GLOBAL EXPANSION IN THE SOFTWARE INDUSTRY ON A SMALL BUDGET

Going Global on a Shoestring

Hans Peter Bech

"This is a book for those who want to open doors to the global markets."

Marylou Tyler

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GOING GLOBAL ON A SHOESTRING

GLOBAL EXPANSION IN THE SOFTWARE INDUSTRY ON A SMALL BUDGET

BY

HANS PETER BECH

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FOREWORD BY MARYLOU TYLER

THE software industry is fascinating. It's young, and the time and money required to turn a new and innovative idea into a product keep shrinking. The cloud platforms provided by the big players, that enables delivering software as a service everywhere, have removed many of the technical obstacles that previously restricted software installation and use. In contrast, all we need today to install and use software is an Internet browser or a simple download of an app.

In line with Marc Andreessen's renown Op-ed published on August 20, 2011, in the Wall Street Journal, titled *Why Software Is Eating the World*[1], software has crept into all walks of life. There is hardly a business process in any company that doesn't need, or least can benefit materially from running on a software platform.

Where software sales professionals in the past were referred to the busy and unapproachable CIO, today that is no longer the case. Conversely, line managers with a budget can drive a software buying journey, and the subscription format has made purchasing decisions less complicated. The bar for acquiring software-based products has been significantly lowered.

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1. https://www.wsj.com/articles/SB10001424053111903480904576512250915629460
2. Kim, W. C., & Mauborgne, R. (2004). Blue ocean strategy: competing in overcrowded industries is no way to sustain high performance. The real opportunity is to create blue oceans of uncontested market space. Boston, MA.

In addition to easy access and download of software, the Internet has tied together all businesses across the globe. Enter your keywords in a search engine, and milliseconds later you get a list of sources ordered according to relevance. It is even very likely that you can find your potential customers by name on social platforms like LinkedIn, send them a message, and start a conversation.

With more sales opportunities, easier access and more transparency, what's not to like if you are a freshly minted tech-company with a great product?

With the growing market and the shrinking barriers of entry, the supply of software products has exploded. In parallel, the proliferation of the Internet and social media have together created a massive wall of noise that stands between you and your potential customer. Add to this challenge the fact that many innovative software solutions set sail in a blue ocean and therefore don't fall into an existing category with established terminology.

It requires more time and effort to educate your target audience in understanding and appreciating what your novel product does and how it helps them. And even if your innovative and extraordinary product delivers measurable results, your target audience has to be aware of it, recognise their need for it, and know how to search for and research how it benefits them.

What do you do then, when you have a great product, but no real budgets to buy the attention of your potential customers?

Lucky for you, that's the subject of this book written by my colleague, Hans Peter Bech. Over the last forty years, Hans Peter has been successful in deploying the principles taught in this book and teaching professionals and companies to do the same. Because the windows of opportunity in the software industry can be narrow, Hans Peter's book applies a global perspective to revenue generation.

The objective for most software companies is no longer limited to only winning customers domestically. Instead, demonstrating that you can grow across national borders immediately increases the value of any software company, even yours. It gives you access to the broadest possible market and paves the road for taking your company in any direction you want.

If you're intrigued and want to learn a process for opening doors to global markets, I believe you'll find Hans Peter's book a worthwhile read.

Enjoy!

Marylou Tyler
Des Moines, Iowa, USA

Marylou Tyler is the author of *Predictable Revenue: Turn Your Business Into a Sales Machine with the $100 Million Best Practices of Salesforce.com with Aaron Ross*[3] *and Predictable Prospecting:* How to Radically Increase Your B2B Sales Pipeline with Jeremey Donovan.[4]

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[3] Aaron Ross, Marylou Tyler (2011). Predictable Revenue: Turn Your Business Into a Sales Machine with the $100 Million Best Practices of Salesforce.com. PebbleStorm.

[4] Tyler, M., Donovan, J. (2016). Predictable Prospecting: How to Radically Increase Your B2B Sales Pipeline.

Preface

IN THE MIDDLE OF A PANDEMIC

I have written this book to help small B2B software companies (with a staff of between 20 and 200 people) find ways to adjust and make their business model work in foreign markets. Because entering foreign markets is the path to long term prosperity.

By March 2020, I was well underway with the manuscript when a pandemic suddenly hit us. We have had pandemics before, but a comparable one, such as the Spanish Flu, was more than a hundred years ago. The Swine Flu that started in North America in 2009 didn't seem to be the benchmark.

