

Market Entry: Where to Start-Up?



By [Henrich Greve](#) , INSEAD Professor of Entrepreneurship

Even highly-targeted niche start-ups need to think about their focus. What factors should you consider when positioning your company?

In 2009, Dr. Andreas Schmidt frantically packed his bags and jumped on a plane bound for Singapore. His company, [AyoxxA Biosystems](#), had been given a commercialisation grant following a round of successful research funding from the country's National Research Foundation. It was full steam ahead for AyoxxA from that moment onwards.

AyoxxA had created a breakthrough technology capable of identifying hundreds of diseases, faster than ever before. It could also help scientists and researchers do this with an even smaller blood sample than the industry could currently provide for in any such analysis. The technology, a small, flat plate about the size of a cigarette lighter, is a silicon chip with dozens of holes on the surface called “wells”. Inside the wells are antibodies that react when diseased cells are introduced, helping scientists identify markers for cancer, allergies, cardiovascular or infectious diseases.

But there was just one small problem. There were high hopes for a technology in the biotech industry that nobody outside of the business knew

anything about. Many questions also had to be answered about positioning: where in the market should the company focus? The three possibilities were researchers, big pharmaceutical companies or diagnostics. How should it be positioned to attract venture funding? AyoxxA also had to determine where it should be based and whether scientists wanted fewer but more accurate markers? Last but not least, who should supply the company with the antibodies it needed for the wells?

Entry point

It was decision time for Dr. Schmidt and his team. A business plan was needed and so was a marketing plan. Above all, getting the product to market was the top priority. “The biggest market is medical diagnostics” Schmidt said recently, “but the gate you have to get through is difficult. You have to be an MNC, raise US\$40-50 million of venture capital and get FDA approval, which can take many years.”

Impressed by the success of companies in the DNA arena, Schmidt and his team, with the advice of INSEAD MBAs Piers Ingram and Swati Sawjany focused first on researchers.

Ingram, who, along with Swathi, was working with Ayoxxa as part of the Entrepreneurial Field Study elective in their MBA programme, advised Schmidt that researchers would need to satisfy themselves that it worked, but didn’t need regulatory approval as the chip was not being used for human testing. So its entry point was set. But it maintains its aim to also become the multiplex protein diagnostics company of choice for pharmaceutical screening and medical diagnostics as it grows.

Choosing a home base

Asked why AyoxxA started in Singapore, Schmidt responds “because we could”. Within a short time, the company was able to raise money not just to get started but to commercialise its product. The start-up was incorporated in 2010 while being funded through the S\$200,000 SMART MIT Alliance of Research and Technology Innovation Award and in 2011 received S\$500,000 in funding from SPRING Singapore’s Technology Enterprise Commercialisation Scheme. Through the National University of Singapore (NUS), it received other grants as well.

But Schmidt also had backing in his native Germany. AyoxxA was invited to a business plan competition in Austria which it won and there it attracted the attention of venture capital firms, which put money behind the firm. “It was clear that we had to have an entity in Europe as well”, Schmidt said. The firm now has a presence in Cologne, Germany, which brings it closer to European venture funding in addition to its Singapore base.

“The guy with the marbles”

But none of this would have been possible without the positioning of the company. Schmidt says the winning formula was taking a step back to put himself in the shoes of those who didn’t understand the technology. He took to carrying around a Chinese checkers board with marbles on it to illustrate how the technology worked. “I became the guy with the marbles. But that was enough. We were remembered, especially coming from Singapore,” he says.

The same approach influenced how Schmidt built his team to market the company. Hiring a marketing manager who didn’t have a biotech background enabled a broader positioning. Swati Sawjani, who had advised the firm, came from a finance background and was able to focus on financial modeling and where to base the company, while Ingram, coming from a pharmaceutical background was able to ask the hard questions about why scientists should be interested in the product.

“We worked with PhDs and MBAs together. These kinds of teams work well together. I was very open about the project. Ingram is someone I still talk to,” said Schmidt.

AyoxxA is a good example of how start-ups need a lot of commercial positioning to work at all. It had a technology, but like many other technologies it could be placed into multiple market positions. One day it will be in all its potential market positions. But Ayoxxa faced the usual startup problem that it needed to hit the best possible market position, with no error allowed, because startups usually do not get two chances.

In addition to its market position, it needed physical locations that would put it near the most important stakeholders, whether they be scientists, finance sources, or customers that should be in its network of collaborators. Indeed, to form strong networks it might need multiple locations, as it ended up choosing. These decisions can only be taken with the right knowledge.

Without the input of a diverse network that now includes academic institutions, venture capital firms, partners and investors, INSEAD alumni among them, AyoxxA might not have been the well-managed success it is today.

After closing its series A round of funding last year, the company has recently closed a series B round too.

Founded as a spin-off of the National University of Singapore in 2010, AyoxxA has been engaged in a strategic collaboration with INSEAD to define the business development path of the company. Ayoxxa won the INSEAD Business Venture Competition 2011 technology award.

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