

## > Welcome

Welcome to the March 2006 issue of Global Insight, a regular newsletter from TransTech USA designed to keep you informed of the latest news, issues and trends effecting the successful commercialization of technology and development of innovation strategies.

This edition of Global Insight includes our regular Technology Spotlight where Bruce Richardson Chief Research Officer for AMR Research discusses The Future of Supply Chain Planning.

The editorial contribution in this edition is from James Wall, a Partner with a boutique Public Relations agency, Wall + Aiello, discussing the advantages of PR in creating 'buzz and aura' for an emerging technology company. Also Harald Horgen CEO of The York Group describes the advantages of driving international revenue through the use of indirect channels and the associated critical success factors.

TransTech USA is a privately funded corporate advisory firm that provides services and programs that improve an organization's performance in technology commercialization and innovation strategy development

## > Growing International Revenues through the indirect channel

By Harald Horgen, CEO, The York Group, [www.theyorkgroup.com](http://www.theyorkgroup.com)

A productive indirect channel is the most cost-effective way for a company to grow its international revenues.

Outside the U.S., resellers are used to absorbing their own sales and marketing costs, as well as 1st & 2nd level technical support. If, as is the case with many vendors, they find themselves forced to cover these costs themselves, it means that they have recruited the wrong partners.

When recruiting partners it is essential to identify prospects that have the right customer base, a qualified technical support staff, and a willingness to invest in sales and marketing. Their willingness to invest will be based on their faith in you as a vendor if they don't trust you they won't invest in you. Provide your partners with margin protection, i.e., don't set up multiple competing resellers in limited geographies; give them sales & technical training so that they become familiar with your product; have good on-going communications to eliminate small problems before they grow to become big problems; make sure everyone in your organization understands that your international partners are a priority, and you will see a growth in revenues and profitability that can have significant impact on your market valuation.

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## > What's Happening

Peter Bryant is a leading authority on the successful commercialization of technology and innovation strategy.

- [TransTech USA announces it has become an industry sponsor of the Colorado Institute of technology - joining Sun, Oracle and Level 3.](#)
- [Peter Bryant spoke on an Expert Panel at the International Business Forum's 8th annual Capturing innovation thru Corporate Venturing and Strategic Investing Conference in Palm Springs on Feb 3rd 2006](#)

[Watch for more news.](#)

## > The Value of PR for Smaller Technology-Oriented Enterprises

By James Wall, Wall+Aielo, [www.fwapr.com](http://www.fwapr.com)

Huge Hosting was a small web hosting company headed by a vivacious 30-something entrepreneur who had already founded and sold a cable television venture. Huge was founded with an interesting brand image was focused less on "features and benefit" selling and more on a friendly-brand and customer service.

The entrepreneur "Alex" was convinced that ongoing positive press coverage for his company would aid in growth and add credibility for his fledgling entity with bankers, investors and customers.

The resulting PR campaign, with positive press stories that focused on Alex himself as well as tying into themes in the world of web hosting and business "saved the company" according to Alex. Alex became known as an exciting leader in his field and his company was able to gain some big-name customers, including one of the best-known companies in the state. The eventual outcome was that Alex sold Huge to an industry consolidator for a substantial sum.

The phrase "public relations" (PR) usually refers to media relations or marketing-oriented publicity. PR

agencies are first and foremost press agencies, that "pitch" stories on behalf of their clients, trying to garner clients as much media exposure as possible. Because of their knowledge of the media, many become experts in crisis counseling or political PR, in which deft communications tactics come into play.

The advantages of press attention over paid-for ads are numerous. First and foremost, the story is written by a reporter and doesn't come from you, the company, in the mind of the customer. In the technology arena, research has shown that companies that survive and thrive are not necessarily "best in category" businesses as far as their products are concerned. They are companies that focus on brand and marketing efforts. They are seen in the marketplace as exciting, growth-oriented ventures that are aiming high. PR is frequently a driver of this reputation-building, both within the industry in which the company operates, locally in the wider business community and with investors and potential investors.

## > Technology Spotlight

### The Future of Supply Chain Planning: Promise or Peril

By Bruce Richardson, Chief Research Officer, AMR Research Advisory Group, [www.amrresearch.com](http://www.amrresearch.com)

From 1996 to 2000, the supply chain planning (SCP) market was red hot, as exemplified by the stock price of the largest best-of-breed vendor. In 2000, shares of i2 Technologies peaked at \$223.50. For a while, the market cap topped \$48B as the company climbed from obscurity to \$1.1B in revenue in just a few years.

Those were heady times. i2 seemed set to build the next-generation software engines that would replace ERP transactional systems. The i2 suite extended from manufacturing, to demand planning, to distributed order management, to transportation, to procurement/supplier relationship management.