How do you go global on a shoestring when borders close, airlines stop operating, global supply chains break down, the economy falls like a stone, and you need to wear a face mask when going out?

Indeed, some activities have temporarily been rendered impossible, but others have changed for the better. In the chapter describing the virtual business scenario, I explain how the Covid-19 pandemic has moved the thresholds in your favour. Suddenly you can accomplish much more without meeting people in person. Some of these thresholds have moved permanently, while others will swing back when we have the virus behind us.

The recession caused by Covid-19 will not last forever and it will not fundamentally change how we do business in the software industry, but it may have an impact here and there. I do refer to Covid-19 now and then, but this is not a book about how to overcome or take advantage of a pandemic. A book on that subject would certainly be relevant, but it would be short-lived. It would also be hard to write because the Covid-19 pandemic affects businesses very differently.

A company, where I sit on the advisory board, experienced a forty per cent reduction in revenue. Because they are reasonably consolidated, they decided to reorganise and invest in additional sales resources.

Suffering from the recession, customers suddenly had more time to talk about what should change on the other side of the pandemic. The company managed to book virtual meetings with potential customers that previously were too busy, and they will come out of the recession with a very strong pipeline.

SMALL CAN BE BEAUTIFUL

I come from Denmark. We are a small country with a little over five million people. We speak Danish, but most of us speak reasonable English also, and some of us even speak three or more foreign languages such as German, French or Spanish.

Denmark represents less than 0.5 per cent of global demand for anything. This is probably the reason why most Danish software companies enter foreign markets very early in their lifecycle and at stages where most of them only have limited investment capabilities. They get attracted by the promise of the 99.5 per cent of the global market that is elsewhere, they can get a long way with English, German, French and Spanish as their second or third language, but need to find inexpensive hacks[5] to win customers and business partners.

They want and need to go global on a shoestring.

A great example are the products behind Microsoft's Dynamics 365, where the ERP (Enterprise Resource Planning) components originate from the Danish company Navision. You can find the details of how that happened in my book, *5,460 Miles from Silicon Valley - The In-depth Case Study of What Became Microsoft's First Billion Dollar Acquisition Outside the USA.*[6]

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[5] https://tbkconsult.com/why-growth-hacking-can-never-be-common-practice/

[6] Bech, H. P. (2018). 5,460 Miles from Silicon Valley - The In-depth Case Study of What Became Microsoft's First Billion Dollar Acquisition Outside the USA (S. Quirke Køngerskov, Trans. A. Hagel Ed.). Copenhagen: TBK Publishing®.

While getting access to international markets is extremely attractive and will multiply the value of any software company that succeeds, this is probably also the most difficult step you can take. As difficult as getting the business started in the first place. Especially if you are on a tight budget.

In this book, I will share my experience and what I believe are fundamental principles that can be used by any small software company that has a great product, but only limited funds. My ambition has been to make this the handbook for how to enter foreign markets without betting the farm and failing fatally on the first attempt.

Calling it a handbook doesn't imply that there is a single and linear approach that will lead to success for anyone anywhere. Such an approach doesn't exist. Instead, it implies that you will find practical examples and down to earth discussions relevant to the subject. You can take away and try out those ideas that you find applicable to your business case.

It is on purpose that I mainly use case stories from companies that you probably don't know. Because no one knows you either. That's the main characteristic of your challenge. How to get business in a new market when you are a complete unknown and only have limited resources available.

IS SOFTWARE AN INDUSTRY?

I claim that this book is for people in the software industry working with getting the first revenue flowing from foreign markets. But is the software industry really an industry? Does Epic, a company developing highly sophisticated software for managing the care of patients in hospitals, have anything in common with XINK, a company developing software for the central management of e-mail signatures? Where Epic has to work with individual, formal, comprehensive and public request for proposals (RFPs) and must entertain complicated and elongated purchase processes followed by massive implementation and integration projects, XINK will experience customers downloading a trial and later purchasing a subscription with their credit card. Do they really have anything in common?

Yes, and more than what you see at first glance.

All software companies face the challenges associated with lack of observability (a phenomenon that I describe in more detail in chapter three). B2B software is invisible, which makes it hard for customers to quickly understand what it is, what it does, how it works and how fast it can be implemented and deliver the value it promises.

Further, the value of B2B software depends on how it gets implemented and used. The benefit of using business software is always situational depending on the user's ability to climb the learning curve and get familiar with the facilities. The same software can improve one person's or organisation's productivity while it appears as a nightmare for another even when they perform similar jobs and functions.

