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Talkdesk Internationalization Strategy to the Netherlands

Maria Francisca Nogueira Tavares Cadete #3416

A Project carried out on the Master in Management Program, under the supervision of:

Prof. Sonia Dahab

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Abstract

The underlying project was carried out with the aim of defining internationalization strategy for Talkdesk in Europe. This project focuses on the analysis of the firm's current activities, exploring sustainable competitive advantages, followed by a complex analysis of potential markets, which led to the conclusion that the Netherlands is the preferred market to carry out the strategy. After a close examination of the market landscape, the most appropriate mode of entry was determined. Finally, marketing strategy is proposed along with a detailed implementation plan aligned with the strategic objectives that will ensure successful internationalization.

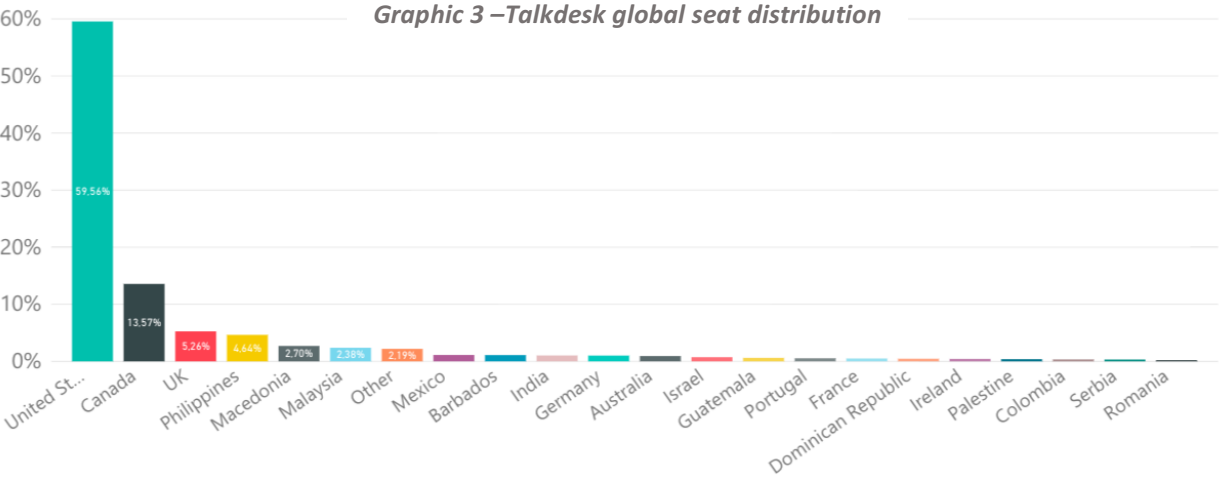
Keywords: Talkdesk, Internationalization project, Netherlands, SaaS

1. TALKDESK COMPETITIVENESS

1.1 Description of the firm

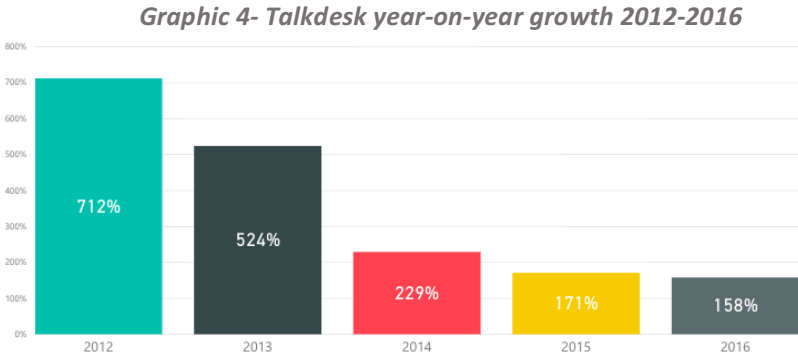
Talkdesk is a mid-market business founded in 2011 that operates in the contact center software industry. After winning a Twilio hosted contest, the founders were invited to join 500 Start-ups in San Francisco where they raised \$450 000. To date the company has raised a total of \$24.450.000 (CrunchBase, 2017). Talkdesk headquarters are in San Francisco where it benefits from a tech ecosystem, which is extremely valuable due to density of talent, access to mentors, advisors, sales people, etc. Silicon Valley draws more VC funding than any other area, which has greatly impacted Talkdesk (ANNEX I – Venture Capital Investment) where it raised Series A. Thus far, the firm has focused its sales and marketing efforts towards the United States due to not only the size of the market but also the adoption of cloud based technology which is incomparable to any other country. Talkdesk has two more offices both located in Portugal – one in Lisbon and another in Porto.

Currently, more than 70% of Talkdesk seats are located in the Americas (mostly United States and Canada) followed by the UK as of 2017. Overall, an extremely fragmented international presence. The team has been focusing on increasing their market share in the US, aggressively competing in their home market.



