

Thierry Harris: What happens when you are a small company offering a software as a service and are competing in global markets? You might fall upon a situation where you are spending scarce resources handling customer problems in different time zones, or you spend a lot more time understanding the latest regulatory requirements that could affect the quality of your product in these different markets.

Many companies fall into the trap of spreading themselves too thin, trying to service too many different types of customers. The consequences of this situation can be very serious, and even lead to shutting down a company completely. For companies to grow profitably, they need to build on sale after sale in order to streamline their product offering and have a strong presence in one market.

On this episode of *Market Hunt*, we explore how one company went from international back to local and what learnings they had along this bumpy, humbling journey. Stay tuned.

Nick Quain: Entrepreneurship is hard. You need to have support there.

Andrew Casey: We fundamentally have to learn how to live our lives differently. We can't keep going the way we have.

Marie-Eve Ducharme: Actually, we were wrong. That's an incredible market.

Haseeb Awan: Obviously facebook makes too much money.

Rune Kongshaug: I fall in love easily.

Thierry: We're coming up with some pretty interesting ideas here. [laughs]

Andrew: We solve everything.

Thierry: We solve it all.

Thierry: Hi, everyone. I'm Thierry Harris, and you're listening to *Market Hunt*. In this episode, we sit down with Filipe Nunes, General Manager for Magex Technologies. Magex specializes in creating real estate software. They have two core products. The first one, Proprio Expert, is aimed at landlords to facilitate the management of their real estate properties. It includes everything from accounting, to calculating tax payments, to communications, and all the general administration it takes to run a property. Typical clients will include landlords and building managers.

The other product is a software called Zoom-Imm. The software is designed to help analyze the profitability of real estate investments by calculating the potential return on investment on a property. Clients could be real estate agents, property developers and investors wishing to acquire a new property. The software is able to output profit margins and other financial information, and close to 30 pages of data, including various presentation formats, such as charts, graphs, and tables.

All of this is designed to present an informative and visually professional look to the investment marketing materials. The company has been around since 2003 and its original founders have moved on since then. It is now owned by French investors. Filipe describes the ups and downs the company has experienced since he joined in 2011, but before we get into it, we want to flag you that Filipe's answers to my questions are going to be in French. If you want to follow along in English, you can read a copy of the podcast transcript located on the ie-knowledgehub.ca website.

Filipe Nunes: There have been a lot of changes since 2013. We are talking about 7 years. So if I remember correctly in 2013 we were still a small SME. We were 7 to 8 people. The company was restructured and we fell to four, then to three employees up until 2018.

We made a lot of changes, reduced our costs to be able to get more liquidity to develop new products for new markets. In 2018 we started hiring new personnel and we are now at 6 employees for the moment. New customer support personnel, new sales and marketing team.

So we kind of retraced the path we were on since the company started in 2003. It's a company that has grown a lot in terms of sales figures, we have nearly tripled our sales in the last five years.

Since I've stepped in as Director, I have been able to execute many important changes. Be it in sales, or for the image of the company. We rebranded the entire company's image, logo, website, all aspects of marketing. Everything was redone from scratch. So we recreated a new image for the company.

We are better known now. We worked very hard to have a bigger market share in Quebec. We wanted to have our name and recognition known here in Quebec. And I think it served us very well. This enabled us to open new doors internationally.

Thierry: You can find the original case study on the ie-knowledgehub.ca website. As Filipe mentioned, the company went through some serious changes in the last five years, dropping to three employees, and is now up to six employees and has taken a strategic shift from international sales towards making themselves more well-known in their local market of Quebec. I asked Filipe why they decided to make this strategic move.

Filipe: The thought process behind our strategic move to focus more on Quebec was the following. Since its beginnings I have been following the development of the company. The projects that the founders were working on. It allowed me to focus on what areas were profitable relative to the effort we put into them. I noticed we put a lot of efforts, for example we went to California, in San Diego, in Belgium, in France, in Ontario and a few western provinces. But I saw that in Quebec we were not very well positioned. So we were spread out in different locations, but we were not strong in any of them.

We were not very well known in Quebec. And I said to myself, I think that a company needs to be recognized in their home market before going elsewhere in a strong manner.

So we need to be known, and solid on our local markets. You need a certain confidence and products which have been tested and approved for our local market. So that when we are satisfied with our local product, we can say “OK go. We are going to sell internationally.”

Thierry: What Filipe is saying is that before chasing international markets, he had to obtain more customer validation for Magex products in Quebec, not by any means ubiquitous strategy for companies to pursue, but remember, that they are in a software as a service business model and in order to fine-tune their product offering to solve customers' problems, they needed data. The more feedback from the customers, the better their products.

