











BEAM GLOBAL
Global B2B Marketing & Sales

Selecting Marketing Territories in B2B Software Companies



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Preface

One of the most challenging subjects of global marketing is the method for selecting which territory or territories to penetrate and then market and sell the products. It is a particularly interesting question in B2B software companies, whose product is a digital entity, and sometimes even a cloud-based service under the SaaS (Software as a Service) model. Therefore, there is no need for the shipping, logistics and physical distribution of products.

This question is obviously of relevance to

startups that have developed a new product not yet exposed to global markets, lacking prior experience and information regarding market attractiveness. The question also faces more experienced companies, which have already based themselves in the local market, but lack knowledge on practices in the global markets, and also faces companies with a dwindling global activity, which leads the company to feel there is a need for reexamining the issue and maybe even turning to other countries or territories.

Current Approach

Sometimes, B2B software companies dismiss and have no in-depth plan for this aspect of marketing, as they believe that software can be sold to any given organization or vertical in any country. In these cases, this belief (or, hope) emanates from the fact that inbound internet and digital marketing methods will bring leads to the company's website and have them leave their details, and the company will know how to handle each single lead, regardless of its country of origin.

This approach should not be dismissed, especially as it constitutes part of the market research and preparation process, and not



an actual launch of the activity abroad. For instance, when a website is launched and inquiries are received from certain territories, the possibility of increasing the operation and marketing in such territories should be



examined. However, even digital marketing methods like content marketing, PPC and SEO attribute importance to the location and language of contents, and to the keywords. In case we won't know what our primary target territories are, how will we know to optimize these expensive channels?

An approach that embraces a similar spirit is selecting territories by personal connections. In such cases, upon forming the idea to also market abroad, the company contacts key figures and various individuals who are active or reside abroad, according to the network of connections the company managers, or their associates, have.

Sometimes this might be a colleague from a previous workplace, who is active in one of the territories, a distributor from

another industry who is familiar with a company employee or just a cousin of one of the employees, who is unfamiliar with the relevant industry but "can be counted on". Connections are a blessed thing in the business world, especially in sales. However, when the casualness of the network of connections and selecting the territories that come with them intertwine and become a strategy, things might go wrong. Should we really start activities in Italy because we have a family member there, while ignoring the fact that the headquarters of our biggest competitor in Europe is located there? And also, should we jeopardize our connections by asking someone who is unfamiliar with the field and industry to sell in an inappropriate territory?

USA?

Lacking concrete information, global marketing and sales experience and an organized work method, the natural choice that I encounter of most B2B software companies is the United States. Reasons for that are based on the following premises:

- It is a very large market
- Easy to do business there
- No abnormal difficulties of culture or language – as the entrepreneurs or company managers speak English
- It's a homogenous market, so a single marketing activity covers an enormous territory
- Reliance on the success of other local companies – while ignoring the strategy of such companies, like the question of whether



it was the first market selected, and if so, what were the specific circumstances that led such companies to select this market.

While there is a point to these arguments and they cannot be dismissed entirely, as a significant share of our export goes to the United States, experienced global marketing professionals in general, and in the United State in particular, know that:

- **It's a very competitive market** – we're not the only ones who “discovered America”; many global and powerful competitors have done so as well. This, added to all of the big American companies whose headquarters is in the United States, and we'll understand that it will not be easy to compete with them on their home market.

- **Penetrating the market costs a lot of money** – whether it be trips abroad, costs of exhibitions and conventions, or establishing a local office and employing local workers with very high salaries, especially when it regards experienced sales managers in your industry. An example I came across is a company I had worked with, which was allegedly aware to the economic issue and therefore hired the services of an American adviser to save some of the costs of flights to the United States. What they didn't consider were the large costs of domestic flights and the adviser's hotel accommodations, and the significant time demanded by such trips.

- **It's a market with very high demands and standards** – the United States market has demands in standardization, product quality, service level, timetables etc., of an unforgiving nature. Market clients and partners will have no difficulties in estimating the level of marketing readiness and maturity of a foreign company. Failure to penetrate might shut the door on further penetration efforts. Usually, it's best to arrive at the American market after some experience in other markets, unless there are other circumstances that require otherwise.



- In most cases in the B2B field, **a client or distributor demand to form a local office** will be raised, to show commitment to this market, and also to support the customers. The costs of such a move are obviously significant.

- Though many Israelis speak English, it's a **“non-American” English**. The culture in general, and the business culture in particular, vary greatly from ours.

