

Australian Co-operative Research Centres come of age: Wedgetail Communications' flight to fortune

[Wedgetail Communications](#) was founded in 2000 as a commercial spin off from the security division of the Co-operative Research Centre (CRC) for Enterprise Distributed Systems Technology ([DSTC](#)) in Brisbane, Australia. The company was funded by Australian venture capital managers [Allen & Buckeridge](#) and [Uniseed](#), a pre-seed stage investment fund. Wedgetail achieved some early export successes in North America and Europe and received a National Rising Star Award in the 2002 Australian Deloitte Technology Fast 50 Awards. However, the company may have arrived a little ahead of its time.

By the time Jennifer Zanich arrived in September 2003 as the new CEO, Wedgetail was in a precarious situation. There was only enough cash left to fund a few more months of operation. Jennifer's brief was to set a new direction for the business.

She set about doing this by applying the lessons she had learned since arriving in Silicon Valley in 1998.

As a result of these strategies and Wedgetail's subsequent successes, the company announced in July this year that it would be acquired by US enterprise solutions company, [Vintela, Inc.](#) This is a landmark transaction because Wedgetail is one of very few commercially successful spin offs from an Australian CRC. Other positive consequences can be seen in the expansion of the Australian office and the successful outcome for the original investors.

Wedgetail has a suite of internationally leading cryptographic and authentication products specifically designed and engineered for the Java and embedded device environments. From its extensive experience in Java Security, Kerberos, PKI, Active Directory and Secure Messaging Wedgetail developed three main product areas:

- Identity Management
- Secure Messaging
- Public Key Infrastructure

The aim of this story is to identify key issues for antipodean entrepreneurs seeking to enter the US. Some of the lessons referred to earlier are described in more detail below:

Focus on a niche and commit to it

Wedgetail had developed good traction in financial services in the US with two key products and the recent introduction of Gramm-Leach-Bliley and Sarbanes-Oxley legislation was a key sales opportunity. Jennifer decided to focus on sales in the US financial services industry. The focus was further narrowed to Microsoft committed customers who were using active directory as their primary store and needed a single sign on solution.

Differentiate yourself

"You need to clearly differentiate your product from the competition. In a very crowded market this is essential. You have to show what you are and also what you are not."

Wedgetail's competitors were perceived by customers to include Oblix, IBM, Tivoli and Netegrity. Ultimately the company was able to show that its offerings were fundamentally different from those of the competition. Dave Wilson, President of Vintela, demonstrates how

successful Jennifer's differentiation message was when he described Wedgetail thus: "No other Identity Management approach delivers a single trusted-zone offering real-time authentication and single sign-on for Windows, UNIX, Linux and Java."

Understand and then clearly communicate the value proposition

Jennifer's devised a marketing plan to validate the Wedgetail products in the target market. In her words: "What did the customer need that Wedgetail could deliver?"

Networking is essential

Jennifer developed sales and distribution channels by using her previous experience and relied heavily on her existing network of contacts. When she first arrived in the Bay Area, Guy Manson of ANZA provided mentoring support, introduced her to the networks and to business angels and helped her start her own network. She found the FWE (Forum for Women Entrepreneurs) forum was an excellent channel for developing her networks. Most effective networking was done one to one: "People are open and helpful, but you need a connection to get to them. Networking gave these essential contacts and introductions. Because people are very busy and business is very competitive a quality referral is invaluable."

You need a US beachhead (US customers, US partners and US personnel in the US)

"Your successes in Australia don't necessarily count here...US customers need to know why they should do business with you." It is very difficult to win a US customer without a local presence. US customers want to see a commitment of resources and effort to the local market to develop a comfort that your company will be around for the long term.

Demonstration of success with other US customers is also important. Australian customer names have little meaning or relevance, even those as big as Telstra. Wedgetail managed to sign up blue chip customers like CIBC, Lehman Brothers, Adobe, Sony, News Corporation, GlaxoSmithKline, HP and Lockheed Martin.

Jennifer also identified great value in immersing yourself in the local environment to learn what is going on. She went a step further and hired a specialist in the US security products market to give Wedgetail the intimate local market knowledge it was lacking. She also assembled an advisory board composed of security and market experts.

Wedgetail's marketing partnerships include Microsoft, BEA, IBM and Sun. One of the strategic partners was Vintela, the US company that ultimately acquired Wedgetail.

Finally to raise investment capital in the US you need to have a US registered entity.

Be relentless in your pursuit of business.

While Jennifer set the direction for the businesses, she also had to create opportunities and then chase them relentlessly. She emphasised the word relentless at least three times.

Why go to the US?

The lessons described above indicate how daunting the US market can be. Despite this Jennifer found many good reasons to chase after the US market rather than other markets.

- Economies of Scale – large population.
- The US is English speaking However, Jennifer notes "the creative way that Americans use the English language and invent new words. I was in a meeting with our CFO who

declared that what our strategy needed was 'parallelization' (at least I think that is how you would spell it)".

- The US is the home of technology. You are very close to the cutting edge of emerging technologies so you can get an early "heads-up" on new innovations. You are also immersed in a culture of innovation.
- There is a big VC community.
- US customers are more willing to try something new (provided it solves a real and immediate problem).
- The US presents greater opportunities to find business partnerships.
- In the US people's attitudes and the business infrastructure are geared to helping small tech companies get ahead.
- US customers are very loyal and business relationships can become deep: "One of my customers called me up to tell me when a competitor came by to visit and shared details of the competitor's offerings." No amount of research could have unearthed this sort of information.

In conclusion Jennifer noted that the US has a very challenging but very exciting business environment. For example there are major events (such as technology forums and conferences) every week. However she also said that the isolation from existing networks and contacts in Australia make it a challenging time while you are building a new support network. Jennifer is currently managing the transition of Wedgetail to Vintela.

Sources:

Phone interview with Jennifer Zanich 18 August 2004
Wedgetail Communications website