What is really data and more importantly, how does one obtain it? It's all about building relationships with your clients, but more on that later. Back to the challenges of selling in international markets.

Filipe: Yes indeed we had Brazil as an option. We translated the product in French, English, Spanish and Portuguese. So we put a lot of effort into adapting to those markets during this period. But we didn't have enough resources or money, financially to go and develop those markets.

And at the same time we didn't have enough bandwidth to conquer the market in Quebec. We were still a relatively young company, since 2013 it was ten years that the company was in existence. So I gave myself five years. I said to myself, “In the next five years we are going to be solid, we are going to be recognized, we are going to have a new image. People will know Magex, they will know what we have to offer.

And once we will have a greater market share in Quebec, we will have more resources, and we will become more structured also. It will allow us to conduct tests and trials here first before going out and shooting ourselves in the foot internationally.

So the thought process behind all of this was to solidify our local market. Something that we successfully accomplished with my team. So now we are much more solid. People know us. We signed a lot of partnerships with Quebec based companies. Firms that are growing as well as more established organizations.

So it allowed us to offer different types of products, targeting our different clients. And once this was done we said now is the time to put more efforts elsewhere, since here in Quebec things are now stable.

Thierry: Filipe is describing what his small company had to do to survive, focusing his efforts on Quebec and making strategic partnerships in order to offer new product lines. Magex products aim to save their clients time and money. One, helps make financial

decisions, and the other, helps manage properties. The products are complimentary and the market they are pursuing is well-defined. I asked Filipe how they commercialize these products in international markets.

Filipe: When we are talking about international markets, what helped us penetrate those markets is to find strategic local partners. For example, in California, and in Washington we found a company which was proposing real estate management tools to real estate brokers.

So they had a website dedicated to local real estate agents. So the San Diego Real estate board, to which all real estate brokers in San Diego adhere to. There are tools on this platform. There are tools to re-touch photos, to create videos, to create promotional materials. So there is a lot of tools adapted to the brokers needs.

And they didn't have any tools to analyze profitability. To evaluate potential investments. So in 2011 or 2012 it was the founder who went out to meet them. She met them and presented the product to them, and this was how everything started. It did take some time, you have to study the market, you have to understand their needs. And most importantly in our case, you have to know is the regulatory market the same as ours? So in Canada, in Quebec and in the United States, real estate profit analysis works in the same manner for calculations most of the time.

In Europe, in France and Belgium it's different. So this wasn't a product which we could commercialize in Europe. But we were able to commercialize it in the United States. So we played with this, which product could we commercialize and which product we couldn't. And in the United States we were able to commercialize Zoom Imm and Proprio Expert as well.

So we started with Zoom Imm to open up some doors. So we did a market study to discern how many real estate agents were in each market, and where the commercial real estate brokers were the highest. And we deducted that it was in California that there was the most commercial real estate brokers. So that is why we went there.

So we signed an agreement with a local company, and this company whitelabels our products to sell on their platform. So Zoom Imm isn't called Zoom Imm in the US market. There is the name that the company uses which is Clarus Investors. so they commercialize Zoom Imm as their own product. So we would still get sales for Magex, but we didn't need to put in the effort to generate sales because they knew their local market, they knew their clients, they could propose the tool. They did the publicity and the sales. We were doing level two support, troubleshooting questions they could not answer. So we could handle the technical support because we didn't have to make a sales or marketing effort.

So we found this was an easier, more cost effective strategy. The revenues from this operation were still interesting because we had a sale of a product which was whitelabeled, without any sales effort needed. And we would still touch commissions off of every sale they made.

So it allowed us to enter these markets.

Thierry: After doing market studies to find which states had the most commercial real estate agents, they selected some key areas in California to focus their efforts on. Magex partnered with local players to offer their products and white-label them under their own brand. It was a cheaper and simpler way than trying to build a relationship directly with their end users. Remember what we said earlier about building relationships with clients. In order to pursue international markets, Magex had to give up this important benefit. Back to Filipe.

Filipe: Now, the objective in these markets is to be able to commercialize our real estate management software. We want to see how we can integrate another product for managing real estate, and also expand to more American states.

So that's how we entered the United States, and in Belgium and France it was similar but it was with clients. People who we met there, they liked the software, and they became clients. They are into managing real estate. So they have market knowledge. And they said "since we are using it, we can also propose it to our clients."

So for the moment we have independent distributors. Not just one but many. They do the distribution. But it isn't that strong still yet. Sales are pretty quiet, there isn't any marketing behind it.

