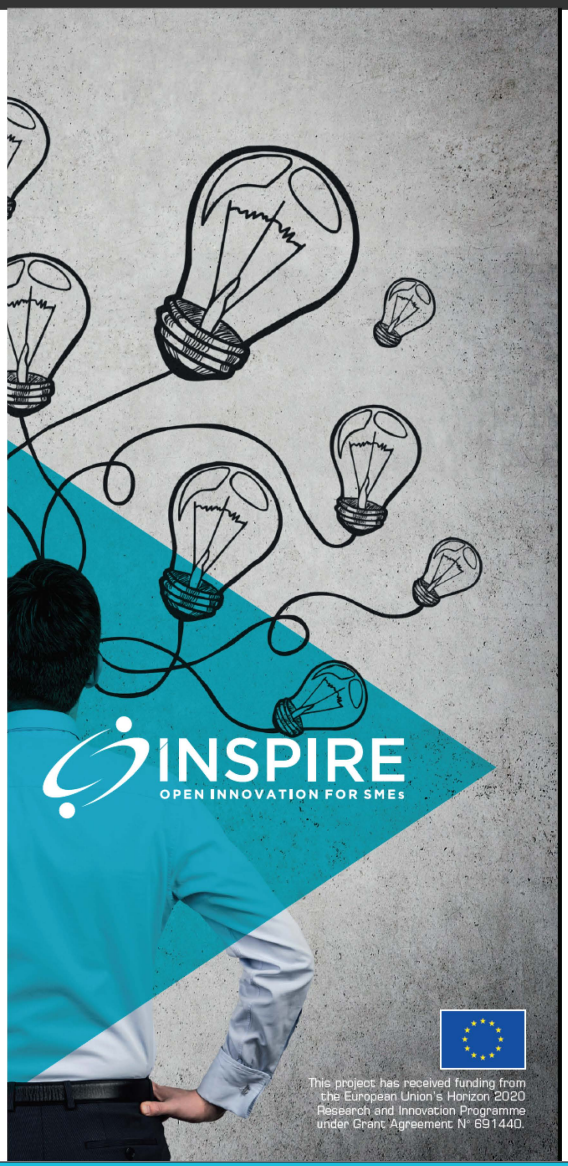

ANONYMOUS

Netherlands

A micro company in a technology-driven sector chooses an open collaboration model based on expertise and trust

Executive Summary

Founded in 1999, the company operates in the coating sector in the Benelux market.

Thanks to the innovation strategy implemented in recent years by the new ownership who bought the company six years ago, the organization also offers customized products to match customers' requests by exploiting a supply chain established over the years.

This case shows that the effectiveness of a network is not always dependent on legal formulas (e.g. exclusive licensing/formal supply agreements) but is also closely related to the existence of a trustworthy collaboration.

CASE N°: SD48

SECTOR: PAINT & COATINGS

TECH INTENSITY: LOW-MEDIUM TECH

LIFE CYCLE STAGE: RENEWAL

INNOVATION VECTORS: PROCESS, ORGANISATIONAL

01 PARTNERS: LARGE CORPORATION, OTHER SME

KEYWORDS: Technology-driven sector, PVD coating, licensing-In agreements, supply chain, collaboration based on trust

BACKGROUND

TThis is the story of a small team with a technical background who, in 2011, decided to acquire an existing company founded in 1999, which is specialized in industrial coatings. Led by a new vision of the business, the new ownership decided to invest a lot in innovating the production process by introducing innovative machinery and changing the business model.

Combining over 25 years of experience and a unique in-house manufacturing service, the company offers a personalized product for every coating problem for a wide range of industrial applications (food industry, automotive, semiconductors).

The company has a large knowledge network with big players to access the technology/knowledge to deliver the service in the target market, namely the Netherlands and Belgium.

INNOVATION CHALLENGE & MARKET OPPORTUNITIES

Forced by economic factors, productivity is a key issue for coating users who need to reduce the cycle time and their costs while ensuring high quality. Thanks to its in-depth knowledge of market conditions, the team decided to invest the necessary resources in becoming more flexible and to set up a service delivery model with a short lead time both for standard and complex requests.

In fact, due to the difficulty of finding the right formula to meet customer standards, being able to deliver customized products in an effective manner is an acknowledged success factor in this field.

After the entry of the new shareholders, the company has been continuing to grow and around three years ago they were led to increase their production capacity (40-45%) by introducing a flexible model.

Over the past twenty years, Physical Vacuum Deposition (PVD) technology has become the second most popular method of coating components. Due to the difficulty of finding the right formula for new coating products and identifying specialized suppliers, customers are generally bound to one single PVD coating service provider and have minimal bargaining power over prices.

On the other hand, for the manufacturers retaining the customer base implies maintaining high-quality standards. Thanks to his knowledge of the sector, and the strong market demand for this service (in the Netherlands alone the company has a portfolio of around 350 customers), the CEO perceived interesting new business perspectives.

