



# WARE IN THE WORLD

Australian software companies are punching above their weight when it comes to exporting the programs used to run a digital world. Here's how you can join in

STORY ADELINE TEOH

**E**XPORTS FROM THE software industry are as broad as the sea of binary behind the programs being sold. Advances in technology and globalisation go hand-in-hand, making software one of the industries most suited to export.

## NEW EXPORTERS

Most software businesses are small, the majority with less than five employees, according to Austrade, which means it may be difficult to obtain enough financial and human resources. "It is a significant business development activity and they should plan and set aside budget and time accordingly," says Peter Harrison, Austrade's national manager for ICT.

He warns that market development involves extensive communication. "It's not just about how good your technology is, it's the company and the people behind the product and how

willing they are to engage and support and communicate," he says. "After a trade show, it's how quickly your company gets in contact. Follow up is not given enough attention. If you get business cards at a trade show, in the next few days you should send an email."

An example where the customer-first concept works is Pronto Software, which was pulled overseas by Australian clients with international links. "If you do a good job with an Australian company and they are a business that has operations elsewhere, either subsidiaries or they are a subsidiary from overseas, success can breed further success," says managing director David Jackman. "Use the initial organic growth to give you the credibility in the market to start to grow."

## EXISTING EXPORTERS

For those already exporting, different methods of selling may be of interest. Licensing, arranging permission for others to use your software, is one common way to earn revenue on intellectual property without selling the entire IP, but businesses should first identify whether customers will agree to buy licences. If you decide to license, you must set an agreement in writing on which rights are being licensed and aim to license as few rights as possible for maximum return.

Choosing the right distribution model is another area where exporters can boost sales. The internet has been perfect for overseas sales as exporters no longer need to ensure production

## WEB LINKS

ANZA Technology Network: [www.anzatechnet.com](http://www.anzatechnet.com)  
Australian ICT (Austrade): [www.austradeict.gov.au](http://www.austradeict.gov.au)  
Australian Information Industry Association: [www.ailia.com.au](http://www.ailia.com.au)  
Australian Interactive Media Industry Association: [www.almia.com.au](http://www.almia.com.au)  
Australian Technology Showcase: [ats.business.gov.au](http://ats.business.gov.au)  
ICT overview: [www.austrade.gov.au/ICT-overview/default.aspx](http://www.austrade.gov.au/ICT-overview/default.aspx)  
IP Australia: [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)



capacity. Connie Pandos, co-founder and CEO of the ADWEB Agency, says they reinvented themselves from a web consultancy to develop communication tool Intranet DASHBOARD (iD) as a standalone piece of online software to sell more.

"We wanted a product that stood on its own, something that wasn't directly related to people time," she explains. "The internet is absolutely core to our success. We have the perfect product for exporting on the internet because the whole transaction occurs electronically: people find us, view a demonstration, take a product tour, trial the software and buy it all online."

#### ADVANCED EXPORTERS

Once you've established credibility in the market, it's easier to expand into new and existing markets, says Harrison. "Invariably, customers want to know who you already deal with. If a well-known company uses your software, they are more willing to explore a business relationship."

He suggests exporters leverage existing relationships by asking customers if they know other businesses that might be interested in your product. He also says to consider collaborating with other Australian companies. Networking through trade shows, missions and industry associations can assist with developing connections.

"Because the Australian ICT market is so small, it's unusual for companies to compete in exactly the same space. The strength of working with other Australian companies, collaborating to create a larger solution, is not leveraged enough," he says. "Often as much business is done between members of our missions as is done in the market they've gone to."

Thriving exporters should consider stepping up their marketing. As an online business, Pandos says they need to ensure their website delivers leads. ADWEB's marketing strategy for the iD product is search engine optimisation, as well as online advertising through Yahoo! and Google Adwords.

A sophisticated understanding of web traffic will help manage online campaigns. Pandos' observation from the global financial meltdown was the difference between US and UK traffic in late 2008. "We have a product that delivers cost efficiencies: US sales were 'glass half full' with traffic and leads coming through to the end of the year, but in the UK it was 'glass half empty' with a noticeable drop in traffic. There's a cultural relationship between that traffic," she remarks.

#### NON-SOFTWARE EXPORTERS

- x Just like Australian customers pulled Pronto overseas, it is possible that Australian software companies may be able to pull your business overseas or introduce you to people in your industry at your destination country. If you are keen to export, explore

#### EXPORT A FOREIGN AFFAIR

connections you might have with providers that may already have international links.

Aligning yourself with a certain type of software could also provide added value to your business offering, whether it frees up resources to enable you to export more effectively or becomes part of your unique selling proposition. There is plenty of software specific to particular industries—for example IT company Octahedron last year launched SWIM (Savings With Improved Management), a product designed specifically for the jewellery industry—so hunt for tools available in your sector.

#### BARRIERS

Localisation and getting to know the market is one area software exporters will need to consider. "It's rare that a software package will be taken overseas and just sold. There's an element of

#### SMART ABOUT SOFTWARE

Part program creation, part marketing, software is almost 100 percent intellectual property, which is why it is important to understand how your IP should be protected. Steve White, principal of Steve White Computer Law, offers some advice.