Support is effectively done mostly via email, given the difference in timezones, 6 hours between Belgium and France with us. So often we will get back to their emails the next day, by email. Or sometimes we will jump on a Skype call very early in the morning, or at the end of the day. So we adjust.

But we are still proposing the whitelabel model. We find it works well and it involves less effort. But we are still able to get to know the market.

Understand how it can advance, and if we see potential we can put in more efforts into those markets.

Thierry: Mostly financial analysis in the US and real estate management software in Europe, with a management software, Magex was able to have more proximity with their end users to be able to better understand the market. However, because of the differences in this market, more product adaptation was required. In the US, a much more similar market to their own market in Quebec, there was less product customization and more sales potential. But the trade-off was clear, to pursue international sales, Magex had to give up this customer intelligence. Despite this factor, Magex has decided to focus its international efforts region by region in the US.

Filipe: For the moment we have California, we have Belgium. We are putting more efforts in California and in Belgium we are restricting our efforts still. Because there is more adaptation to do as opposed to the United States.

So we are waiting because it requires lots more development and lots more time. So we said to ourselves we will leave things as they are in terms of sales efforts, with the people we have on the ground there, but we are not doing any new product development for that market.

Whereas in the United States, in California, we did market studies a year and a half ago and also in Washington. We did these with a person from Quebec who was embedded there for five months for this study.

And so now we are attempting to penetrate the markets in Washington, Boston and New York. So those are the four areas where we are targeting for our international efforts.

And we also have Toronto in Canada where we are investing into our integration process. Toronto is also a good market and it's very similar to the United States. So we are aiming for those two markets simultaneously. So we are working with teams that are embedded there. That are doing studies for us, and afterwards we will decide if we will invest or not but for the moment we are still in the study phase. Do we go towards other States? Or do we concentrate our efforts for another 1 or two years in California.

Thierry: It is easier for you to integrate your software into an American market vis-à-vis a European market. What kinds of things do you have to tweak in order to provide the service offering that the customer is looking for?

Filipe: Well I can give you two or three simple examples. In Belgium and France, these are French speaking markets. But the words used are not the same in the real estate world. So (even though we speak french) it demands a comprehension of how they call an apartment, a company, a building, a rentor, a lease. Do they have a lease? So all this logic we have to understand. And at the same time we have to adapt the software so that when the client is in France, we show menus with different names, different functionalities. For example the rent calculation in Belgium is different from what we are doing over here.

Here we do it once a year, over there there is a rate indexed by the government. So every month were the rate changes, we have to know this and modify our software every month to re-calculate the increase.

So there is a monthly increase that is calculated, and an adjustment at the end of the year to see if we paid more or less than the increase. And then there is another adjustment to execute.

So all of these rates, we had to find them, integrate them, and it changes often! And the websites change often. So the moment the page changes domain, we are not

connected to the page, so we have to be alerted quite rapidly if there is a page change or a structural change on their site so that we can go in and make the changes on our end, to be able to recoup the right rates. Or else our rates are not valid anymore.

So there is adaptation. You have to be attentive. To not make mistakes because these is accounting software, so we have to give the right rates to the clients.

Another example: in Belgium and in Brazil, here we base ourselves often on comparables in the market with the revenue expense ratio, as well as the value of the building. So we are able to assess the value of the building for sale in a certain area.

In Brazil we calculate value in terms of square footage. So depending on the city, In Rio for example or Sao Paolo, the value could be 30 dollars a square foot, the other could be 50 dollars. So they really go by square foot.

So they say 1000 square feet times 40, so the property is valued at x price. And we really calculate things by revenue generated, price, potential revenue. So we have ratios, and over there, they have square footage. And there is a government rate associated with it. So we take both sets of data and we can cross them to determine the price of the property.

So it is this comprehension that brings difficulty. And then there is always the law. So the sales of a product internationally. In foreign currency. So with tools, with institutions that are able to process Euros, American Dollars and convert these to Canadian funds in our account, so all of this requires management and an adaptation on our end for our internal process management.

Thierry: Yes, definitely. There's different paradigms that you have to face, not only just cultural, in terms of the language, but also regulatory and also just a business culture as well in terms of how people evaluate value. Basically, in terms of how they're valuing their potential investment, and it's different in different regulatory territories. What are some of the risks and challenges that did that come with that when you're going international?

You're a small firm, obviously have limited resources, you can't do big marketing pushes, you need to pair with people on the ground, with boots on the ground in order to get in there. What are some of the risks and challenges that face and how are you addressing some of those?