When you are not an established brand, and potential customers do not know what you do, then you have a hard time getting your messages across because a picture or two will not tell the story. It takes genuine creativity to explain your position and your value proposition.

When I started working with XING in the mid-2000s most customers thought that the company was providing digital signatures. Probably because only a few customers knew that managing e-mail signatures was an issue about which they should care. Customers focused on the word "signatures" and instinctively replaced "e-mail" with "digital." XINK needed to explain their category first before they could talk about the product.

The best way to overcome the observability challenge is to become a globally recognised brand. Today, all the customers asking Epic to submit an RFP know very well what their software does. Not necessarily because they have ever worked with it, but because Epic has become a well-known brand in the market for managing electronic health records. Anyone anywhere in the world working with IT in healthcare will know who Epic is and have a good feeling for what they do. It wasn't always so, and Epic chose to work the domestic market for 28 years before they landed their first international project outside North America.

Almost all business software companies share the lack of observability challenge, which gives them common difficulties when expanding internationally.

WHY USE A SHOESTRING IN THE FIRST PLACE

Epic represents the traditional approach to expanding internationally. You concentrate on your domestic market first and become the market leader there. With the support of your leading position and the funds you have accumulated, you then expand internationally.

Today only a few companies will take that route.

Why?

When the owners are afraid of missing out.

Markets for software-solutions tend to be global with seemingly low barriers for entry. If you don't grow globally, your competitors will. They will then grow faster than you, make it more difficult for you to come next and eventually even turn up at your doorstep and challenge your comfortable position at home. In scenarios with externalities and network effects, this risk is even more profound. Take a look at Trustpilot, which is such a case, although not precisely a shoestring role model.

When the domestic market is too small.

Take Tia Technology and Edlund that develop solutions for the insurance industry and RamBase, Monitor and Uniconta that develop ERP systems for selected industries. Even if they managed to get past the 20 per cent market share domestically, it would not be enough to uphold the development activities required for the software to keep up with its international competitors. Because of the global transparency in today's markets, you cannot price your solutions very differently from your competitors, and you cannot afford a substantial gap in features and functionality. Even when there are considerable barriers for entry in the national markets, the customers will begin to consider other alternatives.

When the owners are looking for an attractive exit.

It is beyond doubt that the valuation you can obtain at a liquidity event will be much more attractive if you can demonstrate international growth compared to just showing domestic activities. If an exit is your primary objective, then global expansion appears urgent.

When it is more exciting selling abroad than at home.

I must admit that I am a victim of this point of view. When, in 1986, I left my well-paid job as a sales manager for Control Data's subsidiary in Denmark to join a freshly minted start-up, I was primarily motivated by the opportunity for doing business development abroad. I had to spend the first twelve months getting a healthy customer base domestically before I could appoint a sales manager and devote myself to international expansion. I loved flying around, finding resellers in other countries, and help them get their business going. Working for a Danish company selling worldwide was so much more fun and satisfying than working for a foreign company selling into Denmark. I know that I am not alone in having this bias, and many internationalisation projects are driven by people who simply just find it more fun and meaningful.

When it's hard getting customers domestically.

I once worked for a company where this was the rationale. We had a solution for a market where there were only a handful of potential customers in Denmark. For various reasons, none of these customers were in the market for a new solution when I came on board. We threw all our resources into international activities and won customers in Belgium, New Zealand and the USA. We could only do so because the company had profitable operations in other industries, which could fund our international business development efforts.

Because it is possible and attractive.

When it comes to establishing international supply chains, the software industry is quite fortunate. You don't need to build factories, warehouses and repair shops. You don't need a fleet of vehicles and technicians to service your customers. In some cases, you need to run on-site pre-sales workshops and implementation work, but mostly you can do it virtually. Getting and serving customers in other countries can often be achieved with minimal additional cost, which makes the gross margin you can generate handsome.

You see, there are different reasons for expanding internationally. I don't think that there are any general guidelines for when you should embark on the international expansion. I used to recommend the traditional approach of building a solid base at home first, but I don't do that anymore. In some situations, that's the way to go, and in other cases, it is not. The best timing is entirely contextual and often based on an opportunity suddenly popping up.

I do think, though, that you have to be very careful in not jeopardising your core business at home. Never bet the farm. Going global will take longer and cost more than you expected. Make sure you can afford it or stop before it threatens what you already have.

Hans Peter Bech

Copenhagen, September 2020

CHAPTER ONE - INTRODUCTION

ABOUT THIS CHAPTER

In this chapter, I will clarify what and how long a shoestring is. I will introduce you to the difference between business development and marketing-sales. Knowing and understanding this difference will save you time and help you avoid the most trivial pitfalls when entering new markets.

