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<th>Title</th>
<th>High-tech associates (A) : accept the e-business challenge?</th>
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<tr>
<td>Author(s)</td>
<td>Reid, Edna; Gleave, Tom</td>
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<td>Reid, E., &amp; Gleave, T. (2002). High-tech associates (A) : accept the e-business challenge?. Singapore: The Asian Business Case Centre, Nanyang Technological University.</td>
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In late 1998, Sarah Fraser, Director of Singapore-based High-Tech Associates Pte. Ltd. (High-Tech), was reviewing various enquiries that she had recently received asking about the marketing consultancy's e-business service line. The number and diversity of such enquiries had been increasing noticeably over the past several months, as interest in the Internet's transformational potential on the business world gained momentum. This interest was manifested in a surge of upstart 'dot-com' companies entering the market who were claiming to have created new, paradigm-shifting business models. In addition, traditional 'bricks and mortar' companies had also started to seriously examine how they could migrate some of their business processes to a 'clicks and mortar' environment.

Although High-Tech had yet to develop any specific e-business services, the enquiries proved intriguing to Fraser. This was because the 35 year-old Briton had recently purchased a 50 percent stake in the consultancy, and was therefore keen on developing new growth avenues for the company. At the same time, however, she realized that the company had limited resources from which to draw upon to develop such services. Moreover, a great deal of uncertainty existed about the ultimate direction and impact that the Internet would have on the business world. This left Fraser having to decide whether or not she should try to persuade her partner, Jenny Smith that High-Tech should develop an e-business services stream before it was too late.
COMPANY BACKGROUND

High-Tech provided marketing and consulting advice to a wide range of companies involved in Asia’s high technology sector, including hardware manufacturers, software developers, communications companies and broadcasters. Some of its high profile repeat clients were multinational companies (MNCs) such as Adobe Systems, OpenTV and Quantum Corporation, as well as notable local firms like Adroit Systems. The company was founded in 1994 by Jenny Smith, a 44 year-old Briton who had transferred to Singapore to work for ICL, a computer manufacturer that was eventually taken over by Fujitsu Computers. One of her key achievements while at ICL was the establishment of a region-wide indirect distribution channel involving numerous wholesalers and resellers. Prior to arriving in Singapore, Smith had worked for over 20 years in various functional marketing roles throughout Europe and the US. Since founding the company, she had kept High-Tech focused mainly on providing multi-tiered distribution channel management and strategic marketing advice, as well as related tactical marketing activities (such as events, promotions and corporate communications). These services were typically offered on a project-by-project basis, with about 70 percent of the engagements being region-wide distribution channel and strategic marketing initiatives. The remaining 30 percent of the projects were related to tactical marketing efforts.

Unlike many professional service firms, High-Tech did not charge clients on a per diem basis. Instead, the company believed that it derived a competitive advantage from assigning fixed prices for all of the individual projects that it undertook. This allowed clients to know their total project cost with certainty well in advance of completion. The size of these contracts varied considerably, from about $5,000 for tactical related efforts to $50,000 per country market for any distribution channel or strategic marketing related work. The profitability on the projects varied considerably as well, with the tactical work yielding about 15 percent margin, while the distribution channel and strategic marketing work yielded 30 to 40 percent margin. The terms of payment were 50 percent of the total fees up front, with the remaining 50 percent and out of pocket expenses paid upon completion. Historically, the amount of revenue coming from local companies equalled the amount coming from MNCs. Given High-Tech’s limited resources, close relationships with other marketing consultancies operating throughout Asia were maintained. These service providers were often called upon to assist High-Tech in conducting specific project-related activities, such as local market research and potential partner identification. In these instances, High-Tech acted as the principal consultant and contact with the client, while the subcontracted associates took charge of guiding and coordinating the work.