This intuition was validated through a continuous interaction/exchange with existing and potential customers. Valuable inputs about demand-side needs and for fine-tuning the new delivery model were collected.

OPEN INNOVATION TRAJECTORY

Concept development

During the last five years the company has made significant investments in enlarging and modernizing its manufacturing line (now they have 9 coatings with 3 PVD coating machines). To fit customer needs (short delivery time, high quality formulas for customized coatings), the team decided to adopt new process technologies (machineries and related licenses) from large manufacturers.

Thanks to this new equipment, the team is able to formulate complex questions/requests for innovative solutions to suppliers (a pool of 10 large and small/medium companies) who provide an effective response about the formula and related costs, and when accepted by the customer, go on with the product delivery.

This new model was developed thanks to the input collected from relations with the customer-base (mostly small entities) which was on the look-out for high quality services at a lower price and after a comparison with the partners/suppliers.

The development process, IPR and competition strategy

During the development process, it became clear that to be flexible in this field entails having strong specialized expertise and the capability to perform in-house testing, including for customized products, which require specific high-cost facilities.

To overcome this issue, the team decided to revise the initial business model by outsourcing the

organizations with specific expertise/competences/services). The providers (met during sectoral fairs/exhibitions) are able to support the product delivery for each main product category to different customer groups for the diverse target industrial applications.

In order to use the new process technologies on PVD and DLC coating formulas, the company was able to sign related non-exclusive licensing agreements with large manufacturers, thanks to its recognized reliability, skills and knowledge in the field. As in any market which is considered to be high-tech, the top-level skills possessed by the company represent a relevant barrier to entry for new players using the same technologies in the same geographical markets.

No formal agreement has been signed with the suppliers with whom they regularly collaborate. To further grow in this technology-driven sector, the company has been implementing a mainstream strategy by investing in significantly improving their service offer at a pricing level that the customer would accept.

The USPs of the new product/service (flexibility and short delivery time) have allowed the company to enter a new market (i.e. Belgium) and to strengthen its market share since the cost for customers to switch to alternative providers is high, especially for those who require precision coatings. Having personnel with experience and expertise and an established supply chain for a fast product delivery are key success factors that can prevent the entry of newcomers using the same technologies in the same geographical area.

Commercialization and follow-up

Being a micro-company which is mainly technology-driven (7 employees), the main obstacles to business growth are the organizational constraints.

Their strategy for scaling up will be mainly based on penetrating markets with a strong manufacturing industry, building up a commercial sales network (local agents with a technical background able to understand customer needs) while, when targeting more distant markets with a significant customer portfolio (i.e. Italy, Greece), they will evaluate the possibility of de-localizing production (i.e. agreements with local companies vs subsidiaries/branches).

The CEO expects to face the following challenges:

- overcome communication gaps with foreign customers;
- identification of the right partners/establishment of good relations with them;
- access to the necessary financial resources to boost market uptake.

The marketing strategy, which is so far limited to the national and neighbouring markets, mainly consists of networking activities directly performed by the founders. They regularly attend sectoral fairs/exhibitions, getting in touch with customers and partners and then perform an intensive follow-up action with prompt direct market tactics (i.e phone calls, visits to the company facilities). When it comes to targeting international markets (even if a clear roadmap is missing), the company envisages the use of third party sales agents for commercializing the company offer.

To further improve their customer service, the company is looking for 3D printing companies.

BUSINESS IMPACT

The main outcome for the company has been the opportunity to put in place a production process able to deliver high-level customized products within several days, thereby increasing their market share. (They are now selling also in Belgium and are planning to target the market in Italy and Greece).

Thanks to this open collaboration approach, the company acquired the know-how for improving its product portfolio and for accessing new markets, while taking care of the quality of its offer. In addition, the company understood that for a successful partnership, both parties should have a good feeling and pursue complementary objectives.

They also learnt that forming a collaboration with a large manufacturer requires time and effort. The team got some support to increase exports (i.e. by attending networking/matchmaking meetings) and from financial advisers.

LESSONS LEARNED

This case is about a micro company that focuses its innovation strategy on trust and collaboration. It shows how a small entity can operate in technology-driven sectors by offering high quality products/services through the establishment of an effective supply chain with reliable partners.

In this story, the effectiveness of the network is not related to the existence of legal formulas (i.e. exclusive licensing/supply agreements) but to a collaboration based on trust with associated

mutual benefits for all the parties involved. And as is the case in mainly technology-driven domains, this implies a mutual acknowledgement of each party's reliability and abilities/expertise.

Main lessons learned:

1. A collaboration between big players and a micro entity is normally based on mutual benefits and tangible opportunities.
2. Trust is a crucial factor for a long-standing collaboration ("promise just things that you know are possible").
3. The pre-conditions for a successful open innovation partnership are: trust, shared objectives, mutual advantages and common "language".
4. In technology-driven domains, a high level of expertise can represent considerable bargaining power for a micro-company when dealing with a large company.