When I participate in discussions about international expansion, I often experience that we lack a common vocabulary. Much time is spent clearing up misunderstandings because each of us has a slightly different perception of the words we use. What is the difference between a market and an industry? Are a market and a country the same? What is the difference between a lead, a prospect and a potential customer? When is a lead or a prospect qualified? What is a value proposition? What is a position? Is there a global market? What is a business model, and what is the business model environment? How do you define the ideal customer profile? How do you define a market segment? What is the law of diffusion of innovation? Does it apply to you?

To overcome this dilemma, I will introduce you to the main definitions of business concepts and to the vocabulary you can use when you want to conquer new markets.

Although this book is written specifically for software companies, there is still a big difference in the challenges that you face depending on which type of product and revenue generation process you entertain. I propose, therefore, to introduce you to the two revenue generation approaches that demonstrate the most significant difference in how you can expand internationally: The virtual approach and the physical approach.

After introducing the methodology toolboxes with which I believe you need to be familiar, I will provide you with an overview of the book that may help you decide in which order to read the chapters.

Finally, for the sake of good order, I will discuss how the change from the on-premise prepaid perpetual license format to the cloud-based Software-as-a-Service format has affected the options for international expansion.

HOW LONG IS A SHOESTRING?

As the title of the book suggests, my approach doesn't require massive investments. A shoestring is an aphorism for minimal financial means. Going global on a shoestring means expanding internationally on a small budget.

So how much is that? How small is small?

As with anything else in business, that depends, but let's just say that it is an amount of money that you can afford to lose.

If you are venture-funded, then you can, by definition, lose more than you personally can afford because you can also lose the investors' money. That option is not available if you bootstrap. The venture-funded model is per definition, not a shoestring approach. However, if you bring in external funding to scale a business model that you have proven works abroad, then the first part of the journey could have been done on a shoestring. Venture funded software companies are welcome to read along and take away what they believe also applies to them.

Going Global on a Shoestring is a book about how to get *the first* customers outside your domestic market. We could call it establishing the bridgeheads or the foundation for further growth. Getting the foundation in place and then scaling it to market leadership[7] are two very different tasks. This book is mainly about the first task and not so much about the other.

Building the bridgehead in a foreign country or the foundation for international sales is mostly a *business development* effort.

Growing to market leadership is always a *marketing and sales* effort.

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[7] Market leadership typically requires getting past a market share of 20 per cent.

BUSINESS DEVELOPMENT

Business development is the discipline of finding a fit between your product[8] and a *well-defined* segment in the market, which is not completely saturated by competitors. You can also call this your position. With well-defined, I mean that you can quickly identify potential customers with identical characteristics that will very likely have a compelling need for your product now or in the foreseeable future. Likewise, potential customers can quickly identify with you as a relevant supplier of software that is important to them. During their buying journeys, such customers will look for the same kind of information and require the same sort of proof of value.

The objective of the business development effort is finding a business model that can scale. Getting the position right, that is the match between your product or value proposition and a well-defined and available segment in the market, are the critical elements in the quest for a scalable business model.

The business development process will very likely entail adjustments to the features of your current product, your current position and therefore also to the marketing and sales material and the method that you will need for winning customers abroad.

A business development team does not have a sales target and is not on commission plans. The outcome of a business development effort is either the definition of an attractive position or a decision to abandon the market. Both results are legitimate.

MARKETING AND SALES

Marketing and sales are the tactical front-office activities required to scale the business model from the chosen position. You can only do this effectively if your potential customers have fairly identical needs and buying journeys[9]. The objective of marketing and sales is *scaling* the revenue generation process. This requires investing in marketing activities that can take the same messages to more potential customers and in people that can help the customers with fairly identical needs to complete their buying journey.

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[8] Throughout the book, I use the term “products” for any combination of products and services that you sell to your customers.

Marketing and sales are the labels for the process of systematically generating revenue with the product in the chosen market from a particular position in the race for market leadership. You can predictably scale the revenue generation process by investing more in marketing activities and by adding more salespeople. You know what it takes to generate more leads, and you know which skills are required for performing the sales portion of the revenue generation process.

Understanding the difference between business development and marketing-sales is the key to success, in foreign markets, too! The number one reason for failure in getting an international business up and running is approaching the opportunity as a tactical marketing and sales task. Sometimes it is, but mostly it is not. It depends on your product and the nature of the new market. If the business model environment is the same as at home, then it is a marketing and sales task. If the business model environment is different, then you need to complete the business development process first.