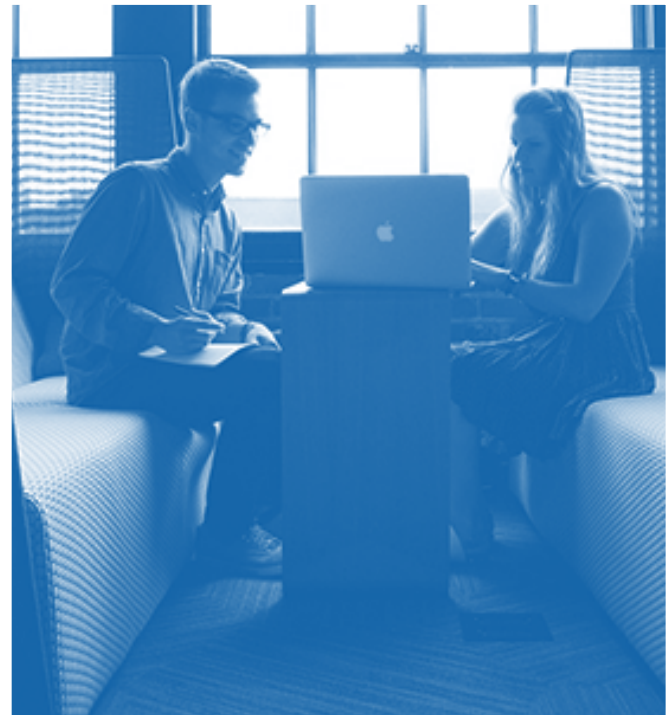
This does not mean that it's a market unworthy of penetration, but rather serves as clarification that there's a need to base your decisions on data and facts.



The Importance of Planning Territories

Selecting territories in which to focus penetration efforts constitutes an important stage in the entire process of examining the company's readiness to global marketing, and of global marketing planning. This process is essential as global marketing bears many difficulties, and is unlike marketing locally, for the following reasons:

- Costs are significantly higher
- Global, resource-rich competitors who are much more familiar in the market
- Excellent local competitors with products more fitted to your target markets
- Starting companies have no clients as references
- Distance
- Time differences
- Business culture differences
- Unfamiliar regulations, licenses and regulatory demands
- Payment- and Exchange rates-related risks
- Legal risks



Penetrating global markets is a complex, prolonged, expensive and challenging process. Proper planning will reduce the number of mistakes and increase your and your company's chances of success. Selecting the territories in which to start global penetration will assist you in basing your decisions on solid facts and not on feelings, guesses or a baseless optimism.



The Process and Planning Stages

Selecting which territories to penetrate is part of the process of examining readiness to global marketing and export planning, and is composed of the following stages:

- **Self-Readiness test** – at this stage, anyone can examine his or hers level of basic maturity and readiness to start global activity by answering a series of short questions that will provide a preliminary indication as to where their business is. A free tool for this can be found [in this link](#).
- **In-depth testing** – in case you passed the previous stage's examination, the next step is to examine your business in-depth and list the preparations required for global marketing. At this stage, only internal issues are tested, such as the level of the company's success in the local market, number of clients, expectations for the global activity, the method in which global markets integrate in the company's growth strategy, competitive advantages, manpower issues, staff knowledge and experience, level of company's commitment to the global activity, development and delivery capabilities, standardization and product adjustments, and the budget as well.
- **Information sources** – one of the biggest difficulties in global marketing is the gap between the required information, and the difficulty of achieving it. There are many reasons why companies skip this stage, however I've already come across companies which thought they had a unique product, but only after market research did they discover that not only are there many other competitors in the global market, these are also products richer in functionality developed by much larger and well established companies. We won't go into the various sources of information gathering, which could be secondary sources (e.g. papers and studies, the Export Institute library, financial statements of competitors, professional groups in social media etc.) or primary sources (e.g. interviews with advisers, thought-leaders, clients and even your experimental website PPC campaign), however we should absolutely know what information to look for, as it is directly tied to the issue of selecting territories.



In the next chapters, we will focus on the following three stages: market research, selecting products and, of course, selecting territories.



Market Research

The information we will gather in this chapter, including market characteristics, potential and level of competition, will directly impact the decision of what territories to turn to. Examine and answer the following questions:

- 1.** What are the major parameters that directly influence your sector, and its potential market size? For instance: for a company that sells software to hospitals, it's possible that the number of existing beds and beds under construction are the relevant parameters, whereas for a company that provides software in the governmental procurement field regulation might be the critical one.
- 2.** What are the general and environmental (geographical, climate, cultural, economic, political, legal and social) factors that might indirectly, but significantly, influence the use of your product? For instance, in countries that constitute a global tourism spot, there might be influence on the potential of the hotel management software market, and in countries with a governmental tendency to invest in instilling the cultural and historical legacy, the historical archival management systems market will be impacted.

List your findings in the following table:

Name of information source	Direct industry parameters	General parameters

- 3.** Did your sector experience global growth in the past three years? If so, specify.