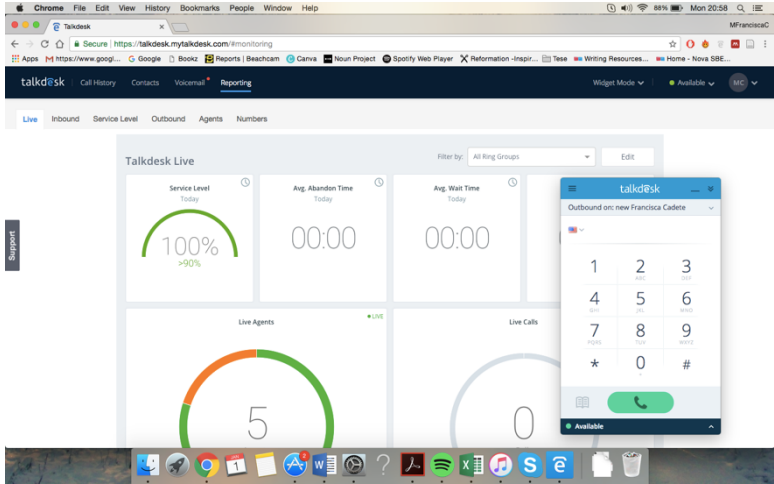
Only recently has revenue been directed towards the international market with the creation of a small sales team in Europe (June 2017) targeting the UK and Portugal . The reason behind targeting a small market such as Portugal is due to the physical presence of the company and network possibilities. The UK was also targeted since it’s the most similar to the home country in terms of language identity, market structure and technology adoption.

Analyzing the year over year growth, which compares the performance of the year with the prior year’s performance, Talkdesk has presented positive growth every year since its inception in 2011. The year with the highest growth was 2012 with declining growth rates since 2012.



Talkdesk is a cloud based contact center platform that completely replaces physical phones – with an Internet connection and a computer, agents are up and running to make and receive calls in a web based interface. Instead of the phone, users would access their web browser, login to Talkdesk and essentially have a phone in their browser as illustrated in figure 1 (For more detail about Talkdesk value propositions, consult ANNEX II – the technology).

Figure 1 – Talkdesk agent interface



Talkdesk’s clients are companies that range from small businesses to mid market and large enterprises. The main users of the software within the company are the customer service agents and sales representatives that use voice as a channel of communication. The software is also used by their managers and supervisors to provide visibility about the performance of the agents in terms of monitoring and reporting.

Furthermore, Talkdesk pulls data from existing business tools (service partners) so that when a customer calls in, the agent, prior to picking up the call, automatically has access to the customer profile with the activity history (previous emails, calls, etc), providing agents with context about the customer and enhancing a customer-centric experience. Thus, the integration with software such as CRM’s¹, allows Talkdesk to deliver maximum value to their customers – this is the case with most of Talkdesk’s

¹CRM: systems that compile data from a range of different communication channels, including a company's website, telephone, email, live chat, marketing materials, etc. Allows businesses to learn more about their target audiences and how to best cater to their needs.

customer base. Typically, one of the buyer's criteria to purchase a solution like Talkdesk is the ability to integrate with existing systems. This means that having service partners ultimately drives value to the end customer. Talkdesk integrates with over 25 industry leading solutions (Find all Talkdesk system integrations in ANNEX II – The technology).

Talkdesk product offering consists of 2 different lines: Talkdesk for Sales (directed at sales teams) and Talkdesk for Service (directed at customer facing teams), which are bundled according to the target's user needs. Furthermore, each line of product is divided in 3 tiers: Express, Professional and Enterprise which differ in pricing and functionalities (ANNEX III – Pricing Structure). The pricing is centered on user license subscriptions (number of users equals the number of licenses) and a price increase per subscriber based on tiers of functionality.

1.2 Talkdesk competitive advantage – VRIO framework

When analyzing the company's competitive advantage, the VRIO framework (ANNEX IV – VRIO framework) is the primary analysis tool to accomplish internal analysis which integrates positioning and resource based views (Barney, 2008). The concept relies on 4 questions to determine competitive potential based on value, rarity, inimitability and organizational embedded. Per this assessment, Talkdesk's sustainable competitive advantage relies on its service and **partnerships** with other solutions. Talkdesk has one of the deepest integrations in the market with Salesforce, the market leader in the United States due to a strong partnership/relationship with the company. Furthermore, another sustainable competitive advantage relies on the **nature of the technology** itself. Contrary to most of the industry, Talkdesk is extremely easy to deploy, taking only minutes to configure the system for a standard implementation. Also, most of the competitors have been in the industry for more than a decade and consequently have had to adapt their products to the most recent technology while Talkdesk has the advantage of being "born" completely in the cloud. In terms of product, this translates into faster deployment and simple set up. More recently, Talkdesk was named "**Visionary**" in Gartner's Magic Quadrant in North America (ANNEX V– Gartner Magic Quadrant), a category described by having

strong “multi-channel product and service capabilities” and a clear strategy for “sales, marketing, and business development” differentiated by unique capabilities. This accolade is extremely regarded within the industry, Gartner selects the players that are most relevant in the industry based on specific, selective criteria which helps build the brand’s reputation. Talkdesk is the youngest company in the Quadrant. Thus, the **innovative** vision of Talkdesk is an essential competitive advantage. Another sustained competitive advantage is the access to highly skilled pool of talent. Portugal has been growing as a technological hub over recent years not only providing highly skilled pool of talent and also successfully attracting foreign talent (EY 2017) - an infrastructure costly to replicate. Talkdesk also holds competitive advantages which include ease of use/interface, scalability and reliability.

Value chain

According to Porter (1985), the value chain breaks down the organization’s activities and provides a process view of the firm – made up of inputs, transformation process and outputs. The following analysis for Talkdesk will be merely qualitative aiming to gain an understanding of the organization as a system. Furthermore, Porter’s value chain model might fail on incorporating essential business activities due to its tangible nature. As such, some fields will be adapted accordingly.