The reason that we mix up business development and sales is that on the surface they look very much the same. Both sets of activities require getting appointments with customers and having conversations about their needs, requirements, plans and expectations. It is the objective of these conversations that are very different.

As this book is written for software companies looking to get their first international customers, I assume that they are looking to expand

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9. Lewis, M. R. (2018). How Customers Buy…& Why They Don't: Mapping and Managing the Buying Journey DNA: Radius Book Group.

their current business model into foreign markets. This is not just a semantic nuance. A small company cannot run multiple business models at the same time. For new markets, we may need to adjust a few things in our current business model, but the basic building blocks must remain the same.

PHYSICAL VERSUS VIRTUAL

There are two fundamentally different scenarios when it comes to building an international business:

1. Revenue generation abroad doesn't require that you have people on the ground.
2. Revenue generation abroad requires that you have people on the ground.

In the context of this book, a business is considered virtual when it *can generate customers with no or only an inside salesforce.*

A business is considered physical when *it needs an outside salesforce to meet face-to-face with customers* during their buying journey.

The difference is immense and represents opposed levels of complexity and risk. Moving from a one-location operation to a distributed organisation is a massive step for any company. It increases the complexity of the endeavour substantially. Add to that a second language, one or more time zones and a different culture and the magnitude of the complexity increases further.

Because the differences between the two situations are so fundamental, I have devoted a chapter to each of them. After the general introduction to the methodological frameworks, I first have a chapter on the virtual business and then a chapter on the physical business.

THE VIRTUAL COMPANY

You will find virtual software companies such as Basecamp[10], Automattic[11], the company behind WordPress, and XINK, the latter a case study in this book, that have people spread across numerous geographical locations. These companies don't see any value in having their people working in the same building. Doesn't that contradict my claim that managing people in remote locations adds substantial complexity to an operation?

No.

What I am talking about above is the sales stage of the revenue generation process. Not product development, administration, marketing and support.

Basecamp, Automattic and XINK don't have any salespeople. They run online marketing activities, which can be designed and executed from anywhere. None of them have people in remote locations because their customers require it.

Instead, these and many other companies have found a way to manage people irrespective of where they are located.

However, managing people spread out all over the globe is complex.

Then why deliberately do so?

I believe there are two reasons and that they are somewhat intertwined:

Many software company founders are not particularly interested in people-management and have no appetite for building corporate empires. They understand that without a great team, they cannot make a great product and scale the company. Accepting that people can work from anywhere in the world gives them access to a vast pool of talent. From that pool, they can now find and hire (or otherwise engage) those that prefer to work out of their homes, from a café or smaller remote offices.

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[10] Fried, J., & Hansson, D. H. (2013). Remote Office Not Required. Chicago, USA: Ebury Publishing.

[11] Berkun, S., John, W., & Sons. (2013). The year without pants: WordPress.com and the future bof work. San Francisco: Jossey-Bass A Wiley Brandg

Automattic is by design a distributed and virtual company with 1,170 people working out of 76 countries speaking 93 different languages of which English is the common denominator. Basecamp has a staff of 50 people spread out across 32 different cities around the world. Their headquarters is in Chicago, but everyone at Basecamp is free to live and work wherever they want. XING is a much smaller company with people in Denmark, Spain, USA and the Philippines. Most of the XING people are freelancers.

Recruiting and managing people that do not need or want an office, are delighted by working alone and require little supervision match ideally with many software company founders' idea of running a business. Doing so is perfect for product development, support, administration and marketing of a product that is culture and sales agnostic.

Although the virtual business is a growing phenomenon, it is beyond the scope of this book to discuss all the operational aspects. However, several trends are converging and will make this business model more frequent. The gig-economy, the increasing number of digital nomads, the emergence and sophistication of virtual collaboration platforms, the cloud-based software-as-a-service delivery format and the impact of the Covid-19 social-distancing measures will together push the borders for what you can accomplish without people having to meet physically in the same building every day. The Covid-19 pandemic coupled with the effort to reduce CO2 emissions has moved the thresholds for which types of products are acceptable to buy without at physical face-to-face meeting between customer and supplier and have pushed the limits for which type of collaborative activities you can accommodate virtually. Even explorative workshops have been facilitated virtually as the travel and meeting restrictions were in place.

These trends are good news for the software industry and will make global market penetration so much easier for many.