Year	% Growth



4. What trends do you identify in your industry that might impact its growth, or that of your product? For instance, changes in behavior and consumption habits, technology, regulations, consolidation of companies, proposed business models, social trends, awareness to environmental protection etc. That is how, for instance, a software company in the Test Management field might list the transition to automatic testing as a trend in its industry. Can these findings influence your sales potential, or pose an obstacle? And how?

Name of information source	Trend description	Influence / Obstacle

5. What are the primary demands or needs of clients when they purchase similar or competing products (functionality, innovation, design, completeness of offering, warranty, service, price, simplicity of operation, vendor reliability)? Rank by order of importance and grade from 1 (low importance) to 10 (high importance). Eventually, specify what need is not sufficiently satisfied in the global market with respect to existing solutions or vendors.

Client demands and needs	Importance score	Lack of solutions

6. Specify which types of relevant clients/verticals you identify in the market, and their primary characteristics. For instance, in the Event Management Systems (event organization and registration) it might be possible to identify SMEs (small and medium clients) who want a simple, cost-effective and easy to use solution that does not require training, and can therefore be in the cloud, whereas Enterprise clients see importance in full integration into the CRM or ERP system. In Printing Management software, the security vertical sees



importance in securing the information in the documents printed in departmental printers, so that a certain document doesn't end up in the wrong hands, whereas the Consumer Packed Goods vertical sees importance in maintaining the level of marketing printing expenses and in not having unmonitored overprinting in an organization.

Client/Vertical type	Characteristics

7. What are the types of common distribution and sales channels that reach target clients by company/vertical types? For instance, it's possible that eLearning software for elementary schools will be sold by companies that sell school management software, whereas Supply Chain Management software might be sold by system integrators who implement ERP systems.

Client/Vertical type	Distribution channel

8. Who are the major players in the market who form your industry ecosystem, in addition to vendors and clients? For instance: consultants, thought leaders, professional organizations, regulators, complementary solutions vendors, distribution channels and integrators. Specify several examples. These will assist you later in the target market selection process, and even in the penetration stage itself.

Player type and function	Examples



9. Specify the major global competitors in your field and their advantages and disadvantages – whether with respect to the company itself or to their products. For instance, a very big competitor who has significant financial resources as an advantage, but is not flexible as far as it concerns adjusting products to client demands in certain target countries as a disadvantage.

Competitor name	Product Name	Advantages	Disadvantages

10. If they are known to you, specify the prices of competing products by major global or local companies in possible target markets, their pricing methods, business models and common sale terms (scope of product offering, service, cloud-installed, warranty).

Competing product	Pricing method / Business model	Prices	Common Sale terms

11. Specify, in general, your findings regarding the competitiveness of your industry, globally.

Competitiveness	Mark your selection with an X
Low	
Moderate	
High	

Now you know the market and your business environment much better. Let's move on to the next sections and see how we can use this information.



Selecting Products

In the next two stages, we will select products and target countries for global marketing.

First, we want to select a product that has the highest probability to succeed. This stage is relevant if you have more than one product, or even if you only have one product but still possess the flexibility to define its scope as to have its global version optimized. This stage should be conducted in parallel to examining the territory, while examining how one impacts the other. For instance, it is possible that you selected a

product, and in the stage of selecting target markets, it appeared that these countries specifically have regulatory restrictions, therefore it will be best to return to the previous stage of product selection and examine things in light of the known facts.



Answer the following questions:

1. List the products that you believe have the highest potential abroad, and specify their advantages and weaknesses, and why they possess global potential

Base your answers on:

- The research you had just conducted on export potential, market trends and industry competitiveness

- Their success in the local market
- Previous sales, if any, of these products abroad
- Leads received for them
- Information regarding their purchase by local companies for usage abroad

Product	Advantages	Weaknesses	Reasons for potential success abroad



2. Another check that should be done concerns the issue of import taxes or customs. Usually there are no such taxes in the software field, but each case should be examined in separate. Exporting to Brazil, for instance, which has a complicated tax system, or in cases that concern software sold as part of a physical product and the product's classification might impact taxes and the product pricing.

Product	Target country	Classification	Customs/ Tax rate	Impact on pricing

3. It is recommended to narrow down the list and select products or a product line with the lowest penetration difficulties and the highest chances of success, even if you only have one product, you should be ready to answer the following critical question:
Why are your products attractive to markets abroad, and why would a customer bother (and sometimes even risk) purchasing them from you company?

Product	Product attractiveness to a client abroad	Why would a customer abroad purchase the product from you

As has been said, it is best to go over this sub-chapter after you finish the chapter and stage of selecting territories, and update it according to your additional findings. Having selected products, we can head over to the Selecting Territories stage. You will be glad to discover that a significant part of the process is already behind you!



