

SOFTWARE HOUSES

Life beyond the financial crisis

Selling software to banks and other financial institutions is taking a Darwinian turn towards competition for survival, similar to other industries before. The following example illustrates this and shows how a small specialist with a great know-how deploys a successful strategy.

*Joseph KUETTEL**

Starting point

TELEINVEST group is developing and selling securities trading systems and has been a prominent niche player ever since electronic markets exist. The current crisis means that our clients suffer from multiple set-backs: profits turned into losses, trading volumes sharply declining, end users retreating from markets, potential clients disappearing or being merged, job losses in the trading rooms and so on.

Naturally, projects and budgets are scrapped, reduced or delayed indefinitely. Difficult to sell new software in such circumstances, you guess.

Small is beautiful

Deep crisis in any industry usually bring about lasting structural changes, which in turn offer opportunities for the ones who are in a position to seize them. This is verified again today in the financial and banking world. Market shares are shifting, hierarchies change significantly. The winners and losers are not the same as before in many ways. Software houses in general may not escape this logic as the years to come will certainly prove.

However, small companies always enjoyed the advantage of flexibility and superior reactivity over big organizations, even more so in times of crisis. In addition, small teams are inherently more efficient in exploiting every employee's talents and potential of creativity and motivation.

Small is also beautiful when it comes to cost cutting, as bigger companies traditionally



Joseph Kuettel

have to cope with high overhead and structural costs, which take time to cut back and are very painful and disrupting to your business.

The virtue of independence as a sound business model

What are our survival tactics? What are our advantages in today's situation?

The company is totally independent, it does not belong to a holding or mother company in need of share holder value or influencing unfavourably our destiny otherwise. Our group's assets are its very own; they are not borrowed or bought on credit! Owning truly the technology you sell, instead of marketing a patchwork of assembled modules of different origins, difficult to control, integrate and maintain, is a major quality of a trading platform.

This basic independence has been our number one USP and will be even more valuable during difficult times, mainly because our level of service will not be jeopardized by drastic staff reductions.

Next, the cost of development and maintenance is a distinct competitive advantage as it is entirely done in Romania in our case, where you find a low cost hub of top computer intelligence. If profit margins should

vanish temporarily, the cost of production becomes a deciding factor.

We also rely on a team of precious client support specialists, who have to be located close to the main client base in Switzerland, but extremely difficult to recruit locally, despite rising unemployment. We select them in Romania, form them internally and count on getting work permits out of the special contingent available for EU member states.

Adapt your marketing approach

Don't believe the financial crisis means there is no more software sold and every supplier scrambles to just keep existing clients.

Actually, since it is the first time that even highly paid traders (ex golden boys) hit the road in bigger numbers, the remaining ones must do all the work alone. Many times, for our clients, this implies heavier reliance on computers and automatic order execution. As former specialists in one distinct asset class, using only one distinct and specialized trading system, find themselves entrusted with new jobs executed with the help of different working tools, there is now a trend towards centralized, integrated trading systems. They allow traders to negotiate various instrument types, traded on different markets and in different currencies. As luck (or wise foresight?) may have it, we are one of the very few suppliers offering such multi functional platforms. An old lesson applying here is: The trend towards replacing human intervention by machines is unstoppable, but accelerates in times of financial restrictions.

Furthermore, the recent crisis having shaken considerably the brokerage fraternity, many buy-side institutions are equipping themselves for the first time with electronic OMS/EMS.



You can seize opportunities but you can also create them

In trying to increase its sales and market share, our group employs another rather creative tactical weapon, apart from PREDATOR – The Fatal Weapon, as its flagship product is called.

Our Liechtenstein company, which is the marketing & sales vehicle, has started to reach out to new markets with the help of local independent sales representatives in various countries. This is an offensive strategy, despite the slowdown in sales, as it is based on the growing awareness that unique technology know-how, coupled with longstanding proven success in the home market, should be a valid selling point abroad as well. In order to keep the financial risk as low as possible, we contract only experienced sales professionals, disposing of the necessary market intelligence and a strong entrepreneurial profile. Their main incentives are a commission based revenue

scheme and the opportunity to build and manage a business on their own, without all the unattractive constraints in traditional employment configurations.

As part of the more classical marketing methods, we also approach new market segments, like commodities or other transaction based markets where our core asset, the technology, can be applied. Fig. (1) shows an example how to use existing technology to satisfy new client needs: various types of FIX connectivity to the outside world (exchanges, data vendors, broker networks).

Another example is our latest module 'multi market market-depth', a functionality very much in demand by traders who need to over-look and intervene in more and more markets, due to the recent fragmentation in liquidity and the emergence of new MTF's, following the market opening enforced by MiFID.

We also use a company plane as a working tool for travelling in Europe. This has many

advantages, as we are fast visiting clients and prospects on short notice, saving on travel time and expense, impressing our contact persons and last but not least achieving a positive effect for our image of a dynamic technology user with financial solidity.

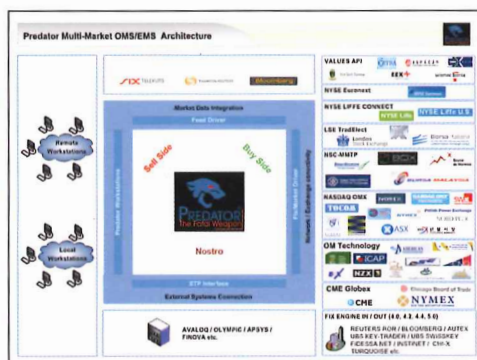
Old recipes still work

Let's try to resume the ingredients of our survival plan. Lean organization is an absolute must in times of downturns but it actually is a sound principle for all times, not only when you are standing with your back to the wall. The strength of independence is an invaluable asset to have and a formidable selling point too, especially in our market where the customers value very highly product qualities like reliability of the system, performance, stability of the software, scalability, modularity, etc. All these qualities can only be guaranteed if you completely own and control software which is 100% in-house developed. Of course no product is sold without substantial sales efforts. Today it is necessary to adopt creative marketing strategies, like using the image of a company plane in our publicity.

One could summarize: 'old virtues - new play grounds to apply them!' After all, when you have managed to survive 20 years, as in our case, there is no reason to panic. ■

J.K.

* Sales & Marketing Director, Teleinvest International AG



**A message
worth saying,
is worth saying well.**

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