THE PHYSICAL COMPANY

The definition of the physical company is one that cannot win customers unless they meet with them face-to-face during their buying journeys. To accommodate this need, they must have an outside salesforce.

The most frequent reason for why physical companies fails when trying to break into new markets is that revenue comes much later and requires much more marketing and sales effort than initially expected. Building up a fixed cost base without a predictable revenue generation approach is a toxic cocktail for any small company.

The longer you can postpone having satellite offices with people on the payroll, the lower the risk of over-stretching your investment capacity. *Going global on a shoestring essentially means finding ways to enter new markets without having to set up a subsidiary and put people on the payroll.* You may not be able to avoid taking this step forever, but the longer you can postpone it, the less exposed you are.

THE METHODICAL FRAMEWORK

Although this book is not an academic thesis aiming at proving global rules that apply to everyone (good luck with that!), it does have a methodological foundation. It consists of Everett M. Rodger's principles around Diffusion of Innovations[12] and The Alexander Osterwalder Business Model Framework. If you are not familiar with The *Law of Diffusion of Innovations*, you should read Geoffrey Moore's book *Crossing the Chasm*[13] in which he explains how the law applies to the tech industry. For an introduction to the business model canvass and the business model environment, I recommend reading *Business Model Generation*, by Alexander Osterwalder and Yves Pigneur (2010) or for a shorter introduction you can read Appendix B (pp 139-171) in my book *Building Successful Partner Channels*[14]. Throughout the book, I will use the vocabulary introduced with these principles.

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[12] Rodgers, E. M. (1962). Diffusion of Innovations. New York: The Free Press of Glencoe.

[13] Moore, G. A. (2014). Crossing the chasm: Marketing and selling disruptive products to

The Alexander Osterwalder business model environment framework divides, what we in general call the market, into two separate categories: The *market* and the *industry*. You could also call them the demand side of the market and the supply side of the market. In short, the market is our customers and their stakeholders, and the industry is our competitors, business partners and other supply chain stakeholders. While I find that these definitions can be beneficial for our discussions, they are difficult to apply consistently. In economics and business science, the term market includes both the demand and the supply side. I use both sets of definitions in the book, and it should be clear from the context whether the term *market* refers to the demand side only or it also includes the supply side.

ABBREVIATIONS AND DEFINITIONS

I use abbreviations. They are always written out entirely when they appear the first time.

In the context of this book, there is no difference between a market and a country. In essence, the term *entering a new market* just means entering a new country or a new geographic area, which may be only a region of a nation.

The book is entirely focused on the challenges associated with bringing your current products into new geographic territories and not with how you diversify into another product category. The terms *global or international markets* just refer to foreign countries in general. It does not imply that there is a homogeneous global or international market for your product. Sometimes there is but mostly there is not. Global and international are synonyms.

When discussing issues related to business development, marketing and sales, you need to carefully distinguish between leads, prospects, qualified leads and prospects, potential customers and current customers. However, using such a granulated language would make

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14. Bech, H. P. (2019). *World Demand for Information Technology is Still Heading East (The BECH Index 2019)*. Copenhagen, Denmark. TBK Publishing®

this book hard to read and would not add to your understanding of the specific issues related to international expansion. When using the term *customers*, I primarily refer to potential customers. I use the term *current customers* if I need to refer specifically to companies with whom you have an established relationship. The status of the term customer should be evident in the context. For variation purposes, I may use the term *client* and *customer* synonymously.

I may often use the word *product* to cover both the software (also delivered as a service!) and the professional services required to produce a working solution or system. I may also use the terms *solution, system or products* and services depending on the context and the need for variating the language.

A sales or purchase process is called *simple* when a single person makes the final decision. It's called *complex* when more people are involved.

I distinguish between *inside* sales and *outside* sales. Inside sales are performed without a need to travel to the customer's location for meetings. Outside sales travel a lot because meeting with customers is a crucial element in performing their job.

I also distinguish between inbound and outbound activities. Although these terms are used widely in the industry, they are seldom precisely defined and are often the source of much misunderstanding.

Inbound marketing is non-individualised activities that may motivate people to react. Using inbound marketing principles, customers find you. For inbound marketing activities to be productive, you must have a clear definition of your target audience. Still, you do not have each person in the audience listed by name.

Outbound marketing is individualised activities that may motivate people to react. Using outbound marketing principles, you find and reach out to the customers. For outbound marketing, you need a list with contact details for the people with whom you want to get in touch.

Inbound sales mean that you only respond to incoming inquiries. Customers contact you and initiate the dialogue.