Selecting Territories

Selecting which territories to penetrate is part of the process of examining the readiness to global marketing and export planning, and is composed of the following stages:

- If you answered the challenging questions presented so far – you are in the right direction, as the decision-making process will be based on facts, not on guesswork.
- It is best that you initially focus on a small number of territories. If you overstretch, your resources will stretch as well, and your penetration effectivity in each territory will be reduced. For instance: if you take part in an exhibition in one country, but advertise in a professional journal in another country – then the two actions, as blessed as they may be, hardly feed each other, and that is compared with a situation in which a potential client saw your online advertisement and then met you at the exhibition stand.
- When selecting territories, think about the uniformity issue of markets and the variance between them. For instance, relative geographical proximity between countries that will allow covering two territories in one trip, or territories with a shared language, so that translating the software interface or marketing materials in Germany, for example, would also help in Austria and Switzerland. This should be cross checked with varying and dispersing risks as to not put all the eggs in one basket. For instance, by combining a country from Western Europe, a country from Eastern Europe and Russia.
- Take into consideration the geographical issues related to the characteristics of the different countries. For instance, experienced professionals know that the issue of meeting times and meticulousness in product quality are more critical in Germany than in Greece, or that sensitivity to price in the Netherlands is apparently unlike that in Bulgaria etc. It is difficult to cover such fields in a market research, therefore a person with global experience who knows the business culture and geographical differences is required in the team.
- It is highly recommended to select targets that would be the easiest (but also ready) to penetrate, and not necessarily the most attractive, large or challenging ones. We're trying to reduce the level of risk and channel the little resources we have toward countries with the highest chances of success. After we get settled in these territories, our "global conquest" can continue.



And these are the steps:

1. We'll start by preparing a list of candidate countries. According to the market research you've conducted in the previous stages, list countries in which:

- The parameters that give the best chance for exporting the products you selected are met. If you know of any recent market growth data, specify it in the table.
- If you already had successful sales, even if they were unplanned, to certain target countries, add them to the list.
- Add to the list countries in which other Israeli or foreign companies succeeded in selling similar and complementary products. Specify the company's name in the "reason for selecting" column.
- Add to the list countries from which leads have been received (from exhibitions, an experimental PPC campaign, your website etc.) or in which connections have been

made with relevant market players who took interest in your products.

- If you have clients in your local market who use your product or sell it as part of their product abroad as well, add the relevant countries to the table.



Now we want to filter this list. The aspiration, as has been said, is to arrive at a reduced number of countries in which it would be the easiest for you to succeed, and not the most challenging.

Territory	Reason for selecting	Annual growth in the past 3 years (%)



2. From the table of countries above, list the names of leading global competitors who are active in these countries and whose headquarters is located in them, or who run a very central office (for instance, for the whole of Europe) that they own (not a distributor). It is possible that you'll decide to not attempt to start the penetration activities in markets in which these global companies are located, who are expected



to be powerful competitors in their home market, or who have a significant market share.

Filter your initial list of countries accordingly.

Territories	Global company HQ	Global company main office	Market share

3. Of the countries that remained on your list, check whether there are strong local competitors with excellent products and/or very large market shares. It is possible that you will decide not to start your global activity by dealing with a strong local competitor who has based itself, and rather prefer and direct your resources to countries that have no dominant vendor,

where the market might be more open to outside offers. Alternatively, if there is a local competitor who is in decline (runs an outdated version of a product and has no development capabilities and whose clients are gradually churning, for instance) and is losing market shares. You might want to add this country to the list.

Territories	Strong local competitor – remove	Local competitor in decline - Add



4. Remove from the list countries that have preconditions or other obstacles (e.g. standardization, customs, support for industry-related standards, demand for a local office, complementary products or

services, tough-to-deal-with language, distance exceeding your marketing budget, lack of patent protection etc.) that might make penetration with your resources very difficult in the first stages.

Territories	Precondition or significant obstacle



5. Now choose from the table the list of countries on which you have decided to focus (about three countries) and list them:

Selected Territories

Remember that the marketing, research and market feedback processes are dynamic and ongoing. It is possible that as part of your marketing activities, you will discover things that have been unknown to you so far. Nothing prevents from changing target countries, provided that such decision is based on facts.

Congratulations, you now have geographical targets for your penetration efforts!



The last stage is preparing an action plan according to the target countries and the product you selected, and the gaps you discovered in the process, in which we list the actions required to complete the company's preparation for global marketing. We will talk about this another time.

Good luck!



BEAM GLOBAL
Global B2B Marketing & Sales

Beam Global specializes in marketing, sales and global business development for high-tech companies and small, unknown B2B start-ups, who are taking their first steps in the global scene.

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