Filipe: I think that there are always financial risks. To conduct a study you need to make investments. Once the study is completed, even if the results are positive should we move forward with the project? Sometimes we say "yes", we will move forward and invest a certain sum of money, we make strategic partnerships. It's happened that we made strategic partnerships for distribution which never got off the ground.

The products were ready, we worked hard to integrate them to be able to use in those specific markets, making adjustments to the product to be able to successfully integrate

it. So I think the risk is that you are committing certain internal resources towards a project and in the end the project does not advance for x, y reasons.

And this was at the opportunity cost of developing more functionalities for our local market, which could have brought us more revenue.

So I think that is the risk, the opportunity cost of lost revenue but also the internal resources which were committed to a project which could have been used for other projects.

In terms of regulatory frameworks, because these are accounting software, for example in Quebec did we put the right rental agreement stipulated by the province? In the US this doesn't really exist.

So some states have models, others don't. But for us, is the model from one state valid for another state? Or all other states? So we really have to see because we cannot block a client saying I am in Washington, but I bought the software which was designed for Boston.

In both states, does it work? Is the information we are providing legal in their country? Are the numbers we are showing correct?

Is the local accounting practise the same as here in Quebec? Are the regulations the same? Because if we make errors, we might have to pay fines to these clients because we offered incorrect information.

We didn't respect a certain internal law, or we didn't see it when we penetrated that market. So I think that there is always important aspects to know the local markets very well. Know the local regulations, to be certain at one hundred percent that all the information we are presenting is within the legal framework.

Thierry: Going international in markets with different tax systems and regulatory frameworks takes time, and the product offering must be calibrated to each market before pulling the trigger. Magex really does need to be certain about what the profit potential of that market is in order to justify the resources needed to service it. Back to the conversation.

Obviously, the big trade-off is that while you're trying to pursue another market in another area, it could be another time zone, another continent, you're missing out on the opportunity to expand your market in your own backyard and try to conquer and control that markets and really the concentration of capital allows you, as you say, to triple your sales since the last time we spoke.

If you could go back in time, I know this is not really maybe a fictional thing and that we haven't invented time travel yet, but if Filipe could go back in time and tell, if it was five years ago, what would you say about going international or going into any market really? It could be Toronto or whatever other area, but what would you tell yourself?

Filipe: For certain I would say that before deciding to go into another market, you need to set an objective. Yes we want sales, we want to increase sales, but we need a clear objective and a good strategic plan. So here is the plan and the guidelines, and I think that it's important to have a good team that can participate in this project, because for sure with a small team of 5 or 6 people, you can find yourselves with one person responsible for an entire project. And that isn't enough. And we can miss people.

So I think if I could go back in time, I would say make yourself a solid strategic plan, focusing on one market at a time.

Because in the past at the same time we were going to Belgium, we were going to France and California. And we sold here and there. But I think if we had concentrated our efforts 100 % towards one single market, we would have been able to have more success in these markets in two or three years. And after two or three years we would have been stronger, and then we could say, "OK now let's target the second market."

And then the third market. And so on. But I think one step at a time. So one market at a time, to do things well. So concentrating on one market without getting spread too thin in multiple markets. So I think this is the advice I would have given myself back then, because we analyzed Brazil, Mexico, but without taking into consideration all the risks that we spoke of earlier. I think we said we will just translate it, and adapt it as we go along, but these modifications can become quite heavy in terms of workload, because we could sell to ten new clients and these clients want improvements quickly.

Because if we don't, they will leave the product and they will speak badly on the company. And that gives bad publicity. So we just lost a market because we didn't take the time to do things properly.

So I think it is really important to plan a good strategic plan before entering into a new market.

Thierry: That's definitely some great learnings and you have to wear your scars with dignity when you have an opportunity to learn something. Even if you aren't successful necessarily, the really important thing is to learn from mistakes that you've done and to be humble enough to admit that something maybe wasn't the best idea at the time, but here's what we learned from it and here's how we're moving forward. As a leader of an organization, there's nobody else for the buck stops but yourself.

I asked Filipe about the importance of branding in order to gain exposure in different markets. How does Magex go about it, and what have they changed in recent years?

Filipe: For our local market, how we did things was and what opportunity we saw was, we said to ourselves that we need to be strong in our local market. And how can we do so? How can we be seen and known in this market?

So multiple things were done. One was to find the right partners, so strategic partners for these markets. It could be a partner who does automatic rental payments that can

integrate with our own system. And that company has clients. And they can talk to their clients about our product. Just like we can talk about their product to our clients.

So we do commercial exchanges with partners. Saying we want to make money, yes we do but how will we do so? We will do exchanges, you send us clients, we will send you clients, we will talk good about you, you speak good about us.