Outbound sales mean that you make unsolicited contacts to potential customers. You contact people that haven't asked to be contacted.

For many marketers, outbound sales mean cold calling prospects on the phone and often that is also what is needed. However, sending a personal email or InMail on LinkedIn first and then calling to follow up is also considered an outbound sales approach.

You mostly combine inbound and outbound marketing and sales activities. Only a few companies can generate enough leads exclusively through their inbound activities, and therefore they also run outbound activities.

There has been much hype around the term inbound marketing recently and the company Hubspot, the leading voice of the inbound movement, writes the following on their website[15]:

> *Inbound marketing is a business methodology that attracts customers by creating valuable content and experiences tailored to them. While outbound marketing interrupts your audience with content they don't want, inbound marketing forms connections they're looking for and solves problems they already have.*

Nobody should want to interrupt their audience with content they don't want. Outbound marketing and sales initiatives can be effective when we work hard on optimising our contact lists and craft relevant opening messages and conversations. I agree that there is a lot of deplorable outbound activities going on and that it is annoying being disturbed by someone who doesn't have a clue about what you do. Still, there is also an equal amount of poor inbound marketing.

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[15] https://www.hubspot.com/inbound-marketing

Inbound is not better or more honourable than outbound. The mix required for generating enough leads for you to meet your revenue targets depends on numerous variables. Some companies are capable of generating enough leads through inbound means, and that's great. Some are not and have to refine their outbound activities to fill the pipeline. It all depends on the type of product you offer, your business model environment and the skills you have represented in your organisation.

The objective is to find the formula that gives the lowest possible customer acquisition cost. If you are on a shoestring budget, the ratio to the customer lifetime value (which may be a number that you do not know) should be around 20 per cent. If it is lower than that, then you may want to invest more in lead generation. If it is over 33 per cent, then you are spending too much.

In general, anything outbound and in particular cold calling sales activities, is expensive, associated with pronounced waste, hard to manage and challenging to scale internationally. Companies looking for shoestring approaches to foreign market entry should explore their inbound options carefully before deciding on taking a predominantly outbound route. If you do take the outbound route, then you should carefully consider how you can divide your marketing and sales processes into subprocesses that can be performed by specialised people. Finding people that can complete the entire revenue generation process from lead identification to closing is almost impossible or at least very hard to accomplish.

The channels and platforms for inbound lead generation are changing dramatically, which may make mastering outbound marketing and sales activities more critical. I recommend you read David Heinemeier Hansson's testimony on *Online Platforms and Market Power*[16], which lays out how the playing field is changing.

The term *conversion* rate is a measure used in marketing and sales to express the performance of an activity in the revenue generation process. You convert downloads of a white-paper to active leads. You convert various marketing activities to seminar attendees. You convert prospects to customers. And so on. Defining conversion-points and collecting data to measure performance is crucial for monitoring and optimising the revenue generation process as you enter a new country.

I distinguish between the customer's buying journey and the purchase process. The buying journey includes all the steps a customer goes through from coming across our brand to concluding the purchase. The purchase process refers to the final and formal part of that journey where the customer organises the project evaluation and the vendor selection.

OVERVIEW

I have decided to let the book jump right into the action. The next chapter called, "Tales from the Trenches" will give you examples of failures and successes. The stories will speak for themselves, and you can reflect on how you would have done things differently. There are more case stories, thirty in total, with more details in the back of the book to which I make references throughout.

I am sure you know no method can engineer and guarantee success. Still, there are principles and analytical frameworks that can help reduce the risk of failure. I describe those that I find most valuable in chapter three.

In chapter four, I elaborate further on the virtual company, where you don't need to meet face-to-face with your customers and discuss how you can grow globally from anywhere in the world.

Chapter five elaborates on the physical company, where you need to meet face-to-face with your customers. I introduce several shortcuts you can use to win customers without having to first set up a subsidiary and have staff on the payroll.

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16. https://m.signalvnoise.com/testimony-before-the-house-antitrust-subcommittee/

Each country in the world represents a specific business model environment. In chapter six, I discuss how these environments can differ and what impact it has on your go-to-market approach.

Chapter seven is about product localisation. As this subject is well documented elsewhere, I have chosen to use a couple of case stories to illustrate various approaches to the job.

You are probably familiar with the terms content marketing and thought leadership. They represent a way to engage your international audience on a shoestring budget, and in chapter eight I introduce my ten-step process for how to do this.