Apart from specific project related work, the company had secured two renewable one-year contracts that, in effect, caused it to act as the outsourced marketing department for two multinational corporations (MNCs) that were operating their regional offices on a skeletal staff. One of these clients was a software application developer; the other was a parts supplier to the hard disc manufacturing industry. Both clients had been experiencing steady but not rapid growth, and therefore had to be mindful of their overhead costs, thus leading to the hiring of High-Tech. In return, the consultancy provided a range of marketing services, most of which involved marketing planning and channel management, along with related tactical activities. High-Tech assigned one permanent account manager to each client. These employees dedicated about 75 percent of their time to their respective accounts. Their remaining time was devoted to projects for other High-Tech clients. In terms of accountability, High-Tech reported directly to the local General Managers of the two respective MNCs, much the same way an internal marketing director would, albeit with greater autonomy.

High-Tech considered its outsourcing accounts lucrative since each one generated about $200,000 in gross revenue per year, while the associated costs were essentially three quarters of the salary of one account manager, along with some senior management’s liaison time. At the same time, the company believed that these type of accounts provided good value to its clients. This was because the alternative would likely involve having to hire at least one marketing director and/or one marketing manager, as well as possibly one channel manager. If one of these individuals were an expatriate, the cost would likely be significantly higher because expatriate managers were often paid more than the prevailing local rates. The company usually developed a full-year action plan for its outsourcing clients, although clients were billed monthly or quarterly to allow the company to match revenues with expenses. High-Tech estimated that there were about 250 MNCs in Singapore at the stage of development that would make them viable candidates for the company's outsourcing services. (See Exhibit 1 - Overview of High-Tech's Services.)
In early 1998, Sarah Fraser, a seasoned marketing executive from London, moved to Singapore with her husband Jim. Prior to the relocation, Fraser had been working as the regional sales and marketing manager in the UK for US-based Digital Equipment Corporation (DEC), the global mainframe computer giant. During her time at DEC, Fraser was involved in a wide range of marketing related activities and, by the end of her tenure, held pan-European responsibility. After befriending Smith in Singapore, Fraser came to learn about High-Tech and subsequently concluded that the marketing services company had strong potential for growth. This led her to approach Smith about buying half of the company, a proposition to which Smith consented.

After I came to know Jenny and High-Tech, I knew that the company had solid growth potential. For starters, Jenny had avoided aggressively building the business. Although she wanted it to be successful, she did not want it to be too successful because she valued her family and personal time. Another major factor was that the local market was several years behind Europe and the US in terms of the extent and level of maturity of the marketing services available. Simply put, many local businesses didn’t understand that there was so much more to marketing than ads and promos. They had yet to realize that these activities needed to be linked to broader strategic initiatives. In other words, there was too much ad-hoc marketing going on.

Timing was also important. Many companies in Asia were finally starting to face strong competition with each other, especially in light of the Asian financial crisis that had hit the region in 1997. The crisis served as a wake-up call because companies began to realize that the road to success was not going to be easy any more. They began to understand that they needed to plan and market their goods and services in an appropriate and disciplined manner. Finally, there were the China and India factors. Everyone was raging about how one or both of these markets were going to be the ‘next big thing’ and many companies based in Singapore needed good advice about how to enter these markets.

BUILDING HIGH-TECH’S PROFILE

High-Tech had traditionally relied heavily on word-of-mouth advertising and customers’ referrals to attract new business. However, after Fraser arrived, the company began to engage in a wider range of activities designed to raise awareness. For example, it began to establish and maintain contact with key industry players by engaging in telephone-based market research surveys. By having some employees telephone specific companies targeted for the surveys, High-Tech was able to find out the general trends and types of activities that were being undertaken or planned in various high technology industry segments. To ensure cooperation from target companies, the survey questions were kept general in nature, and specific company feedback was kept confidential. The respondent companies were subsequently provided with High-Tech’s analysis of the survey results.

After Fraser’s arrival, the company also began to build relationships with various associations in order to establish contact with knowledgeable industry players. One such organization was the local chapter of the UK-based Chartered Institute of Marketing, one of the world’s leading professional marketing associations, with some 60,000 members worldwide. Another was the Singapore Institute of Directors. Fraser also willingly spoke at marketing and high technology industry related workshops and conferences as a means for “getting the word out”. She also took the lead in working with a local Web design team to develop a ‘brochure-ware’ style website that could be used to communicate High-Tech’s services on the Internet.

