CompuCo Corporation[1]

CompuCo Corporation was founded in 2009 by two brothers, Girard and Pierre Durand. The following year they opened their first computer retail outlet with seven employees. The company quickly established itself as the French service arm for Reca Computers, a market leader in personal computers.

In 2011, CompuCo published a French language manual for Reca Computers, printing 15,000 copies to be sold over two years. However, when the book sold out in only four weeks, CompuCo unwittingly became the de facto publisher of computer books in France.

In subsequent years the company added several highly successful computer journals to their portfolio. In 2013, they partnered with a German publisher to produce German language versions of their computer publications and CompuCo almost immediately became the market leader in that country as well.

CompuCo entered the field of computer software publishing in 2014 with a home design product specifically for the French market. By 2015, the company was selling 200,000 copies of the program annually and had established partnerships or subsidiaries in the UK, Japan, Germany, and Belgium.[2] Although each of the company's partners had responsibilities to the French company and would communicate regularly with France, they acted as "a loose confederation" and did not communicate or coordinate product design changes between themselves.

Additional software titles were added after Girard Durand traveled to the US and identified various products that were unavailable in French language versions. He would visit numerous American computer retail outlets, find out what new products were selling well, and return to France to produce "knock-offs" of the US programs. Durand chose to not hire in-house programmers, but rather contracted with independent software developers, who were scattered throughout Europe (although most were in France), to produce similar products for the French market. Developers ranged from individual programmers to teams with up to 20 members and were paid a royalty for each unit of the product that was sold.

CompuCo viewed software development as too expensive and risky, and therefore preferred to concentrate on the marketing and distribution side of the business. While most software companies had started as developers and then began to market their core product and peripheral accessories themselves, CompuCo was more like a book publisher, evaluating multiple products and choosing those that appeared to offer the most potential in terms of consumer demand.

Independent developers also approached CompuCo to market their existing products. These developers would approach the French Product Management Group with an idea. CompuCo then evaluated the product to see if it merited inclusion in the company's product portfolio.

In subsequent years, CompuCo added flight simulator add-ons,[3] sound and music software, games, and utilities to their portfolio. Many of the products had a distinctly French or European flavor to them. The flight simulator add-ons for example, included French landscapes, airports, and aircraft. Most products had specialized uses and appealed more to hobbyists than the general public.

One of the company's primary objectives was to offer software comparable to existing foreign products in terms of quality and features, but at a lower price. The strategy was effective as most US software publishing houses viewed France as a small protected market and chose instead to concentrate resources on improving English language versions.

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[1] *All names in the case have been disguised.*
[2] *In early 2011, the company's partners in Spain and the UK became wholly owned subsidiaries of CompuCo.*
[3] *Software add-ons were not stand-alone products, but rather modules that could be incorporated into other programs to enhance existing features or functionality. Flight simulator add-ons, for example, could include additional scenery, aircraft, and sounds.*

However, France was becoming more competitive as larger software publishers, such as Betasoft, began to introduce French language versions of their more popular products. Furthermore, CompuCo relied heavily on its well-established distribution network in France as a way to maintain market leadership, but the internet continued to erode this competitive advantage by allowing consumers to bypass traditional retailers.

In 2017, CompuCo marketed approximately 150 computer software and print titles and had European sales in excess of $200 million. The company commanded 25 per cent of European market share in consumer software and was the second largest French firm in its category.

CompuCo US

In 2016, CompuCo established a partnership in the UK to translate their software programs into English and market them throughout Britain. The British market, however, was relatively small, and approximately 75 per cent of consumer software in the UK was sold through two retailers,[4] both of whom demanded discounting of up to 60 per cent. The US market, on the other hand, was the largest in the world, the retail sector was highly fragmented, and dealer discounts were usually between 30 and 40 per cent. Therefore, once CompuCo's products had been translated, it only made sense to also make them available in North America.

Initially Durand found it very difficult to sell his products in North America, as he did not have contacts with distributors and retailers. He needed to find a US partner with established channels to act as an agent.