Support/Secondary activities

Firm infrastructure. Talkdesk has various departments that contribute to the success of the business which play a crucial role in improving and strengthening the process. The firm’s structure is divided by department function. Regarding headcount, engineering is by far the largest department, encompassing around 40% of total headcount. Other departments include sales, marketing, customer support, product development, customer success, finance, human resources (ANNEX VI – Firm Infrastructure). 97% of engineering is located in Portugal (between Lisbon and Porto) while sales (86%) and marketing (92%) are located in San Francisco. This far, Portugal has been the engineering hub of the company while sales and marketing efforts are made towards the USA market. Thus, the department distribution reflects Talkdesk’s strategic decisions. **HRM.** Extremely important to the activities of the human resources

department is the hiring of engineering talent. **Technology development.** The core activity of the firm is actually embedded within technology development. However, it's also important to note that the company constantly strives to innovate and create additions to the system that will bring value to the customer. Revenue is reinvested in R&D to develop and improve functionalities, reliability and focus on product innovation. **Procurement.** This refers to the selection of development platforms to build the system. Talkdesk selected Twilio as its platform for voice traffic so that the focus would be the service provided rather than building the platform. Furthermore, Talkdesk uses AWS to store data which is the best option compared to building own infrastructure.

Primary activities (Tata 2016)

Inbound logistics. There are no tangible materials that go into the process of building Talkdesk. Instead, talent is the most important resource involved in the conceptualization and building of the final product.

Operations. Typically, in production oriented businesses, operations is the core activity of the firm. In this case, operations parallel software development supported by research and product management. Research and innovation team create technological improvements while the product team analyses the new technology improvement along with collecting and studying customer and partner feedback about the product to ultimately define product specifications. Finally, the software development team implements the software based on product specifications. **Outbound logistics/delivery:** As SaaS² business models, the service is delivered on a platform automatically, either by self-service or with the support of the professional services team to ensure the system is deployed successfully. **Marketing:** The marketing team's main activities consist of field marketing (sponsorship of large industry events such as Dreamforce, ICMI, CCW, etc; Talkdesk annual conference Opentalk; Talkdesk roadshows and co-host luncheons with partners, globally), running digital campaigns (email marketing, webinars, monthly product demos, targeted campaigns), content marketing (ebooks, blog posts, Opentalk magazine);

² SaaS: Software as a Service: delivery model in which **software** is licensed on a subscription basis and is centrally hosted

partner marketing; and PR. **Sales.** The team oversees following up with inbound leads and running outbound campaigns while delivering value to the prospect. Currently 86% of the sales team is located in the US, while the rest is in the Lisbon office. As we can see, this distribution reflects Talkdesk's strategy so far of targeting the North America territory. Only recently (June 2017) has a sales team been dedicated exclusively to Europe. **After sales service:** Since the business model does not rely on a one time payment, but conversely on pay per usage, customer retention is an essential parameter for the business. Thus, the customer service team plays an important role in ensuring great customer experience. The customer success team also plays a large part in building the customer relationship and maintaining a more personalized and recurrent interaction with the customer, acting as a representative of the customer in Talkdesk and assuring their best interests rather than the other way around.

1.4 Industry Mapping

To better understand Talkdesk environment, it's possible to distinguish suppliers, partners, customers and competitors (For more details, see ANNEX VII – Industry Mapping).

As it was mentioned before, partnerships and strategic alliances are an extremely important factor for Talkdesk's success. There are 3 types of partnerships that can be made: 1) **Service** partners: system integration providers looking to provide an integrated contact center solution. Talkdesk integrates with CRM and helpdesk tools that synchronize data, build automations and provide more value to the customer. This is mainly the starting point for companies in the "research" phase of the buying process – integration with existing CRM to avoid having separate systems. 2) **Channel** partners include cloud consultants and resellers hoping to expand offerings within the contact center space; Telecom solution providers looking to help customers migrate from on premise structure to the cloud and lastly BPO's³ interested in contact center technology for their internal operations. 3) **AppConnect**⁴ partners – firms

³ Business Process Outsourcing (BPO) - outsourcing of back office functions such as human resources or finance and accounting; and/or front office outsourcing, including *customer-related services* such as contact centre services

⁴ AppConnect - Talkdesk AppStore that provides customers access to leading softwares with out of the box integrations with Talkdesk

looking to build an app and integrate the product with the Talkdesk contact center solution through Talkdesk marketplace.

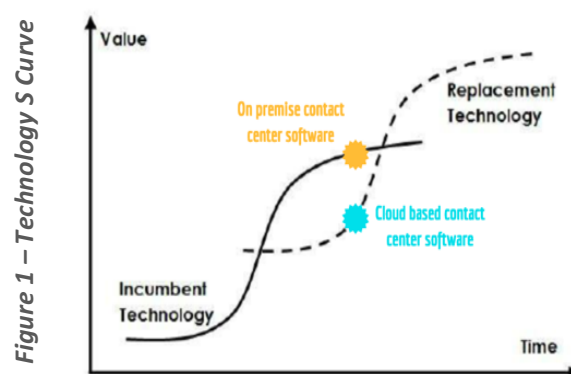
Regarding suppliers, voice traffic is provided by Twilio (a Platform as a service platform) while the customer data is stored in Amazon Web Services infrastructure.