A growing relationship with the venture capital community had also helped the consultancy raise its profile. Indeed, it was Jim Fraser’s desire to become involved in Singapore’s private equity markets that was the impetus for the couple’s move to the Lion City. After working as a senior executive with both Microsoft and 3i (one of Europe’s leading investment advisors), Jim became attracted by the level of technology-related investment activity

1 In January 1996, DEC was taken over by Compaq Computers.
taking place in Singapore. After the move, he became involved with several venture capital funds. Promising and suitable firms that came to the attention of these funds were encouraged to contact High-Tech for appropriate marketing advice.

By the end of 1998, the impact that Fraser had made on High-Tech was very noticeable. By aggressively pursuing more clients and increasing the company’s profile, revenues increased almost 100 percent from the year previously. This impressive growth prompted the hiring of six new employees over the year. This brought the total number of employees at the company to 10, half of whom were locals, the other half expatriates. This growth in human resources also forced the company to move from its small office on the fourth floor of a traditional shophouse in Chinatown to Suntec City, one of Singapore’s premier office and retail complexes.

THE RISE OF THE INTERNET

The rapid rise of the Internet began in 1994, when California-based Netscape Communications released the first commercially available browser for navigating the Web. Netscape allowed the public to use the browser for free, which resulted in its rapid adoption by Internet users around the world. Soon after, competitors like Yahoo! Inc. and Lycos Inc. released their own Web-based navigational guides, moves that provided an early glimpse of the intense competition that was to follow. In the ensuing years, an explosion of related commercial activity occurred, as thousands of software application developers, technology enablers and content providers raced to achieve first mover advantage in the emerging industry. By 1998, the number of Internet users worldwide had grown to about 100 million, with the number of accessible Web pages having reached 350 million. Over the next two years, the number of users was expected to triple. Concomitantly, e-commerce related revenues were expected to skyrocket from the current estimated level of US$8 billion to US$327 billion by 2002.2

As consumer and corporate interest in the Internet began to accelerate, a wide variety of new, albeit untested, business models began to emerge, many of which were premised on the ability to generate adequate advertising revenues. The credibility of these models was boosted by numerous analysts who correlated high ‘hit rates’ and ‘page views’ with greater advertising revenue generating opportunities. These endorsements encouraged institutional and retail investors alike to rush into the market to support thousands of never before heard of ‘dot coms’. Consequently, many companies were able to quickly raise public funds and enjoy record levels of growth in their valuations, even though many were spending more money than they were earning. Despite this investor euphoria, many questions lingered about how the Internet would impact business in the future and what types of models would be sustainable over the long term. Still, Fraser remained bullish on the general direction and of the Internet’s evolution:

The Internet will certainly revolutionize marketing. Think about direct mail for instance. Typically, when companies send out a direct mailer their success rate is 2 to 3 percent. And of this 2 to 3 percent, only a fraction will actually be persuaded to buy. How about television advertising? It usually takes three viewings before someone remembers an ad, let alone becomes interested in the product or service. Then there are trade shows where you have thousands of people scurrying around exchanging business cards, but how many people actually remember each other and what they sell? In other words, old economy marketing tactics can be expensive and inefficient means for reaching target audiences.

Now take the Internet. Databases with increasing amounts of detail about habits and preferences are being developed because the Internet provides two-way interactivity between companies and customers. This means that companies can now ensure that some form of message lands right on your desktop without any fear that the executive assistant will throw it out because it looks like junk mail. And these companies have the benefit of knowing whether or not you actually received the message, and if you have actually looked at it. This obviously provides much greater certainty about the effectiveness of such marketing initiatives. And the good thing is that the more you learn about a customer, the

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more personalized you can make their experience. Amazon.com is brilliant at this. When I log on, I am greeted with a ‘Good Morning, Sarah’ message. And think about the opportunity for exploiting impulse purchase behaviour. By having two-way, real-time interactivity from the comfort of one’s office or home, people can buy what they want when they want. So, if I want to buy something at 2:00 am, I can. And the Internet will remember this. This kind of value offering is not going to go away.

A NEED FOR E-BUSINESS MARKETING SERVICES?

