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## In This Issue

- > Welcome from TransTech USA
- > The UPS approach – keeping an eye on emerging technology
- > Expanding into new markets – the path to success
- > Event Spotlight : Corporate Venturing and Strategic Investing Conference 2008
- > Fact Byte – The State of Fund Raising in 2007
- > Download PDF of this issue

## What's Happening

- > Peter Bryant to moderate a panel discussing Corporate Venturing and its role in Open Innovation at the 10th annual Corporate Venturing and Strategic Investing conference – the leading event for the Corporate Venture industry in Palm Springs on Feb 5-6 2008
- > Strategy war games for Executives – a new approach for understanding a business's eco system when formulating business strategy

Watch for more news

## Welcome

Happy new year and welcome to the January 2008 issue of Global Insight, a regular newsletter from TransTech USA designed to keep you informed of the latest news, issues and trends in business and innovation strategy.

In this edition we discuss the challenges facing companies expanding into new markets and have an exclusive piece authored by UPS's Alan Koenning on how UPS uses corporate venturing to keep an eye on emerging technology.



## The UPS approach – keeping an eye on emerging technology

by Alan Koenning UPS Strategic Enterprise Fund Manager

### Keeping an Eye on Emerging Technology – Firsthand Insight into the Development of Innovative Technology

Through the UPS Strategic Enterprise Fund (SEF), a function of UPS's Corporate Strategy Group, UPS invests in companies that develop emerging technology that is of strategic interest to UPS. The SEF's primary goal is to invest for knowledge – learning about new technology, industry trends, business models, and concepts that could expand or enhance UPS's service portfolio to help serve UPS's customers better.

First and foremost, we invest in companies that strategically complement UPS. Part of how we measure return on investment is in the 'knowledge return' – the potential knowledge gains of emerging technologies that will help us advance our own strategy over time.

As part of UPS's investments, the SEF shares business expertise with young companies in return for firsthand insights. A UPS Board Observer gains insights by attending the companies' board meetings, serving as a liaison in the knowledge-sharing process between the companies.

Continued...

## A glimpse into the future

One of the latest discoveries of emerging technology appropriate for UPS is with Aveso, Inc. – a pioneer of ultra-thin, flexible printed electronic display technology that will enable the integration of dynamic displays into a new generation of high-volume printed products. Other printable electronics may include sensors, batteries, memory, storage, and other electronic circuitry that make it possible to develop a new generation of tools and services for sharing information. The ability to print these electronics on a variety of materials means that such technology could be integrated into a new generation of labels, packaging materials, credit cards, and wearable devices.

The investment in Aveso is a great example of the investment philosophy and focus of the Strategic Enterprise Fund. This technology is an example of how UPS could further its efforts to proactively provide up-to-date shipment information anytime of the day, anywhere around the globe.

## Knowledge Return

Printed electronic display technology has the potential to share information in new ways at a lower cost compared to communication technology used today. Because of its durable, flexible, low power attributes, and wireless capabilities, printable electronic displays could allow portable and faster methods of communication. One day, ultra-thin printable displays could be integrated into wearable devices or labels and communicate dynamics visual cues like alphanumeric symbols, text messages, or color codes.

As an innovative company, UPS is always looking for ways to support operations and grow the business through technology. As a result, UPS's ability to learn from Aveso's technology could help UPS offer future products and services. Such products or services may enhance service through innovative means of information delivery between operations, employees, and customers. Through learning investments for knowledge returns like this, UPS continues its tradition of innovation that leads to sustainable growth by staying in touch with technology trends that anticipate the needs of customers.



## Expanding into new markets – the path to success

Peter Bryant, President, TransTech USA LLC

Many small to mid size (SMB) companies are faced with the reality that they also need to succeed globally to maximize the return to their shareholders and create sustainable value. Whilst there are notable successes, many have a poor record of achievement in expanding into new markets. TransTech USA has advised many companies and investors and has identified the reasons for this lack of success, these include:

- Incomplete go-to-market plans
- Poor marketing
- Under capitalization
- Poor execution
- Cultural differences
- Under-performing teams
- Unaligned expectations

Continued...