Talkdesk has a vast portfolio of customers from small firms to enterprise companies. Customers can be acquired by various channels 1) Talkdesk webpage, 2) Sales outbound campaigns, 3) Networking provided by partnerships 4) Marketing generated campaigns

Finally, in terms of competitors, the contact center software industry has evolved over the years along with the technology adopted. For simplicity purposes, it's possible to categorize contact center competitors in 2 categories, following a chronological order by technological advancement:

- 1) On-premise/legacy contact center software: Contact center software, hardware and infrastructure associated with the solution is installed in the client's premises⁵ and is also maintained by the client's IT staff or outside provider (Examples: Cisco, Avaya, etc.);
- 2) Cloud-based contact center software - hosted online and accessed through the internet browser (Examples: Talkdesk, NewVoiceMedia, Five9) – within this category there are also different levels of technological advancement.

Using the concept of Technology S curve, it's possible to gain visibility about the evolution of the contact center software industry. On premise contact center software would be included in the declining phase, while cloud based contact center would be in the growing phase – it is not yet a mature market.



⁵ Physical presence at the customer's location

Although Talkdesk is not the first cloud based contact center solution in the industry, it is the first solution which was 100% “born and raised” in the cloud. Other competitors were adapted to fit product to the most recent technology.

2. MARKET SELECTION

As mentioned above, Talkdesk is predominantly present in North America, with a high fragmentation in the remaining markets. The United Kingdom is the second largest market with highest sales and the most similar to the US in terms of culture. Talkdesk is targeting the UK and Ireland as the first market to expand in Europe. Also, as to leverage the network effects of being physically present in Portugal, this market is also being explored. Therefore, during the market selection UK, Ireland and Portugal will be excluded of the process since the company has already conducted extensive research and a strategic plan to expand to both markets. After the market is selected, detailed market research will be conducted to make an assessment of the market sales potential and ultimately define the appropriate strategic steps.

2.1 Score Methodology

In order to select the top target countries for Talkdesk in Europe, the score methodology (Cavusgil 2008) was applied based on country’s overall market attractiveness. Several indicators need to be weighted in the decision. As Talkdesk is targeting Europe, all European countries were put through a preliminary screening process based in the market size of the contact center industry. Then, 15 countries were selected for further assessment.

In the second phase of the evaluation, several indicators were considered to reach to a decision. First was the size of the contact center market which demonstrates not only the market potential but also scalability. Second were the three factors which were selected to represent the readiness of the market to this type of technology since it would be best to target the “early adopters” from the bell curve distribution⁶. The following indicators were analyzed: percentage of enterprises using some sort of cloud

⁶ The Bell Distribution Curve illustrates the process of adoption to a new product or innovation. The first group of people to use the new product are the “innovators”, followed by the “early adopters”, “early majority”, “late majority” and “laggards”

computing service, percentage of enterprises using a high level of cloud computing (this includes not only data storage but also any type of cloud based software). Finally, one of the most important factors to analyse in terms of market readiness is the percentage of enterprises using cloud based CRM systems. Talkdesk’s value proposition greatly relies on the integration with existing CRM systems. Also, as the CRM industry is more mature than CCaaS⁷, we can look at it as paving the way for Talkdesk to enter, following the tracks of a more mature sub industry. Based on aforementioned indicators, the score methodology was applied. The scores, on a scale from 1 to 4, were attributed based on a comparative analysis.

The top 6 countries were the following: Germany, Netherlands, France, Finland, Norway and Sweden. There are obvious contrasts between these markets, reflected in the indicators used. Although Nordic enterprisers are early adopters of cloud computing, they represent much smaller markets than their counterparts (France, Germany and Netherlands). However, it is also important to take into account that by relying solely on market size would enable the company to enter the market that is not yet ready for the technology, making it much more difficult to penetrate the market.

	Country	Market Size	CC	High level of CC	CC CRM	Final Score
Weight		0,6	0,05	0,1	0,25	
1	Germany	4	1	2	1	2,9
2	France	4	2	2	2	3,2
3	Italy	3	3	1	2	2,55
4	Spain	3	2	3	2	2,7
5	Netherlands	4	3	3	3	3,6
7	Sweden	3	4	4	3	3,15
8	Poland	3	1	1	1	2,2
9	Belgium	2	3	3	3	2,4
10	Austria	2	2	2	3	2,25
11	Norway	2	4	4	4	2,8
12	Denmark	2	4	4	3	2,55
13	Finland	2	4	4	4	2,8
14	Greece	1	1	1	1	1
15	Romania	2	1	1	1	1,6

⁷ CCaaS: Contact Center as a Service

Consistent with the methodology, Netherlands appears to be the best market to target as it is one of the largest markets in Europe but also already has a high adoption rate of cloud computing technology with special emphasis on cloud based CRM solutions. (Eurostat 2016) – (for further understanding of the methodology, please see ANNEX VIII – Cavusgil Score Methodology)

2.2 PEST Analysis - Netherlands

PEST analysis

To assess the overall environment in the Netherlands, the PEST analysis will be used to gather possible opportunities and trends relevant to the business scope and industry (more detailed in analysis in ANNEX IX – PEST Analysis).

Political. The uptake and development of cloud computing services has rapidly outpaced the legal and regulatory frameworks. One of the measures to “harmonize” data privacy laws across the European Union and protect individuals’ personal data is the General Data Protection Regulation (GDPR) (European Commission 2017). As a data “processor”, Talkdesk is subject to these new rules and is held accountable for data protection.

