

Digital Content Strategy Focus Group – Public Report

Prepared for UK Trade & Investment
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Context

UKTI sought to convene an expert Digital Content Focus Group, to discuss the current industry landscape as it relates to international trade, the future trends and the potential strategic support responses from UKTI.

The Focus Group was therefore tasked to assist in achieving:

- A snapshot of the experiences and aspirations (or not) of digital content businesses relating to international trade, and an understanding of what the demand and priorities might be both now and in the future.
- Following from the above, recommendations on the type of support which might be valuable to digital businesses in order to inform UKTI strategy.

Focus Group - Content

The session was split into two elements – a first phase of gathering experience and gaining insight, followed by the generation of recommendations and suggestions for business support.

EXPERIENCE

The experiences of the businesses were sought under two headings: drivers for international expansion and routes to market. Two businesses were asked to give short presentations on their experiences to date - to inform and create points of agreement or contrast for other participants.

Drivers for international expansion

Presentation 1

A web publishing software developer based in Canada, now with an established London office.

Market entry

The main consideration is customer base – is there a sustainable client pool? Expansion may be driven by existing clients, as there is a factor of deal size which triggers a requirement to be present in the market.

Issues include:

Language barrier – do not underestimate the problems of localisation of content, both technical and cultural

Physical presence – the logistics of establishing a physical presence need to be taken into account, for example immigration rules for talent, requirement for local partners etc

Resources – the impact of resources required for expansion into a new market on the core business, especially human resources of time and management focus

Leveraging networks - Finding paths to the right people, and warm introductions, is vital and can significantly speed up progress.

Professional services - Administration issues were underestimated, especially regarding company setup and legal. Pre-packed professional services for small companies entering a market would be invaluable.

In discussion the drivers for international expansion cited by other participants fell into two broad categories:

Aspiration – The decision is partially driven by the aspirations of the Directors and a desire to be seen to expand as an international business.

Business growth – The desire to expand is driven solely by economic considerations, targeting markets where economies are stronger or there is greater opportunity.

The questions raised by the Group as important factors in making the decision to enter an international market all stemmed from an obvious desire to gather as much research and information as possible:

- *How and when do you know you will add value in another market?*
- *What can my company offer to an overseas client that they can't get at home?*
- *Do I have "data" to confirm the new market wants my product?*
- *Do I need locals in sales / account management?*

This discussion also began to raise an issue which became a theme throughout the Focus Group, that of structural variations within digital businesses which demand radically different approaches. For example:

- When selling "services" scale is important to market entry, but having clarity of product creates a saleable proposition.
- If selling "people" (or expertise) business development becomes harder as the proposition is less defined. Expansion will by definition take human resource from elsewhere, which could be detrimental.
- For software based companies the idea of "export" is redundant in some ways, they are companies selling products internationally via an internet presence or licence model with no desire to expand the size of the core business.

Routes to market

Presentation 2

A mobile games developer based in UK, now actively looking for opportunities in the international marketplace.

Mobile World Congress - Drivers for attendance of MWC in Barcelona were to gain a better understanding the market landscape and get early insight into the next generation of mobile technologies. They found some networking opportunities but the make up of the market is such that these were not extensive and comparatively little insider information was available.

They subsequently identified no business returns in terms of direct revenues or sales, therefore attendance mainly built background value – that of knowledge and inspiration.

SxSWi - This market is less formal than MWC with a focus on content and games, it delivered similar value in terms of inspiration rather than revenues, however they felt that the experience was invaluable in informing the direction of the business.

In both cases additional benefit was gained from attendance as part of group, affording a shared experience and peer discussion.

The subsequent conversation reinforced an impression that for a variety of reasons – rapid evolution of marketplace, lack of central advocate/voice, differences in digital business client targets – there is a clear gap in terms of a structured route to market.

Unlike other more established content sectors, the trade events aimed at these companies seem to be either focused on inspiration or knowledge sharing rather than business development, or digital “add ons” to existing formats with varying degrees of coherence.

A suggestion, although not necessarily receiving of unanimous support, was a UK showcase event to act as a magnet for clients and provide a better collective understanding of the shape of the UK digital content industries.