The inherent differences between traditional companies looking to embrace the Internet and upstart ‘dot coms’ offering new business models had resulted in High-Tech receiving divergent requests for e-business services. For example, seasoned managers at existing ‘bricks-and-mortar’ companies (including both technology and non-technology manufacturers) wanted to know how the Internet could improve their messaging capabilities to customers and supply chain partners. This was because traditional forms of communications and advertising among these stakeholder groups were expensive, particularly when messages and materials needed to be translated into numerous languages and disseminated across many different countries. Such companies also began to explore how the Internet could be used to deepen their relationships with existing customers. This was because it was well recognized that retaining existing customers was more cost efficient than in trying to find new ones.

For traditional manufacturers, the Internet also offered the potential to shift the balance of power in their distribution channels. Prior to the advent of the Internet, many producers sold their wares through distributors, who in turn channelled these goods to resellers. These resellers would then sell the products to end users. Within these typical distribution channels, manufacturers usually only communicated with their initial distributors. This left the manufacturers with less knowledge about, and control over, downstream channel activity. However, by embracing the Internet, goods producers had an opportunity to deal more directly with downstream players and, in the process, achieve greater cost savings by reducing the involvement of middlemen.

In contrast to traditional companies, the enquiries that Fraser had received from many newly founded ‘dot-coms’ demonstrated the nascent nature of businesses, as well as a lack of clarity about where they were headed. The following are extracts from two enquires that Fraser had recently received:

- I have funding and there are no competitors because it is in e-business space. Can you help me launch an online portal? [Aspiring online property management portal]
- Although I have no product or service in mind, I plan to launch an online company in the future. Can you provide assistance for the launch? [Young team of entrepreneurs who came from wealthy families]

After examining the nature of the enquiries she had received, Fraser remarked:

Marketing should have a goal! Everyone should be ‘on message’. Everyone in the company should be able to give the ‘elevator pitch’. However, so many companies entering the Internet space, especially those run by young entrepreneurs, want to put the cart before the horse. They seem to think that they can and should launch a marketing campaign out of nowhere. This gives us the opportunity to teach them that they should never consider developing tactical marketing activities, like promotional events and advertising campaigns, before they truly understand their overall marketing strategy and positioning. And they cannot formulate marketing strategies and positions unless they identify their overall vision and goals. In other words, many young companies out there need to go back to the basics. This fits in nicely with a company like ours, one that has the right mindset, capabilities and approach in advising clients how to develop markets effectively. This also means that we should be able to charge prices that are consistent with our strategic marketing work.

(See Exhibit 2 - Generic Approach to Market Evaluation and Development.)
THE RISKS

In considering the launch of an e-business services stream, Fraser realized that she needed to factor in several important significant risks, one of which concerned the heavy reliance that consulting companies placed on their reputations for acquiring and developing new business. If High-Tech’s foray into e-business services failed, it might have severe consequences on its ability to develop its traditional revenue streams. This was because existing and potential clients might become skeptical about the company’s ability to offer sound marketing advice if it could not read the market for itself. Another important consideration was that High-Tech would likely have to assume a significant amount of financial risk if it ended up working with young companies that had yet to develop sufficient and sustainable revenue streams. This raised the possibility that the consultancy would spend weeks, perhaps even months, working on a given project, and in the end not get paid because the client was experiencing financial distress.

Given the collective skills sets available within the company, Fraser believed that High-Tech would not need to make any significant investment in developing an e-business service stream. At the same time, she acknowledged that a considerable effort would be needed to educate the staff about the different types of business models that had arisen in concert with the Internet. As Fraser explained, “There are a lot of new business models out there, and this means that we will need to spend a lot of time decomposing industry value-chains and identifying core competencies of potential clients in order to see where harmonisation with the Internet can add real value”.