Can anything be done to increase the chances of success? There is – what is advocated is a 4 phase approach that will go a long way to mitigate the risks of expanding into new markets. Combined with factors in the Top Ten list, a company can go a long way to charting a path to success. The four phases are:

## Prove It

The product is developed and proven in initial target markets.

## Market Viability

Using a rapid market viability approach determine whether the company is ready to enter the new market with the right value proposition and with positioning that is defensible and sustainable. This should include focus sessions with knowledgeable in market people. This phase also determines the optimum go to market strategy including funding requirements for the next phases.

## Market Beachhead

Establish operations in new market and secure first partners and customers and execute early marketing strategy.

## Market Expansion

Establish a dominant position by leveraging the beachhead position and aggressively pushing forward on the sales and marketing fronts.

Key elements within these phases include having the right team, the right positioning, aligned expectations within the company and sufficient funding. All these elements must be right - they are interdependent, and poor performance on any one of these elements will impact overall performance. For example, the companies TransTech USA surveyed observed that the management and investors of many companies entering new markets had unrealistic expectations

about what could be achieved within a given time frame and with a set amount of money - notably the investment required to drive sustainable success.

In closing, I would like to share a Top Ten key success factor list:

- › Use Local People in Market and ex pats for knowledge and technology transfer
- › Fiscal prudence
- › Best people Package your solution for the market – 80/20
- › Cultural sensitivity –
  - › eat and drink the local culture
  - › Show genuine interest
  - › Understand what value you bring
- › Local Partner – equity alongside your equity
- › Know the legal system
- › Make commitments carefully
- › Ethics (Foreign Corrupt Practices Act for US Companies)
- › Solve issues through relationships

The four phase approach along with the Top Ten List will provide a company deeper market insight prior to investing millions in the expansion phase – something desktop market research will not achieve and it will ensure a greater chance of success in a new market.

## Event Spotlight

### 10th Annual Corporate Venturing and Strategic Investing Conference

Capturing technology innovation, market share and revenue streams through corporate strategic investing, venture capital, M&A and corporate development partnerships.

Feb 5-6 2008  
Palm Springs CA

[www.ibfconferences.com](http://www.ibfconferences.com)

## Fact Byte

### The State of fund raising in 2007

Venture investors enjoyed one of the strongest years for exits in recent memory in 2007, but they're also waiting longer before seeing their companies go public or be acquired, according to industry data.

U.S. venture-backed companies raised \$52.9 billion through initial public offerings and corporate mergers last year, according to VentureSource, a research unit of Dow Jones, publisher of VentureWire. That was the most since 2000, when a total of \$117 billion was raised through liquidity events.

But the data also show that the median time to liquidity reached a record 6.7 years in 2007.

Still, 74 U.S. venture-backed companies were able to go public last year, the most since 2000, when 201 went public. The annual median amount raised at IPO was \$75.2 million, a record, and the median price paid for companies completing mergers and acquisitions in 2007 reached \$97.5 million, just short of the 2000 record of \$100 million.

A total of 270 information technology companies were bought for more than \$26.1 billion in 2007, a 30% increase over 2006. Last quarter, 61 IT companies generated more than \$7.9 billion in liquidity, a near 40% increase for the segment over the fourth quarter of 2006. Of those, 28 software companies gathered more than \$3.2 billion through M&A in the quarter, nearly double the \$1.7 billion the segment produced in the fourth quarter of 2006.

In 2007, 34 venture-financed information-technology companies went public, raising \$3.7 billion. The year's largest IPO was held by MetroPCS Communications Inc., which raised more than \$1.1 billion in April. Accel Partners, Advanced Technology Ventures and TA Associates were among the many venture investors in the Dallas company.

*Source: Venture Wire January 4th 2008*

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TransTech USA is a privately funded Corporate Advisory firm that provides services to assist companies in formulating sustainable business, innovation and new market growth strategies. TransTech USA has advised companies from the US, UK and Asia Pacific - ranging from emerging companies through to Global Fortune 500 companies, primarily in the resources, energy & technology sectors.