Customers could buy it and run it "on premise," or they could use TradeMatrix (or one of its variations) to do "Supply Chain-as-a-Service." While we could debate whether i2 could really have built a replacement for ERP, there is no denying that the company provided a strong vision of what the future might hold.

Lora Cecere, our supply chain guru, and I spent an hour this week discussing the shape of the SCP market. Clearly, it is at a crossroads. As manufacturers and retailers begin their journey to becoming more demand driven, they find fewer software vendors to help them.



Where will future innovation come from?

As Lora was leaving my office, she asked, “Where do you think future innovation will come from?” Face it, there may never be another billion-dollar best-of-breed vendor in this market. For better or worse, the ERP vendors will dominate the supply chain software market, but I don't expect them to provide the innovation. Instead, they will build the web service-enabled platforms and allow their software partners to build composite apps and complementary engines. This leaves a large degree of uncertainty for the advanced planning and scheduling (APS) vendors, making it even more important for i2 to showcase innovation in its next-generation SCP product at Planet in May.

But where will the innovation come from?

Lora and I debated this for a while. We started by talking about the services firms that may actually be closer to future customer requirements than most software vendors. While we see opportunities for the major services firms that already have strong practices (like Accenture and IBM Business Consulting Services) as well as the up-and-coming Indian firms (TCS was first to mind), I see them as accelerants or enablers, not sources of software innovation. (Though if TCS were to buy i2, that would be a different discussion.)

Lora then made a case for business intelligence (BI) vendors, namely Actuate, Business Objects, Cognos, Hyperion, SAS, and Teradata. Clearly they have strong BI and analytics, but will one of them emerge as the next SCP thought leader?

Several bankers have discussed the possibility of a rollup of smaller software firms. We both agreed that, given his tenure at i2 and experience making SCM acquisitions, Symphony's Romesh Wadhvani obviously understands the space. Does he add Manugistics to his portfolio and toss in one or more of the inventory optimization vendors (such as LogicTools, Optiant, SmartOps, or ToolsGroup) and a demand planning play like a Demantra, and maybe a service parts play (MCA Solutions and Servigistics) for good measure?

What's the role of academia?

I posed this question to Dr. Shridar Tayur, SmartOps founder and CEO and a tenured professor in operations research (OR) and management at The Tepper School of Business at Carnegie Mellon University (CMU). While he noted that CMU was ranked by INFORMS as the “No. 1 university in the U.S. for practical applications in OR ahead of Penn and far ahead of Stanford and MIT,” he argued persuasively that the next leader would be a combination of startups and smart students.

For his part, he's looking at the use of supercomputers to solve larger supply chain problems. Working with IBM's Blue Gene and Deep Computing Capacity on Demand (DCCoD), they were able to compress the process time for a 100 million variable ERP/SCP plan from 6 hours to 18 seconds. SmartOps is now looking at several immediate applications in retail and distribution for managing super-scale SKUs/locations: large dealer or high bill-of-materials networks.



TRANSTECH<sup>USA</sup>

# Global Insight

Strategic Insights on Innovation and Commercialization

## > Event Spotlight

### Software 2006 Unifying the ecosystem April 4-5, 2006

Santa Clara, CA

Software 2006 is the only event in the \$600 billion industry that gathers software companies, customers, investors, service providers, analysts and media in one vendor-neutral forum.

Join 2,500 industry leaders on April 4-5, 2006 at the Santa Clara Convention Center for this third-annual gathering of the software industry.

[www.sandhill.com/conferences/sw2006.php](http://www.sandhill.com/conferences/sw2006.php)

#### Fact Byte - Venture Market Summary 2006

The first two months of 2006 have been good for startups as venture capitalists have been generous.

According to statistics from VCDeal, venture firms have made 218 investments through Feb. 28, 2006, doling out \$2.761 billion in fresh capital; while same period of 2005 saw only \$2.311 billion raised by 218 companies. Accounting for most of the increase was a steep uptick in average deal size, which has swelled to \$12.66 million in 2006; up 38% from \$9.14 million in the first two months of 2005.

Dragging the statistics higher has been the particularly strong fund raising by Information Technology companies, who have pulled in \$1.3 billion in the last two months. In the same period of 2005, IT companies raised 23% less, securing only \$1.05 billion, although the number of fundings was at 115 in both years.

Within the IT industry, venture firms have invested the most capital in software and networking startups in 2006, with the two sectors accounting for about 58% of all the capital the industry raised. The most growth has been in the Internet and wireless sectors, which have benefited from interest in Web 2.0 technologies and increasing consumer consumption of wireless products. The number of Internet fundings jumped to 29 in 2006; compared with only 15 in the first two months of 2006; while wireless companies closed 18 financings, triple the six fundings in the first two months of 2005.

**Global Insight:** A newsletter focused on providing strategic business advice to executives of technology companies looking to successfully enter new markets.

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TransTech USA provides services and programs that improve an organization's performance in technology commercialization and technology strategy development