Economic. The scenario of an expansive economy and favorable trade relations with the target market constitutes a positive outlook for Talkdesk’s expansion to the Netherlands. Furthermore, Gartner predicts that money spent on CRM software correlates strongly with economic growth measures such as GDP.

Social. Dutch organizations have a positive outlook towards cloud based services. Motivators to migrate⁸ include scalability (makes it easier to down and up-scale and there are no extra costs associated to the scaling) and ease of use and simplicity in terms of upgrading and license type. An inhibitor is the level of difficulty to integrate with existing systems (Scholten 2016).

Technologic. The Netherlands landed on 3rd place in the Global Innovation Index (2017) and is one of the top adopters of cloud computing in Europe (Eurostat 2016) with 35% of enterprises adopting some kind of cloud computing. Thus, Netherlands enterprises have familiarity with software as a service

⁸ collected from Interviews conducted with experts from the field in the Netherlands

applications similar to Talkdesk – enabling a higher penetration rate of the technology compared to less open and innovative economies.

2.3 Porter Five Forces

To better understand the contact center software industry, the Michael Porter 5 forces framework will be analyzed in the context of the selected market, the Netherlands. During this analysis we will differentiate the industry in 2 categories: on premise solutions and cloud based solutions.

Threat of Substitutes. Currently the customer is more demanding than ever, expecting real time, personalized service. That's the reason why the telephone is still the preferred method of communication despite chat and SMS becoming more common. Globally, according to a 2016 survey, 60% of customer interactions were handled by the telephone (Statista 2016.).

Threat of entry. Technology barriers to start a SaaS business continue to fall. Many companies such as Amazon provide scalable, affordable and easy to use infrastructures as a service. This means that there are no large capital requirements in the business to start the contact center. Contrarily, on premise contact center spend millions of dollars investing in infrastructure. This recent landscape opens the door for other companies to build on top of those platforms without much upfront investment. As technology continues to grow and improve it becomes increasingly easy for smaller companies to enter the market.

Industry Rivalry. There are over 150 competitors world-wide (Research and Markets, 2018) competing in the category of cloud-based contact center software. Furthermore, there is no clear market leader, both in terms of market share and vision (DMG, 2017). Thus, with a fragmented market, M&A in 2017 has been very frequent with DMG expecting to see more of this activity in the future as the market starts to mature, which demonstrates that the cloud-based contact center software category has yet to reach the maturity phase. On the other hand, the legacy systems dominate the industry and in this category is much more concentrated. Overall, due to the high presence of on-premise solutions, the market is quite concentrated. In the Netherlands, most competitors are on-premise solutions. The most used vendor is Cisco with 20% market share followed by Avaya with with 15.8%. The top 5 is

completed by Mitel, KPN and Alcatel (Computer Profile 2016) (ANNEX X – Industry Market Share in the Netherlands). Although pure cloud based players are not part of the top vendors competitors such as, NewVoiceMedia and Five9 are also present in the market (ANNEX XI for a competitor overview and main differences).

Buyer power: As the industry is becoming more saturated and solutions have a global appeal, switching costs are very low and buyers hold a high bargaining power.

Supplier Power. The supplier does not hold much power. IaaS⁹ and PaaS¹⁰ are becoming more saturated markets and there are various companies providing similar businesses at similar prices and service levels.

2.4 Analysis of the Dutch Market

2.4.1 CRM Market in the Netherlands

Since cloud contact centers form a part of a business's overall customer relationship management, a great predictor of the Talkdesk's ideal potential market is the growth of CRM industry in the Netherlands. According to ComputerProfile (2017), CRM shows a growing tendency since 2013 to 2017. In 2013, 9,4% of CRM solutions were cloud based, whereas in 2017 this share increased to 20,5%, showing a 118% growth rate in just 4 years.

However, overall in the CRM market the dominant solution is SAP with more than one quarter of the Dutch market. Microsoft comes in second place with 21,4% and Salesforce completes the top 3 with just under 14%. (ANNEX XII – CRM Landscape in the Netherlands). There is a large variety of solutions used – in fact over 7,000 interviews were conducted by the firm and more than 200 software solutions were mentioned .

Furthermore, within the various market segments the shares of each solution varies. For instance, within Multinational corporations, SAP has an even larger lead above the other solutions with 41% market share while Salesforce.com comes in second place with 25,3% and the Microsoft close behind with 22,6%. This scenario changes greatly when analyzing National enterprises and medium sized businesses

⁹ IaaS: Infrastructure as service provides the cloud storage

¹⁰ PaaS: Platform as a service is form of cloud computing that provides a platform on which the software can be developed

– in Dutch national companies, Microsoft Dynamics is the clear leader in CRM solutions, with 23,1% and 21,3% market share respectively. It's possible to infer that medium sized businesses and Dutch based companies show more openness to cloud based CRM systems and Microsoft Dynamics is the clear market leader in these segments (for a breakdown of market share see ANNEX XII – CRM Landscape in the Netherlands).

It's also important to note that Salesforce's recent expansion to Europe has not affected Microsoft market share. In fact, market share has increased from 16,3% to 21,4% while Salesforce grew from 10,5% to 13,8% in the Netherlands - this means that although Salesforce has been making important efforts to capture market share in Europe, Microsoft is leading the growth in cloud based CRM solutions in 2017 in the target market. This landscape greatly differs from the US, where Salesforce is the market leader.