Finally, the company would be entering a competitive arena that had already attracted some of the biggest names in the consulting business, including the so-called ‘Big 5’ consulting companies. These firms were global in stature, with hundreds of offices employing tens of thousands of people servicing a wide range of industries. They were particularly well-known for providing sound management advice related to integrating information technology, enterprise resource planning, supply chain management integration and general strategic positioning and market entry planning. Although their prices were not as high as those of the so-called ‘top-tier’ strategy firms (which charged premium prices for very high level strategic advice), the cost of a ‘Big 5’ project often exceeded US$500,000 and could easily run into millions of dollars. An abundance of small market research and entry strategy consultancies and public relations firms were also trying to secure a foothold in the local e-business arena. On occasion, these firms were subcontracted by the ‘Big 5’ to perform specific functions such as researching a specific industry in a specific country market. Due to the intense competitiveness among these local boutiques, and their inherently limited resources, they tended to charge prices that were much less than those of the ‘Big 5’. This contrasted with High-Tech which, given its comparatively wider range of services, charged more than most boutique consultants, but still less than the ‘Big 5’.

While Fraser recognized that certain risks would arise from offering various e-business services, she also knew there were several implicit risks in not undertaking such a venture. Firstly, if the corporate world embraced the Internet as much as many analysts were speculating, the consultancy would miss out on a tremendous growth opportunity that would, in many ways, redefine how business was conducted in the future. This would put High-Tech behind in terms of its knowledge of current business practices. In addition, the company would run the risk of alienating some of its existing customers who might wish to migrate some of their services or processes to the Internet. This could prove costly if the company’s current customers began to turn elsewhere because High-Tech was unable to provide an appropriate range of related services. Lastly, Fraser was concerned about how her business partner would react to such an initiative:

Jenny is a very cautious and conscientious person, and therefore only wants to delve into domains that she knows really well... and that goes for her attitude towards the Internet. In fact, from day one, she has been saying that the Internet has drawn too much hype and attention, and that she doesn’t want to have much to do with it. In other words, if we are going to go ahead with this, I am going to have to convince a business partner who feels that we should just stick to our knitting.

DECIDING WHAT TO DO

Given the inherent risks involved, the decision of whether or not to launch a new e-business service stream was difficult. While there were several compelling reasons favoring such an initiative, there were also good reasons why the company...
should focus its energies and resources elsewhere. In considering the decision before her, Fraser stated:

*Before we do anything, we must take a good long look at ourselves. By this, I mean, we will need to examine High-Tech as if we were a client by using the same types of generic models and approaches we use on our real clients. We are not immune from the need of applying first principles. Ultimately, if I am going to convince Jenny [Smith] about the merits of starting this new service, I will need to give her adequate answers to several key questions, such as: Is High-Tech prepared for the e-business challenge? What customer segments should we focus on serving? What specific types of e-business services should we offer? What is the opportunity cost of developing this service stream? Would the company be better off focusing on developing its current client base and core competencies? As you can see, there are more questions than answers at this point, so I have better get started.*
### EXHIBIT 1

**OVERVIEW OF HIGH-TECH’S SERVICES**

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<th>New Business Development</th>
<th>Corporate Communications</th>
<th>Advertising &amp; Public Relations</th>
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<tr>
<td>• Market Identification</td>
<td>• Prospect Profiling</td>
<td>• Product Brochures</td>
<td>• Copywriting</td>
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<td>• Branding Strategy</td>
<td>• Route To Market Planning</td>
<td>• Sales Packs</td>
<td>• Placement Of Press releases/articles/ interviews</td>
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<td>• Company Positioning</td>
<td>• Channel Development</td>
<td>• Internal Marketing Training</td>
<td>• Press Launches</td>
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<tr>
<td>• Product Positioning</td>
<td>• Sales Training</td>
<td>• Internal Presentation Skills</td>
<td>• Press Packs</td>
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<tr>
<td>• Competitive Positioning</td>
<td>• Presentation Skills Training</td>
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<td>• Specifically Tailored Databases For Media</td>
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- **Customer Communication Planning**
- **PR Positioning**
- **Events Identification**

- **Customer Surveys**
- **Direct Mails**
- **Newsletters**
- **Customer Liaison**
- **Questionnaires**

- **Press Packs**
- **Specifically Tailored Databases For Media Contacts**
EXHIBIT 2

GENERIC APPROACH TO MARKET EVALUATION AND DEVELOPMENT

Source: Lovelock, Wirtz & Keh (2001), Creating Value in a Competitive Market, Services marketing in Asia: Managing people, technology, and strategy. Prentice Hall.