly control over the company. In addition, it is likely that the investor will require evidence of the capability of the UK operation before investing funds. On the positive side, experienced business investors may bring added value in terms of experience and skills.

Option 5 – ICTlaunch Approach.

Starting any new business naturally incurs a learning curve as employees understand how to be fully productive and therefore maximize the potential of the business. In addition, the product capability and the market itself will also continually evolve and accordingly the sales delivery mechanism also needs to adapt. To achieve UK software business success requires a mix of sales strategy and delivery and a product that fits the target market at a point in time.

When forecasting the business budget and sales revenues on day one of a business start up, it can be very difficult to accurately predict whether sales will be achieved in line with the projections. Therefore we offer a different approach to help minimize the risk and assure the long term success of the UK software start up. ICTlaunch is experienced in delivering a pragmatic sales strategy what will actually work. Essentially, ICTlaunch provides the same facilities as Option 3, but on a more gradual basis, emphasizing sales revenue as an engine to fund business expansion. See the case study below for a practical example of working with ICTlaunch.

Strengths – Low upfront and ongoing cost for staff, offices, technology and other facilities enabling financial resources to be focused on sales and revenue income rather than costs.

Weaknesses – It is vital that the new UK operation is presented professionally to ensure that prospective customers perceive a one hundred commitment to the UK market. Fortunately ICTlaunch management and sales staff can draw on vast experience in ensuring absolute confidence in the new UK operation.

Opportunities – Delivery of a quicker break even and higher profitability during the initial stages of business development allows greater investment into sales and marketing expansion and therefore greater viability for the long term business.

Threats – There is always the possibility of risk to the business due to new competition entering the market, new products or significant changes in the marketplace itself. The key is to be flexible enough at the early stages to recognize these risks and to take early action to resolve these challenges before the business has become legally and financially committed to a particular course of action.

Example UK Start Up – Case Study

Company Name: AmbiSoft*

Company location: Italy

Software Products and Services: Internet Security Software, Implementation and Support Services.

Business Objective: Launch UK operation, break even within 6 months. Expand profitable operation in year 2 with permanent UK sales and service operation.

Background:

This company had established itself in Milan, Italy by 2004 with 10 employees and with a broad customer portfolio including; government, banks, retail, manufacturing, universities and media.

UK Market Expansion Aspirations and Risks:

Given the success in the home market, AmbiSoft believed they had a wider market expansion opportunity. Based on a buoyant UK economy and predicted growth in their key sectors, in particular, government and universities, they believed the UK was the highest potential growth market for their product and services.

AmbiSoft made enquiries over a period of 12 months, through government and private investment agencies and visited the UK on a number of occasions to investigate office costs and suitable staff recruitment. However, their visits to the UK had indicated to the AmbiSoft Directors that the cost of offices, difficulty and expense of sourcing staff and the general cost of living was prohibitively expensive and therefore the expansion plans were shelved. It was at this point that by a simple web search AmbiSoft made contact with ICTlaunch.



Initial Business Analysis

Prior to any formal contract engagement, initial telephone discussions were held and ICTlaunch undertook a preliminary analysis of AmbiSoft's market and potential business in the UK. As a next step, a meeting was held to enable an ICTlaunch director to present the findings of the analysis and to understand the ambitions and potential concerns of AmbiSoft. This meeting helped to determine whether there was the possibility of a successful UK business venture or whether AmbiSoft would be unwise to invest.

At this first meeting it was agreed in principle that there was a significant market opportunity for AmbiSoft, however based upon the potential initial cost profile and perceived risks, ICTlaunch recommended a **Step by Step Approach** as the best way forward to achieve their goals. It was important to protect AmbiSoft against an unsustainable escalation of UK office and staff costs, so that they could if necessary extricate themselves relatively easily from the UK without becoming embroiled in lengthy legal contract negotiations over building and office contacts or UK employment law.

ICTlaunch further advised AmbiSoft that the key to early success of their UK operation would be to focus on generating revenue at the same time as minimizing costs. That way they could achieve early break-even and plough back the profit into sales and marketing activity to then generate further sales.

Recommended Business Research.

Prior to commencing any UK business operation, ICTlaunch prescribed an internal AmbiSoft analysis of the key strengths and risks associated with their existing business and to pose the general question; Why do your customers buy from you in your home country?

An internal workshop analysis helped AmbiSoft identify that their Milan Headquarters, local support staff, easy customer access, and knowledge of the local market were all factors contributing to their success. To succeed in the UK, these facilities needed to be replicated, always bearing in mind the risk of potential cost escalation. Based on these considerations, the Directors of AmbiSoft set about formulating their market entry strategy.

Customer Profile Analysis.