CompuCo signed a non-exclusive agreement with Alpha Software to market their products in the US and Canada. Alpha Software, a subsidiary of Canadian software publisher Quadsoft, had been a successful developer of a variety of software products, but was seeking new products to offset declining sales in their existing products. CompuCo offered a number of software titles that promised to help reverse Alpha's declining fortunes, while Alpha offered Durand an established distribution channel with leading vendors. Alpha, however, did not use the CompuCo name to promote the products, and Durand remained relatively unknown in the US.

Girard Durand, desiring more visibility for his company, approached Ralph Stride and Ken Hoskins, who were CompuCo's product managers at Alpha Software. After discussing Durand's concerns, a decision was made to start a new corporation in the US using the CompuCo name. Eventually Durand hoped to build-up the company's brand name sufficiently in the US for consumers to "actively seek the company's products."

CompuCo US was founded in 2017 with the financial backing of CompuCo. Stride and Hoskins, who assumed the roles of President and Vice President of Sales, respectively, of the new company, brought with them a network of relationships with computer retailers, such as Electronics Boutique, Best Buy, Staples, and Office Depot, among others. Initially, the new corporation selected ten Durand products, most of which had previously been sold under the Alpha Software label.

With its staff of 11, CompuCo Corporation managed the administration, finance, sales and marketing, while as many functions as possible were outsourced including, product development, warehousing, advertising, package design and printing. Within six months of start-up, CompuCo Corporation achieved several million dollars in sales and ranked 51 out of 200 consumer software companies in the US.

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[4] *Dixons Group Plc commanded a 50 per cent market share and Electronics Boutique had 25 per cent.*

Product Development

Product Development for the American market was mainly accomplished on a sequential basis. The product originated with CompuCo's contracted developers, was then passed to the UK for localization and some native product development, and then finally passed to the US for American-specific modifications, such as spelling and usage.[5]

One difficulty the US Company found was that software localized[6] for the UK required significant modifications to be made suitable for the US. Spelling, terminology, and paper sizes were some of the parameters that had to be changed to conform to US standards. Packaging also had to be redesigned to be more attractive to American consumers. Furthermore, some of the program features did not fit well with U.S. consumers' tastes and values. For example, Home Designer initially used European construction materials, such as brick and cement instead of wood, and interior designs, including wall colors, furniture, and fixtures that were more reflective of European tastes than U.S. tastes.

Stride prided himself on his responsiveness to customer concerns. He personally read each reply card that came to CompuCo. It soon became apparent that, from a user perspective, the biggest problem with CompuCo software was its complexity. French programs were usually more complex than their American equivalents and most programs came with large user manuals. This was not a problem for French consumers, who were used to reading manuals and following instructions, but Americans wanted instant gratification and many did not even look at the manual. Product difficulties encountered in the US were fed back to France so that future releases would incorporate changes supportive to the US market.

Quarterly, Stride and his senior staff would have "product summit meetings" with Girard Durand to review new products and concepts under development at CompuCo. In this manner, between 10 and 15 new products were reviewed annually, with one or two of these being adopted by the US Company. The selection process considered whether the product had features not offered by US competitors, or had some other merit, such as a significantly lower price. Once selected, all new products were carried to completion and market launch.

In most cases, CompuCo's products sold at a lower price point compared to US competitors. A product that did not meet either of these criteria could still be selected if shown to be meritorious in other respects. In nearly all cases, the US Company had full discretion to accept or reject any product, which was usually based on whether the American management team felt the product would be successful. Market research was not typically included in the selection process. Stride explained,

Initially we look at a concept, which is explained in a one or two page concept paper. Sometimes the products are already for sale in Europe.

We (US managers) decide as a group whether we feel a product is one that will do well in the US. Only one product, My Handwriting,[7] was perhaps pushed on us. They said "this product is doing well in France," but we weren't too excited about it. In retrospect, they were probably right since the product seems to be doing well.

If we like a product that is in the concept stage, we can influence the features before the final version is released. If it is a product that is already on the market, there is not much we can do about its features, except influence changes for future releases. More and more we are influencing changes to product features in the design stage.