2.4.2 Estimating Market Potential

To understand the size of the market in the Netherlands, a quantitative analysis will be conducted. The first step to conduct the analysis is to look at the number of enterprises in the market. Excluding microenterprises¹¹ – which typically are too small to benefit from a solution like Talkdesk - there is a total of 52 191 small¹², medium¹³ and large¹⁴ enterprises in the country (Eurostat 2016).

However, this number does not realistically represent the potential of the market, since many companies would be reluctant to use a cloud based solution and are not ready to adopt – which would reflect in a very low penetration rate. As mentioned and analyzed previously, the cloud based CRM market is an accurate indicator of product fit within a company. If a company is already using a cloud based CRM solution, it is much more likely that the technology is adopted. In the Netherlands, the share of enterprises that adopt cloud based CRM systems increases as we move up market. In regards to small enterprises, 13% already use a cloud CRM, concerning medium enterprises the adoption is 17% and for

¹¹ 0-9 persons employed

¹² 10-49 persons employed

¹³ 50-249 persons employed

¹⁴ 250+ persons employed

large enterprises this represents the highest adoption rate of 21%.

Table 10- Market Potential

	# enterprises	cloud CRM	# target companies	Market Potential
Small	41827	13%	5437,51	\$4 893 759,00
Medium	8674	17%	1474,58	\$57 508 620,00
Large	1690	21%	354,9	\$8 872 500,00

Although there is a larger number of small enterprises rather than medium and large, the market value of this segment is the smallest one since the number of seats is smaller – 3¹⁵ agents on average and the price of the license is in the majority of the cases less expensive (25\$ per agent/per month).

Contrarily, in medium sized companies, not only is the average number of seats higher – on average 50 seats but also the license price is more expensive (65\$ per agent, per month) which makes this segment the most valuable. (For the reasoning behind the analysis, assumptions and calculations see ANNEX XIII – Estimating the Market Potential). Nonetheless, the same logic does not translate to larger enterprises. Although the average number and price of licenses is higher, the total volume of the segment of large enterprises does not carry enough weight to be the most valuable segment.

It’s possible to conclude that the target for Talkdesk in the Netherlands is medium enterprises (50-249 employed persons) which is worth over \$57 million.

2.4.3 Talkdesk in the market framework

Based on a SWOT and TOWS analysis, both detailed in ANNEX XIV – SWOT and ANNEX XV – TOWS, respectively, potential strategies to approach the market were considered.

The Dutch are one of Europe’s top countries adopting cloud computing services in their organizations since these solutions are starting to penetrate the market and enterprises are knowledgeable about the benefits of moving infrastructure to the cloud. However, specifically, the cloud based contact center software market has not penetrated the Dutch market – which means that the category has low awareness. By focusing its communication towards the benefits of a cloud solution rather than points of difference from it’s most direct competitors, Talkdesk is able to gain attrition in the Dutch market, since

¹⁵ This assumption was made in consultation with the company

organization in the region value the ease of use and scalability of the solution. Having this be the focus for the communication strategy, Talkdesk ensures it is able to quickly penetrate into Dutch market. Hence, Talkdesk is not only creating brand awareness in a new market but also **category awareness**. By targeting organizations with cloud based CRM solutions, Talkdesk is able to educate the audience about the benefits of integrating the voice component into the existing business tools.

Talkdesk is a young disruptor, competing with highly reputable firms. Thus, by leveraging recognition of Gartner MQ, Cloud 100 and others, Talkdesk is able to position itself as the leading innovator in the space. Talkdesk is able to create trust by developing relationships with customers.

Lastly, by looking at the CRM landscape in the Netherlands, Microsoft Dynamics is the leader in the medium enterprise segment. Therefore, there is an opportunity for a stronger partnership between Microsoft and its partners.

3. MODE OF ENTRY AND LITERATURE REVIEW

3.1 Process – Internationalization theories

One well known model to explain a firm's internationalization is the stage model, which assumes that internationalization occurs in a gradual manner in different stages (Andersson 2004). One school of thought that stands out in this framework is the Uppsala Model (Johanson 2007). This theory describes that firms start operations in their home country and then sequentially internationalize in a series of steps based on the concept of "psychic distance". This concept, first introduced in 1956, is defined as the distance between the home country and the foreign market. These differences include culture, religion, language, legislation, economic conditions, market structure and business practises. Consequently, the less understanding a firm has of the market means greater psychic distance and therefore the higher the uncertainty. Thus, firms tend to expand to markets where the perceived uncertainty is lower. This concept is very much embedded into foreign market selection and entry mode. In fact, the indicators of internationalization used in the score methodology were based on this concept – mainly market structure similarity and language.

The steps towards internationalization according to Johanson and Mattson (1988) starts with the establishment in a foreign network through the development of relationships (extension), higher resource commitment (penetration) and by connecting the different networks (integration). Moreover, scholars believe that business networks greatly impact the internationalization process. For instance, interfirm relationships (customers, suppliers, partners) are also an important factor in the market selection. Also, networks give the opportunity to access to local market knowledge, business opportunities and establish contacts (Chetty and Patterson, 2002) - gaining more knowledge make companies bet on more distance markets.

3.2 Entry Mode Selection

Cateora (2013) identifies four entry modes: exporting, contractual agreements (licensing or franchising), strategic alliance and foreign direct investment (ownership). Within the exporting mode firms may engage in direct exporting, indirect exporting, internet and direct sales force.