Using resellers, distributors, system integrators (SIs), strategic alliances, and other indirect representations are popular in the software industry. For a detailed discussion, you should read my book, *Building Successful Partner Channels*[17]. In chapter nine, I provide a summary of the main principles in an international context.

Looking at a map of the world, how do you decide which country to enter next? That's the theme of chapter ten, where I also discuss the export promotion programs as well as investment attraction programs that all governments offer.

Maybe chapter eleven is the most important. Here I discuss the human dimension. People and timing can make good ideas successful, and great ideas fail. People make a huge difference. In this chapter, I discuss how to select the right people for your project.

Chapter twelve is a collection of thirty case stories. They illustrate the diversity of the software industry and also how different companies approach international expansion.

In appendix one, I have a summary of the software I have used to research and write this book. As you may know, I publish through TBK

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[17] Bech, H. P. (2015). *Building Successful Partner Channels: in the software industry*. Copenhagen, Denmark: TBK Publishing®.

Publishing®, which is the publishing arm of TBK Consult. Apart from distribution, we do everything ourselves, and without the software, this wouldn't be possible.

The book closes with the acknowledgement of those who have contributed to the writing process. As with all books, many more people than just the author are involved.

SOFTWARE-AS-A-SERVICE

A book for and about the software industry must include a discussion of the impact of the cloud-based Software-as-a-Service paid-for-as-a-subscription format.

Ten years ago, business software was still primarily sold in the pre-paid perpetual license format with the option of subscribing to updates and support for an annual fee of between 15 and 20 per cent of the purchase price. The software was then installed and operated from the customer's data centre.

That format is still around, especially in the enterprise segment of the market, but the cloud-based Software-as-a-Service paid-for-as-a-subscription format has now taken the lead.

How does that impact on the job of winning customers abroad?

The adoption rate of the SaaS-format varies from country to country. However, it is my experience that despite these variations, the degree of acceptance is high enough everywhere for anyone to find a receptive audience. That acceptance now carries across all market segments. When I say that the enterprise segment still holds on to the pre-paid perpetual license format, then it doesn't mean that they are not using products delivered in the cloud-based SaaS format, too. They are. Increasingly.

For the vendor, the main commercial difference between the two formats is the cashflow profile. For the customer, it means that the expense item moves from the CAPEX (capital expenditure) to the OPEX (operational expenditure) portion of the P&L (profit and loss) statement. In general, it is much easier for a line manager to take on OPEX than CAPEX. There are other differences as well, and they are described in more detail in the book *Consumption Economics*[18]. However, in the context of this book, the difference in cash flow is the most important.

The subscription format makes the decision threshold for customers lower, and the absence of IT-technical issues offered by the cloud delivery format makes the purchase process somewhat shorter, but not to the degree that will compensate for the difference in the initial prices.

It takes longer to make a subscription-based business cash positive compared to the prepaid format. And that also has implications for using an indirect channel of business partners. The initial investments in knowledge transfer and brand building are the same, but the cashflow takes longer to ramp up and get positive.

The markets decide which formats they prefer, and as soon as the scales tip, you have no other option than to go with the flow. For a small company, maintaining two versions of your software is neither technically nor economically feasible.

This book assumes, unless otherwise explicitly mentioned, that you offer your software as a cloud-based service and that you charge a recurring subscription fee.

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[18] Wood, J. B. H., Todd; Lah, Thomas E. (2011). *Consumption Economics*: The New Rules of Tech. California: Point B Inc.

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Winning customers abroad is the dream of any software entrepreneur. Finally, there is a book that is directing this journey practically and in a straightforward manner. By using the principles presented, more software products can find more customers worldwide.

- Gönül Kamali, Chairman at YASAD, The Turkish Software Industry Association, Istanbul, Turkey

Having an innovative product is a good start, but it doesn't always make customers beat a path to your door. Hans Peter's book is a toolbox with hacks that can produce great results for the small software company that has a great product, but not the deep pockets required for traditional marketing and sales.

- Gregorio Navarro, CEO at Wepall, software for robots, Murcia, Spain.

Business development is not a synonym for sales. That is especially true in an international context. This book provides the framework for how smaller software companies can exploit the global potential of their products faster and without making the huge investments required by the traditional approaches.

- Allan Martinson, CEO at XOLO, the virtual business platform, Tallinn Estonia

Regardless of the business or industry that you're in, the global marketplace will always be larger than the domestic one. This book provides a framework and simple-to-implement tips for software companies with limited budgets to take advantage of their global potential with strategies such as thought leadership development.

- Pamela Campagna, professor at Hult International Business School, Cambridge, Massachusetts, USA

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