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International Technology Marketing for Indian SME's: Opportunities, Challenges and Success Factors

OVERVIEW

by

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Introduction

Technology, by whichever definition chosen, has been effecting tremendously our society in more ways one can imagine. Technology share in world's economies is growing continuously, creating waves of demand in international markets for technology know-how, services and products, posing immense business opportunities for technology suppliers in almost any shape or form. International trade has grown impressively in the last decade as globalization charges further ahead in an increasing pace as trade barriers are falling. According to EUROSTAT, world's imports have grown from about 5.4 Trillion Euros in 2000 to 7.2 Trillion Euros in 2006, a growth of about 33%. In selected countries import growth has been dramatic; China for example is becoming quickly not only a dominant exporter but also a world leading importer with an import growth of about 160% within the 2000 to 2006 period. Within those blunt figures hide many unseen opportunities, many of which are technology related, either directly or indirectly, but how a technology enterprise, especially a small or medium one from India, can decipher these complex opportunities, and exploit them, while avoiding the accompanying threats entailed in being exposed to the international markets ?

Still, Indian companies are continually being drawn towards participating in international business, as many exhaust their local market, face growing competitive pressure, as well as an increase in local input costs, being fortified by a strong Rupee. Within that context, marketing of technology related products and services is even more challenging, as the business environment is very complex, dynamic and turbulent, where high degree of market, technological and competitive uncertainties persist. Knowledge, technology and product life cycles are becoming shorter and shorter, resulting in a very challenging decision making processes. Such a business environment requires companies to be extremely innovative and creative in adapting constantly

their offering, and business models, to market needs and demands, searching constantly to achieve, and maintain, an elusive competitive advantage.

Indian SME's poses many strengths and core competencies such as technical innovation, operations flexibility, product and service quality and are very customer oriented, yet lack many of the 'must have' resources, such as market know-how, international 'hands-on' experience and proven marketing methodologies, as well as the appropriate 'mind-set' and the long term commitment needed for international activity. How to find the specific market opportunity? How can market information be collected? How to identify the appropriate trustworthy channel partner abroad and how to reduce the associated risks? where to actually begin? These are just few of the typical questions posed by Indian SME's looking to expand their international activity. Evidently, there is a certain gap between Indian technology SME's capabilities and the required critical success factors of international marketing.

First and foremost, Indian Technology SME's need to take a strategic approach to marketing, realizing that marketing is THE key business process within the company, rather than a bunch of tools such as colored brochures or multimedia web-site. This means ,in practice, that before taking any business decision, Indian technology SME's must have in-depth understanding of the business environment in which the company will operate. Only such understanding can result in a clear marketing strategy which should define a precise market segment to focus on, and will enable the company to develop a clear differentiation and positioning vis-à-vis its competitors. Such strategy will require, in most cases, some tactical adaptation of the company marketing mix (product, price, place and promotion) to the specific target segment requirement. These should result in a very specific marketing action plan, which will outline the exact activities, responsibilities and budgets needed for the execution. Only a methodical, proactive, long term approach could result in a sustainable and meaningful performance on behalf of the SME in its international marketing endeavor. Substantial return on investment is very much possible, but the harsh reality is that investment of thoughts, time and money, are all required.

Market research & Analysis

Taking a further look at the first step of the international marketing process, the SME should analyze both its internal environment to identify specific strengths and weaknesses and its external environment to identify specific opportunities and threats. Many technological SME's skip a methodological analysis which means most decisions are based on guesses rather than on reality. Understanding of the environment in the context of international technology marketing is

mandatory due to its complexity and turbulent nature. The external environment can be divided into two main categories: Macro and Micro. Within the Macro environment one should be looking at the Political, Economical, Social, Technological, Environmental and Legal (PESTEL) dimensions. Issues such as trade agreements, Intellectual Property Rights, technology and quality standards, laws & regulations, culture, etc. are only few examples of the macro environment elements which must be considered in this analysis. Each of these may have an effect on the SME's international marketing strategies, plans and activities. Certain technical standards may require us to modify our product to fit local requirements for example. At this stage it would be wise for the SME to select key criteria by which all but very few countries (3 at most) will be screened out, enabling the company to continue its analysis on a much reduced geographical area.

Within the Micro environment the SME should be looking at the following dimensions: End Customer, Market, Competition and Marketing Channels. At the End Customer level clear understanding of needs, wants, buying behavior and decision making unit is mandatory. Not all customers behave in a similar way when it comes to technological products, thus the market will be composed of various segments, some may be considered more attractive than others, being 'softer' - more ready to adopt the SME's unknown technology. Market size, segments and growth trends all should be considered. In international technology marketing competition is complex and sometimes hard to define. The SME therefore should try and map all other suppliers who address the same customer need, even if by using a completely different technology. Continuous monitoring is required to spot, in advance, such disruptive technologies which might pose a potential threat. The last dimension of the Micro environment are marketing channels – or the potential 'routes to market', which are quite diversified and must add substantial added value, when it comes to technology marketing. Mapping potential channels will assist the SME, not only to identify barriers in reaching the end customers, but at the same time to identify unexploited channel opportunities generating a source for competitive advantage.

Key constraint for technological SME's, related to the above analysis, is the lack of time and know how in collecting, analyzing and synthesizing all the needed information. One possible remedy would be to focus on a narrowly defined market, reducing the size of the problem into a manageable one. Also, there are many resources today on the internet from which SME's can collect freely tremendous amount of high quality information about many international markets. Professional organizations, such as the CII, offer assistance to SME's in acquiring much of the needed information in a most effective way.