With direct exporting, the firm uses a distributor in the foreign market; in indirect exporting the distributor/agent is located in the home market; and finally direct sales force implies the creation of sales team in the foreign market or handling online sales. In the case of Talkdesk, the best model for internationalization is through direct sales - a model that has already been adopted for other markets in Europe (namely the UK) where the company completely owns and controls market entry with allocated responsibility to the Portuguese subsidiary – the European Headquarters. Thus, the mode of entry for the Netherlands will follow the same strategy relying on domestic based sales representatives based in the Lisbon office. This mode of entry promotes not only better control of sales but also a closer relationship with customers.

The main issue with this strategy is the lack of incorporation within the Dutch market. Setting up sales representatives in the home country (Lisbon) means that Talkdesk would not benefit as much from networking to gain more insights about the market and the needs of the customer. According to Cateora (2013) the most effective method to establish these relationships is to participate in industry specific

tradeshows. This enables the firm to reach more customers, establish partnerships, market the product, gain knowledge of product requirements, competitor insights and overall create a network infrastructure for growth (Evers and Knight 2008).

It has been shown that companies that have successfully attended and followed up in tradeshows (Smith, 2004) are more profitable. This is especially true for Europe compared to the United States. American firms spend 5% of their total annual media budget on trade events compared to Europeans who spend on average 22% (Cateora 2013), focused on facilitating an environment for in depth discussions.

More specifically in the Netherlands, PwC research (2016) indicates that tradeshows will continue to outperform every media B2B segment. Despite the tendency towards digitized mediums, there is no “replacement for face-to-face meetings and networking”. In fact, European customers expect to build a relationship with the organizations. Although it is a slower sales process compared to the US, establishing strong relationships is vital. While B2C brand awareness is based on brand image while in B2B it is strongly based on building relationships (Capon 2012).

Lastly, Talkdesk should seek to form **partnerships** with the largest cloud CRM in the market – Microsoft Dynamics. Talkdesk can achieve this by being on Microsoft’s app store or ideally with partnerships with Microsoft’s channel partners who work as CRM consultants and implement solutions for their customers. This partnership would consist in this party to recommend, when he sees fit, Talkdesk as a solution to integrate in their environment.

4. IMPLEMENTATION PROPOSAL

4.1 4P’s of Marketing

In order to implement the internationalization strategy, the firm should engage in a set of activities aligned with the aforementioned strategic objectives. This proposal will be complemented by a more recent framework S.A.V.E (HBR 2013) that intends to adapt the 4P’s to modern B2B marketing.

Product (Solution). Currently, Salesforce is deepest integration since it is the market leader in the US. As the CRM landscape differs in the Netherlands, the product should be adapted according to these

needs. Thus, there should be a higher focus on the Microsoft Dynamics integration in order to provide the most value to the customer. The higher the level of integration and native use of the CRM and Talkdesk, the more superior the value to the customer is.

Price (Value). The pricing structure of Talkdesk should not be changed. Talkdesk should continue practicing a value pricing approach. According to research, organizations operating in B2B win deals due to strong business relationships, knowledge of customer needs and product performance (Deloitte 2012). However, Talkdesk should localize the pricing. Currently, prices should be converted to the local currency using the latest exchange rates. Most customers understand pricing better in their local currency, so a cosmetically localizing pricing would be beneficial.

Place (Access). Talkdesk provides one single global website. Since the firm was heavily selling within the home market, this global site is directed towards US customers and their needs. However, Dutch prospects should be redirected by geo-location towards a dedicated European website.

Promotion (Education). *Tradeshows:* In order to gain market insights, create networks and brand awareness, Talkdesk should attend tradeshows. This would be a great opportunity to meet decision makers and influencers. Although attendance and sponsorship of tradeshows is a costly activity, this is a crucial step to internationalize in the Netherlands. The most relevant industry events in the Netherlands for Talkdesk are the ones directed towards Customer Experience professionals. In 2018, Talkdesk should attend “Unleash Digital Customer Experience 2018”, which was sponsored by a Zendesk in 2017, a Talkdesk service partner; and Global Customer Experience & Innovations Summit, sponsored by one of Talkdesk’s competitors, Five9 in 2017 (for more details and the complete list see ANNEX XVI –Industry Events in the Netherlands).

Content Marketing: Additionally, having a European website will allow Talkdesk to direct more relevant content to the audience. For example, since Microsoft Dynamics is one of the largest CRM players in the Netherlands (and one of the largest in Europe), it would be optimal to feature more prominently relevant information about the nature of the integration since the “ease of integration with

current systems” is proved to be a motivator for cloud adoption for Dutch decision makers as identified in the PEST analysis. Currently, on the website, Salesforce and Zendesk are the system most highly present.

Adapting the content of the website to the target market is extremely important as buyers increasingly educate themselves online to evaluate a potential purchase (Forrester 2012). Talkdesk conducts monthly product demos with Salesforce to showcase how the platform actually works. In Europe, it would be a great opportunity to partner with Microsoft to provide more appropriate content during the evaluation stage.