Others felt that smaller, more bespoke initiatives were more likely to gain access to the type of client base which would represent value for digital content businesses.

(see Structural Issues p7)

Skills

Training for international trade is not a discrete offer at present and is more likely to be woven into broader management and leadership courses or part of other private services (i.e. executiveplanet.com)

In contrast there was some consensus on useful training points relating to international trade: the “stepping stones” or process towards international expansion; specific cultural advice and guidance; local legislation and administration guidance. Alongside a focus by UKTI on the digital content sector there may therefore be an opportunity to generate interest in targeted skills development.

RECOMMENDATIONS

The second phase of the Focus Group looked to take the information gathered in the morning and process into recommendations or suggestions for action, again under two headings: target markets and support.

Target markets

Some interesting information was raised here but differences in business structures and drivers, as highlighted above, made a consensus of targets unlikely in this context:

- Germany – very difficult market for e-commerce due to lack of credit cards and lack of trust
- Australia – slow online speeds due to telco regulation puts it 2-5 years behind UK
- US – Start Up Visa programme incentivises inward investment into start up businesses owned by non-US citizens
- The requirement for a certain scale of client limits target countries to those with a “head office” and therefore the presence of key decision makers
- UK companies too focused on “breaking the USA”, Europe is potentially a bigger market and easier to access.

The participants however were consistent in the types of questions they would want to ask to judge the potential of a market:

- Look at competitors in the market
- The level of saturation in a product area and level of originality we could bring
- Talk to people who have experience in trying to market their product/service there
- Speak to UKTI and local investment agencies

Support

The group then generated their suggestions of business support (in an ideal world) and voted on the resulting ideas to generate a priority list.

All answers, sorted by priority (each participant was allowed to nominate a top 5), are as below:

	Ballot Items	Total
1.2.	Direct introductions to prospective clients. Lead generation.	5.00
1.5.	Mentoring from people who have been there / done it	4.00
1.6.	Making the knowledge that is already held by UKTI more freely available - telling how it could be done	3.00
1.12.	Help the smaller online startups the same level of representation with the government as the traditional content industries currently have. UK Gov being sold a one sided story	3.00
1.1.	A named liaison officer who could help with questions / networking / information	2.00
1.5.1.	Networking sessions with UK companies who have set up divisions on particular countries	2.00
1.7.	Practical help with visas, etc - step by step guides	2.00
1.17.	Low cost office space in key locations for like minded UK businesses - like Bristol's Paintworks but in New York	2.00
1.19.	Face to face sessions with experienced people to enable Q&A - 1/2 day sessions	2.00
1.9.	Tax breaks for every £ spent on overseas development	1.00
1.11.	Missions out to markets head of the UK so we can see what might becoming next to the UK	1.00
1.13.	Assistance with creating legal contracts for providing services in other countries, standard licensing and services docs localized for other markets	1.00
1.16.	Make apparent to UK companies what skills are required in what places, which would help focus an international strategy	1.00
1.18.	Going international is daunting prospect - UKTI could do a lot to make the environment more friendly by being open about it - celebrating success - using social media and their own website to make international trade seem like something that more people can do	1.00
1.3.	Help develop an international business plan	0.00
1.3.1.	Someone to help with business planning	0.00
1.4.	UK digital only event or trade show in the US	0.00

1.6.1.	Provide a kind of online network which could help link international companies, so that there are established reasons for linking up and the requirements/gaps in skills are apparent	0.00
1.8.	More specialists who understand the sector	0.00
1.10.	Personalise partnerships relevant to companies business needs	0.00
1.14.	Sectors - health, education, public sector are growth areas globally	0.00
1.15.	Support/training to effectively market one's company to an international audience	0.00
1.18.1.	Talk about clear case studies of UK companies winning valuable business abroad which can be used as templates for success	0.00
1.18.2.	lead the conversation - not wait for people to ask	0.00
1.18.3.	Web casts or presentations from UKTI or local market representatives on that country rather than published content on a website	0.00

In order to expand the discussion and understand the basis of the suggestions for support, we looked in more detail at the top three:

Direct introductions to prospective clients, lead generation – Clearly anything which can shortcut market entry and generate sales faster is desirable to any business. A model cited was a scheme developed with Bristol Media, where a limited number of key potential clients and digital agencies were brought together to network within a controlled format and match opportunities to suppliers.