In order to develop a UK Market Entry Strategy, it was discussed and agreed that Italian customers purchased AmbiSoft's products based on a number of **key Factors**, they prioritized these as follows:

1. A Strong Competitive Product
2. Knowledge of Customers issues and Marketplace
3. Flexible and reliable service and Support
4. Local location of company

UK Business Delivery Strategy

AmbiSoft realized that in order to succeed both initially and in the long term, they had to test whether they could replicate these key factors in the UK. Analysis of these key factors provided a practical way forward that was flexible enough to accommodate changes resulting from the real UK business environment:

Key Factor 1. A Strong Competitive Product:

AmbiSoft were confident of the capabilities of their product and therefore assumed the strength of their product as a given (Other companies may choose the lower risk approach of testing prospective customers for suitability within the market).

Delivery Mechanism.

AmbiSoft made no changes to their core product initially to accommodate the UK market place.

Key Factor 2. Knowledge of Customers issues and Marketplace:

In order to deliver this, it was decided that a UK based sales person was required that had; knowledge of their type of products and services, knowledge of the UK marketplace and knowledge of the competitive landscape. It was recognized that this person would also require some additional product training by AmbiSoft to be fully effective.

Delivery Mechanism.

Based on the specific needs of AmbiSoft, ICTlaunch identified a number of suitably qualified and experienced sales people. In order to eliminate the need to directly employ UK staff and the corresponding employment law implications for AmbiSoft, the sales person was contracted directly by ICTlaunch. ICTlaunch pre-assessed their suitability for this key role and then based on agreement with AmbiSoft contracted the successful candidate as AmbiSoft UK's Sales Manager.



The Sales Manager was product trained by AmbiSoft and trained by ICTlaunch on; launching AmbiSoft's new business, advanced selling and administration of AmbiSoft's business, including order processing and reporting etc. Progress of sales and an agreed business plan were closely monitored to ensure success.

Key Factor 3. Flexible and reliable service and support:

AmbiSoft had a reputation for attentive service and support and they realized that this ethos started with the first point of contact by the company. It was therefore deemed the task of the UK sales person and UK reception to reinforce a high quality service ethos in their handling of all UK businesses. Ultimately, quality of service is about creating the right perception in the customers' mind and the UK Sales Manager would be responsible for handling this backed up by AmbiSoft's support and implementation services.

Delivery Mechanism.

In practical terms, initially AmbiSoft needed to fly in senior level technical and/or project staff to assist in providing the necessary customer support, particularly in the first early contract wins. It was also ensured that once early contracts were in place, these implementations were exemplary in terms of customer satisfaction and therefore could be used as both sales and service reference points. Later on, the necessity for overseas visits to support clients was minimized by delivering support through electronic means and by the signing up of suitable UK support partners by the UK Sales Manager.

Key Factor 4. Location of company

A UK office was needed and London was decided upon due the central government prospect locations. However, most customer interaction would take place at prospects or customers premises; therefore full time, fully manned, fully equipped, dedicated offices were considered unnecessary, provided meeting rooms and a manned reception were available.

Delivery Mechanism.

ICTlaunch were engaged to provide a fully managed business service, comprising:

- A shared London office space and receptionist to handle incoming AmbiSoft UK enquiries.
- A full time ICTlaunch employed sales person (nominated AmbiSoft Sales Manager, reporting to AmbiSoft, Milan), with the remit to sign new sales contracts and develop a UK reseller partner network.
- An ICTlaunch Director (to coach the Sales Manager and ensure productivity).

The UK Business Setup

In totality, ICTlaunch provided everything required for the UK business operation, backed up by AmbiSoft's support and business knowledge. AmbiSoft remained in full control of their UK operation liaising with ICTlaunch on a regular basis on areas such as marketing, sales strategy, pre and post sales support, competitive analysis etc. This combined with ICTlaunch's experience in starting successful UK businesses and support for the Sales Manager in finding and closing business ensured early success. ICTlaunch handled all business administration, including administrative computing, customer invoicing and receivables and helped assist AmbiSoft in providing contacts for UK banking, company formation legal contacts and accountancy.

Business Sales Results

Based on the UK economic climate in 2004 and special AmbiSoft product strengths, it was decided to focus on government and higher education in the UK as target markets. A two pronged sales strategy was implemented, direct selling into local UK government and Education and indirect by establishing partners able to sell directly into central UK government.

Two local government sales, one university and one non-profit organization were achieved in the first 4 months. During this time, monthly seminars were organised and one large exhibition was attended in the UK. This combined with the strong local government references enabled the signing of a significant central government partner. Three months later, two more government contracts had been signed and the first large central government contract. Total income for the first 12 months equaled 600,000 Euros, breakeven occurred at month four.

After eighteen months of positive income and growth, AmbiSoft decided to invest in UK offices and directly contracted with their Sales Manager as their full time employee to spearhead the next phase of their growth.

Contact ICTlaunch for Further Information.

+44 (0)7748 457593

*Company name has been changed to protect customer confidentiality

www.ictlaunch.co.uk