“Customers as Advocates”: According to Forrester (2012), the purchase cycle of the buyers starts with the “discover” and “explore” phases. The customers are more empowered in the digital age and educate themselves through content that is available online. Content provided by vendors is extremely valuable and relies mainly on success stories similar to their business needs. These advocate programs are a great way to build trust and capture the prospects’ attention (Forrester 2015). A great opportunity for Talkdesk would be to ensure that customer stories in Europe are featured on the website - advocates should be in the same geography, industry and have a similar use case. This will establish confidence and trust with customers since familiar firms are partnering with Talkdesk. It is important to also reward the advocates so that they feel exclusive (access to beta feature, exclusive access to events). *“Customers as Influencers”*: A referral program would be another way to not only generate leads with higher conversion rates but also to build relationships with existing customers.

E-mail marketing: Outbound campaign to inform prospects about the industry relevant news, articles, content and ultimately share more about Talkdesk.

Google AdWords: Similarly to physical stores, when it comes to advertising in AdWords, location is key. Talkdesk should focus the advertising where the right customers are. Thus, the most populated cities should be considered in the campaign - Amsterdam, Rotterdam and The Hague.

4.2 4M’s Framework

To quantify the resources necessary to implement the project the 4M’s was applied:

Minute: These steps should be implemented in January 2018 stay consistent throughout the year while also taking into account the specific dates of the industry events.

Men: The fact that over 90% of the population speaks English (European Commission 2012) prevents the need to hire native speakers for every customer touch point (sales, customer service, customer success). Thus, HR should recruit a sales development representative completely responsible for the Dutch market working out of the Lisbon office. The Sales rep’s functions will include running outbound campaigns and prospect companies within the specified target - medium businesses using a cloud based CRM solution. However, the implementation of the strategy implies the involvement of multiple departments: marketing¹⁶, engineering¹⁷, sales¹⁸ and customer success¹⁹.

Money: The costs of the project include the hiring of Sales Development Representative, running Google Adwords and the expense of attending industry events which totals to \$46143.

Table 13- Costs of the Project

Annual Marketing Costs	\$34577
Attend events	\$25301
Travel & Accommodation	\$3253
Google AdWords	\$6024
Annual Wages	\$11566
SDR	\$11566
Total Annual Costs	\$46143

Memo: Measure the effectiveness of the strategy with measureable KPI’s as described below

Table 12- Milestones and KPI’s

	Objective	Measurement	Target	Initiative
Financial	Increase sales	# of net new customers	Reach 1% of the potential market in the first year	Partnerships; Tradeshow;
	Grow sales each year	% Customer growth compared to the previous year	40% yearly customer growth	Customer Referral, Customer,

¹⁶ Content marketing, trade shows and advocate program
¹⁷ Leading the adaptation of the platform features (integration)
¹⁸ Account executive responsible for the territory
¹⁹ Advocate program

Customer	Engagement/Relationship with the customers Customer Acquisition Category awareness (cloud)/Education	# leads from referrals program, % converted referrals # of leads generated from events; increase views on the website % clicks on the email content; increase of downloads of online content	6 prospects referred to Talkdesk each year; 80% conversion 50% of European erbiste views; 100 leads from each event 15% click info on the email;	customer referral program, <i>customer as advocate</i> Attendance in industry events E-mail marketing, Content Marketing
Internal	Partnerships, Strategic Alliances	number of channel partners; % of partners' referrals	Alliances with 5 leading channel partners per event; 30% increase of content download	Tradeshows
Learning	Gain a better understanding of the industry landscape in the Netherlands (main competitors, etc.)			Attendance of trade shows

5. FINANCIAL ANALYSIS

Lastly, to assess the feasibility of this project, the Net Present Value was calculated for a five year period. To perform this evaluation, various assumptions were anticipated to more accurately estimate the value of the project. As a first step, a monthly revenue calculation was performed. It was assumed that Talkdesk would be able to capture 1% of the target market in the first year. It was then assumed a growth rate of 40% each year due to the growth trend of cloud CRM adoption and consequently larger addressable market. It's important to take into consideration the recurring revenues inherent of the model which means that the revenues of a customer acquired are recurring in the following years as long as they are using the service. Moreover, the churn rate was also taken into account during the evaluation. The revenue was then calculated using Talkdesk pricing structure. Then, the yearly expenses allocated to the plan were considered. Finally, with a positive NPV of \$4.6 million, it is possible to conclude that the project is viable (Find the complete analysis with the P&L in ANNEX XVII – Financial Analysis).

6. RECOMMENDATIONS AND CONCLUSIONS:

Talkdesk has the resources, capabilities and infrastructure to expand to the Netherlands. The fact that the Netherlands is one of the largest markets in Europe combines with being one of the top users of cloud based CRM solutions, it's clear that there is a great market opportunity to increase sales and build a network in this market.

The success of the internationalization depends Talkdesk's ability to adapt to the differences found in the Netherlands compared to the US and the ability to build networks and partnerships. Thus, product offering must be adapted to fit the software leader Microsoft Dynamics, attending trade shows is also crucial in order to establish relationships and network in the country and finally partnerships with Microsoft and its' channel partners. A marketing strategy aligned with the strategic objectives and a defined implementation planned defined with measurable targets that must be met will ensure the success of the company.

Talkdesk should focus in 2018 in strengthen its position in the European countries it operates in and only then enter a new market. Regarding the next steps, a market evaluation was assessed with the remaining countries in Europe from the preliminary selection (ANNEX XVIII – Next Steps). This provides an overview of the market potential in Europe and a possible initial evaluation of a new market.

Finally, during this analysis there were some limitations mainly due to the lack of financial data in regards to the value chain or the lack of available data about the industry.