Mentoring from people who have been there / done it – Significant value was attached to this type of discursive research and learning from peer experience. This is partially another practical example of the immaturity of the industry, there are no “well trodden paths”, but also a reflection of the type of person who tends to be in a management position within a digital content business – they have a tendency to be open and collaborative.

Making the knowledge that is held in UKTI more freely available, telling how it could be done – As noted repeatedly above there is a perceived requirement to find answers to questions relating to international markets, but also a clear desire to be able to access that information on their own terms. The participants felt that UKTI could provide access to existing data and case studies (although active studies of process rather than bland success stories), as a way of informing and generating increased activity.

Strategic Recommendations

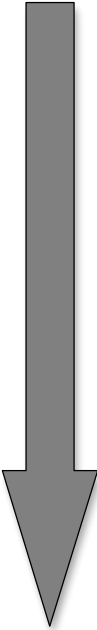
Taking a “step back” look at the discussion throughout the day, and especially looking to group together the various suggestions which arose in the final session, a strategic path for potential future UKTI support emerges.

This strategy would place significant value in developing relationships and delivering value to businesses at a pre-international market phase through the external communication of accurate and timely information (neatly captured as “lead the conversation – not wait for people to ask”).

In addition the businesses within the Group displayed a willingness to pay for UKTI services supplying the type of information and connections discussed during the day – subject to the delivery of clear business value and a fee structure which recognised relative size of organisations. The implication was of a marginal cost “membership fee” at entry level.

Strategic path:

The below is a suggested framework for future service provision within UKTI as it relates to the Digital Content sector, extrapolated from the responses during the Focus Group. It provides a path for businesses as they develop from interest in international trade to market entry, delivering specific services of value at each stage of decision-making.

A large, solid grey arrow pointing downwards, positioned to the left of the four strategic path items.

1. Information – Market research, data and intelligence, alongside related research pieces or case studies delivered to a wide audience using digital platforms. Short sharp information bites in order to raise awareness and general understanding.
Generate interest in opportunity.

2. Knowledge – Deliver access to peer experience and specific market advice, enable the business to concentrate and gain insight on more focused targets.
Generate understanding of opportunity.

3. Connections – Provide in-market access to potential clients, potential partners, business networks and local funding agencies, whether as a bespoke service, limited participant networking event or wider trade mission.
Generate connection to opportunity.

4. Administration – Provide practical support on the logistics and structure of market entry, whether assistance with legal or administrative processes, or access to a “soft landing” business infrastructure combining pre-packed professional services and office space.
Generate support for opportunity.

Strategic vision:

The vision therefore for UKTI strategy is twofold:

- **To make opportunities more obvious – and to qualify those opportunities**
- **Once the opportunity has been identified, to mitigate the risk of entering a new market**

Structural issues

As noted above, there are structural issues within the digital content sector which will need to be taken account of by any future UKTI strategy.

Not one sector, but many – The Focus Group participants had been deliberately picked in order to provide a spectrum of views and experience. What became apparent early on was that, even though there was a degree of consensus of approach, there were significant differences between business models – differences which would in likelihood require specific attention in future activity.

These “subsectors” were characterised as **content, service** and **infrastructure**. Clearly one of the difficulties in building a collective understanding of the scale of the sector, and in fashioning appropriate policy response, comes from this underlying division.

No coherent advocate – The fourth priority identified by the group points to the lack of a coherent advocate for the sector – “[achieve] the same level of representation within government as the traditional content industries”. The question from the session “who speaks for digital?” has no credible answer and is thus an issue for Government in forming policy.

No promotion point – To some extent a product of the above, there is no opportunity for the collective understanding or promotion of the digital sector (or sectors). Events or marketing efforts tend to be either niche or uncomfortable “add ons” to existing formats.