- Ensure all staff have intellectual property agreements so all necessary rights are assigned to the company. Many businesses also fail to document their dealings and agree on their intellectual property position with respect to joint venture partners and contractors.
- Enter into a written agreement with customers to ensure intellectual property rights are retained by the business and not owned by the customer.
- Give thought to an exclusive domain name that uniquely identifies your product.
- Consider trademark protection of the company name and various product names. It is useful to search to ascertain whether that name can be used in all jurisdictions.
- Consider whether to publish any information for the purposes of defeating any potential patent claims. A software business may decide it is unable to afford international patent protection, therefore a strategy would be to publish the gist of their innovative technology so no one else can patent it.
- Consider filing a Madrid [Protocol] application in relation to protecting your trademarks. Likewise, consideration should be given as to any patents (if any should be extended) and the business model to be used in relation to exporting.
- Have a good distribution agreement that will permit the Australian company to ensure it takes care of all protection that may be applied for in the local jurisdiction: trademarks, domain names etc.
- With regard to piracy, do not supply the source code to your customer, and ensure that you have an appropriate physical locking mechanism. Many commercial customers will not use software not supported and/or current to ensure there are no security threats. Support is your key to maintaining the integrity of your locks.

**EXPORT A FOREIGN AFFAIR**

► localisation, consultancy and support. The customer needs to feel comfortable that they can depend on the Australian company to support them and the integration of that software into their current systems", says Harrison. "If you're providing sales direct to market, it's important to provide your customers with support; if you're appointing an agent, then train that agent in your software so they can best represent you in that market."

## "THE THINGS THAT MADE YOU SUCCESSFUL IN AUSTRALIA WILL MAKE YOU SUCCESSFUL OVERSEAS"

If users do not read English, you need to make sure you have the interface and support documents correctly translated if you wish to sell into non-English-speaking markets.

Localisation may even involve changing Australian English terms into American English "to give the customer the comfort that they know that you understand their needs and will be responsive to them," says Harrison.

Pandos acknowledges that lack of funds can be an obstacle for many businesses. She says ADWEB would not have exported without Austrade's Export Marketing Development Grants scheme, so it's a shame funds have been slashed. "There's not enough money in this country to get the seed capital that you would get in the States, for example," she explains. "Austrade does a fantastic job and they just need to continue with that, assisting organisations, having those doors open, making introductions and helping with the initial costs."

✕ While Jackman agrees that Austrade have helped Pronto explore new markets and secure introductions, he says grants are not the answer. He brings it back to companies being customer-focused. "I don't think government handouts work; what do you do when the money runs out? It has to be your customers dragging you into that market, that's a more commercially pragmatic view," he says. "The things that made you successful in Australia will make you successful overseas."

### THE FUTURE

Software exporters should view the global financial crisis as an opportunity, says Harrison, because businesses around the world will be looking for new solutions to streamline, rationalise, and reduce costs in their business and simultaneously increase their value to customers.

"If I were a software company, I would emphasise my software's ability to achieve those things," he advises. "And if it's B2B, it's not just selling a piece of software, it's tailoring that software to the customer and providing them with that ongoing support and consultancy service." **DB**



**CASE STUDY**

### RETAIL DIRECTIONS

In 1993, Melbourne company Retail Directions began as a consulting firm to provide advice to retailers, but with backgrounds in retail technology, the principals soon found themselves fielding questions about which system to use. Recognising that existing systems weren't meeting customer needs, they decided to build their own.

"We started to work with a few larger retailers saying 'if that's what you need, provide the funding and we will construct it'," recalls Andrew Gorecki, managing director. "Then we worked with Jeanswest and built them a national management logistics system."

Jeanswest took Retail Directions national and into New Zealand. The software company then packaged it for market. After successfully installing a point-of-sale system for The Body Shop Australia, operations in other countries were keen to follow suit, which saw Retail Directions export via Australian subsidiaries of international brands.

Early contact with New Zealand taught them valuable lessons on how other tax systems worked. The Body Shop throughout Europe showed them how to support multiple currencies and foreign languages. However, the USA had a few additional complexities. "They have four layers of tax, very complex. Then we discovered the dates are different [month first] and the printers are different [US letter size] so we had to fix that too," explains Gorecki. "Systems need to be localised as we go from market to market."

He nominates the hardest part of exporting as installation, involving around 1,000 hours of engineering, which means plenty of travel. But afterwards it's managed remotely, so the distance isn't prohibitive, he says. "From day one we were forced to manage things remotely. We already have the long distance business paradigm."

Retail Directions now provides retail solutions to about 70 retail brands, around 6,500 cash registers globally. And not all of their clients took them overseas; some were secured through international tenders. "There are newsletters, web pages, consultants that have that information. By knowing the industry, it helps us hear about tenders," says Gorecki.

He suggests software businesses wishing to export should find an entry point, either through existing customers or by hiring someone in-country: "In England we needed a business development manager who was local, already connected, had a reputation and could open doors to save you two years of effort. You need someone who is 100 percent committed to you, not a partner or agent. You need to hire them. The key is to understand the local market."