So we made many strategic partnerships like this, to be able to communicate with the most amount of people possible, in many different types of markets, for automatic rental payments, for management of elderly care homes, for syndicated properties. In each sector, we have partners where we can communicate directly with our target clients.

So that is one thing that we did. Number two, we hired a digital marketing specialist that does a lot of online content, marketing, web communications. It could be newsletters, press releases, videos, Facebook live, so we ramped this up quite a bit in the last year. Before we were doing this a little but now we really have a specialist in this field.

So we are talking much more to clients, we are closer to them. And we know that a satisfied client is a very good seller for the company. They will always speak good about the company and they will post good comments and refer us to new clients.

Because they are happy to use Magex, they are happy with the services that are being offered. And they are happy to call here. People will often call here for just one question, but often times we can chat for 15 minutes because they are comfortable, we know each other by name. It's all very friendly.

So people are comfortable calling, and we are now very close to our clients, because we know customer service is something extremely important for a company. And we put a lot of efforts into this as well, to be able to offer an excellent service.

And clients always comment, they love the software, but they also like the after sales service.

So also in the last five years, less recently but we participated quite a bit in real estate events, salons, meet and greets, conferences. We enabled conferences, we organized meet and greets, so that we could be seen in the industry. Not necessarily to sell during those events, but to be seen. So for five years we were everywhere. We had our logo and image. And so people picked up on it, they say "Hey we saw your logo, we saw you at that event." So now I think people know who Magex is.

For our website, we took a strategy to create websites for each individual product. Because before we had the Magex website, and on that website there were the products. Now we have an organizational website that explains what Magex does, and the products. But each product has its own website.

So there is a ProprioExpert.ca website, which contains everything you need to know about the software, customer support is there. The Member account is there. So I don't

need to spread myself out in too many locations. Everything is dedicated to that one product. Before there was a difficulty in the sense, I am using Magex or I am using Proprio Expert. Now people say I am using Proprio Expert. not Magex. Proprio Expert is a Magex product.

So we were able to separate this. Magex produces software, but the name of the software isn't Magex, it's Proprio Expert. So in the past people were saying I am using Magex. What is Magex? Oh it's Proprio Expert. But now people know what Proprio Expert is. They know the name of the product. So we worked on the marketing for this as well. The change in language. This is why we decided to create sites for individual products, to be able to segment the market and industries much easier. So that actors from different segments could find themselves more easily. And the referencing on our end is done much better.

So it is a marketing strategy which has worked well, and we are continuing in this method moving forward.

Thierry: Magex identified that in order to grow their local markets, they needed to be able to communicate directly with their target customers. In order to do this, they hired a marketing specialist to engage their customers and educate them about their products. Now, each product has its own website, and these are used to engage directly with the customer and to grow their respective product brands. Many technology companies need this education piece if their clients are not clear on what exactly the use of the product is and how it solves their problems.

By focusing on this customer engagement, they were able to triple their sales figures in Quebec. What's in store for the company for the next 12 to 14 months?

Filipe: For the next twelve months, as mentioned we are entering the markets for co-op properties. So for condos. For the management of condos. So this is our new product, condo expert. And this is the new product that was launched last September. So this upcoming year we are putting a lot of emphasis on these products to be able to penetrate these markets.

So Magex's objectives are to become the number one real estate software in Quebec, and for software management of buildings. So I think that we are on the right path. So we see younger companies entering the market. There are new products offered in the market that are good products. And we want to continue to develop our products. WE want to continue to improve our product offering, our partners.

So for the next twelve months again it is to offer the best product possible, to improve the products as much as possible, and to go after two new markets: Condos and senior homes. So we have clients in each market, but we want to get more into these markets to become as well known as we are for management software for rental markets. So we are counting on strategic partnerships as well in these markets to help us conquer these markets, to become number one in Quebec very soon.

Thierry: Magex is expanding its product lines to target condo management boards and seniors homes. It hopes that by segmenting these markets and customizing their products towards them, it will become the number one real estate software provider in Quebec. Will they be able to remain disciplined and not spread themselves too thin? We'll check in with them in the future to find out.

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Associate Producer, Jose Orlando Montes, Université du Québec à Montréal. Technical producers, Simon Petraki, Seratone Studio, and Lisa Querido, Pop Up Podcasting. Show consultant, JP Davidson. Artwork by Melissa Gendron. You can check out the IE-Knowledge Hub case study on Magex technologies as well as other cases at ie-knowledgehub.ca. For *Market Hunt*, I'm Thierry Harris. Thanks