Strategy & Planning

Such an environment analysis should enable the SME to develop a well founded marketing plan which will enable the attainment of some specific marketing objectives which must be set in advance. A marketing strategy, which purpose is to create long term value for the company, should be formulated. The marketing strategy deals with dividing the market into few segments (segmentation), deciding on which segments to focus (targeting), selecting the mode and time of entry to the market, and finally choosing the place that our product (or brand) will occupy in the customer's mind in relation to the competition (positioning). Most technology SME's, due to lack of resources, when tackling for the first time international marketing, will need to take a 'beach-head' approach. First they will focus on a very well defined market segment, and only later can expand to other related 'near-by' segments. Towards the selected segment the SME must have a clear advantage in comparison to the competitors, in a way which is meaningful to the end customer. With regard to the entry mode – most SME's will choose exporting, as most of other options (such as setting a wholly owned subsidiary abroad) require substantial financial and managerial recourses. Positioning should be better not focus on technological features alone but on cleverly selected benefits sought by the customer. SME's should remember that if their target market will be well defined, than the resulting positioning will be much easily attainable.

Marketing strategy should then be translated into many tactical marketing decisions dealing with all elements of the marketing mix. In technology marketing it is extremely important to take the 'whole product approach', where by we consider, from the end customer perspective, all related needs and requirements, as discovered in our analysis. All product dimensions (tangible and intangible) including issues such as technical support services, optional add-ons and the like, must be adapted to the target market's requirements. Branding, an issue most SME's ignore, should be considered as well as an important differentiation factor, as we need to remember that short life cycles may erode our technology based competitive advantage after a while.

Pricing of technology based products is not a trivial matter as one must factor in many variables, unique to international marketing. Exchange rates fluctuation, channel margins, higher marketing costs and complex competitor pricing, are only few to name. Most important is to have clear pricing objectives and to avoid as much as possible unfounded rule of thumbs, as too low prices will result in loss of margins, while too high prices will result in loss of markets. SME's which rely too heavily on offering the most competitive pricing, find themselves in a

vicious survival wars, not being able to maintain their international marketing or research & development costs.

Marketing Channels

Marketing channels are, by far, the most critical success factor in international marketing for technology SME's. Most companies fail to realize the importance and complexity of this issue, resulting in very poor international marketing performance. Without the appropriate marketing channels an SME will not be able to reach and service its customers in an effective and efficient way thus limiting its competitiveness. Channel members add very important value when it comes to technology products, which the SME can not deliver itself to far away customers in other lands.

Having the appropriate channel structure in place is as important as having the right product. Based on its environment analysis the technology SME should carefully design its channel, using the most fitting channels in such a way that the 'whole product' approach could be attained. SME's should decide whether they will be using direct or indirect channels, what should be the length and width of the channel and which types of channel members to use (VAR's, System Integrators, agents etc.). Many times certain adaptation of the marketing mix (especially pricing) to the constraints of real world channel realities, will be mandatory. Actual channel set up is not a straightforward issue, requiring a disciplined and focused process, in which identification and selection of the appropriate partners, as well as negotiations are all part of. Traveling to target markets will be required, and should be taken into account as an unavoidable and important step. Selecting the appropriate partners is of course a critical step but not sufficient, as motivating the channel and building relationships are the real key in driving results. Indian SME's may lack financial resource but can assist and motivate its channels in ways such as leveraging on their flexibility and customer orientation. Listening carefully to channel partners about needs and problems, adapting quickly their product and providing valuable technical know-how and marketing support will quickly build trust, commitment and cooperation between sides. An on going channel measurement and evaluation will enable the SME to monitor the channel and take corrective action when needed, thus tuning channel management activities and increasing channel effectiveness and efficiencies.

Marketing Communications

Marketing communications (or Marcom) in the context of technology products and services is yet again a critical element of the marketing mix. In order to convince the customer to overcome his doubts and uncertainties about the new and innovative technology & products, Indian SME should communicate a very precise message to its target market. Such message should not only make the customer aware of the mere existence of the new products, but will raise his confidence in the new technology and more over will reflect precisely its positioning vis-à-vis the competitors. When selecting a very well defined market niche, the technology SME can be much more effective, putting emphasis on communication mix elements such as creating an extensive (technical and commercial) collateral, direct mailing to potential customers, personal sales, participating in limited but highly specialized events as well as on internet marketing. Leveraging on word of mouth communications generated by opinion leaders within the segment can dramatically amplify the SME's communications efforts.

Implementation

Finally the Indian technology SME must have a concrete international marketing operational plan in place. Such a plan should address all activities, timelines, milestones, responsibilities and budgets required. Having no plan in place, as many SME's have found out, does not mean there will be no expenses, but rather these will go out of control. There are many programs and organizations in India, governmental and otherwise, such as the CII, IIFT and DSIR which can assist tremendously the SME in the international marketing efforts from various aspects, either in providing valuable advice and knowledge, financing or even in customer match making.

In conclusions, international marketing is not an easy task, and must not be taken lightly. Yet, with the right 'mind-set' and a methodical, disciplined approach, Indian technology SME's can leverage on their strength, enjoy the tremendous opportunities and become world leaders in their own right.