From the time we accept a product, our marketing manager begins working on a box design. This takes about 16 weeks to complete.

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[5] For example, British versions of home design programs referred to "plot," whereas common usage in North America was "lawn."

[6] Localization refers to the process of converting software for use in other languages and cultures.

[7] This was a product that allowed users to convert their handwriting into a windows font to be incorporated into word processing and other text intensive programs.

Hoskins noted that the product selection process was based more on "gut feel" than any product research. End consumers and sales teams were not consulted during the product selection process. Hoskins was concerned that the lack of market research could result in "poor judgement" with respect to products selected for the US market.

Since the US Company offered fewer products than the company in France, those products became very important. As a result, the American staff was at times more demanding than the French were used to. The US product managers were on the phone with France and the UK on a daily basis. Stride recalled,

We speak our minds. Of all the CompuCo companies throughout the world, we are probably the most aggressive. Every one at CompuCo Corporation can say what they want. The French were slower to react and, at first, they found it difficult to work with us. But since we select only one in ten of their products, those products are more important to us than them.

The UK, on the other hand, is more reactive and less proactive in demanding input into product design and features.

Most of the changes demanded by Stride and his staff centered on making products easier to use. Occasionally this meant having to rewrite the program from scratch, which had to be done in Europe. Final testing of the product Beta versions was completed by the US product manager, and did not involve end consumers.

In France, CompuCo had established an international department to handle concerns from the company's foreign partners and subsidiaries. This became a frustration for the Americans who found that it took too long for the French to react to concerns about product design and features. "Why do we have to go through all these levels?" they asked.

Usually it was the responsibility of the French product manager to communicate concerns from foreign partners to the developer. However, many developers were "very difficult to deal with" and could derail the whole development process. Therefore, the ability of the product managers in France to coordinate communication between the US and UK product managers on the one hand, and product developers on the other, was critical to achieving new product development objectives, such as delivering the product on-time to retailers.[8]

French product managers were sent to the US for several months at a time to facilitate communication between CompuCo and CompuCo US and to help the French understand the North American market. The speed of change and the level of competition in the US were surprising to the French interns. As more of these interns returned to France, they carried with them new ideas about how to make the company more competitive internationally. As a result, the French company became increasingly responsive to product design changes suggested by their American partners. By April 2017, four French product managers had completed internships in the US. Christian Balfour, the fourth product manager to intern with the US Company, noted,

The US market is faster, and users want simple easy-to-use programs and do not want to read instructions. French always read the instructions. We also need to find out how we can speed up the process for including software design changes to meet international standards.

In France we are a market leader and can live off our brand name and our great distribution channels. Here we have to be right on the mark if we want to be successful in the US market because of the intense competition and our small presence in the marketplace.

Despite the role French product interns played in facilitating communication, the US managers still encountered difficulty getting timely responses to product questions and concerns. In some cases it seemed that the French company was more concerned about their own products in France and was less concerned with the United States. Eventually the US product managers

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[8] *Sales agreements were negotiated with distributors before the product completion/delivery date.*

decided to bypass the international department and go directly to developers and product teams. This initially upset the French, but by early 2018 CompuCo realized that increased efficiencies were being achieved and decided to dissolve the international department altogether.

Even with the demise of the international department, CompuCo Corporation still encountered communication and coordination difficulties. For one, time zone difference allowed for only four overlapping office hours. Moreover, statutory holidays were very different in France and the United States. This created special challenges during the summer months when French staff would take between four and six weeks vacation, which amounted to approximately half of a product's development cycle.

One major change initiated by the US was in product package design. In Europe, packaging was fairly simple and standard. Product titles were descriptive and images were relatively plain. In contrast, the US developed fairly elaborate designs based on product screen shots and used more catchy titles. After pushing for design changes, the US was given permission to proceed with changes. The French company was sufficiently impressed by the US designs that it planned to adopt many of them for future French versions as well. Stride believed that the US designs and packaging would become the standard for the company worldwide. He noted,

It takes time to turn a large ship. CompuCo wants to be global but that's tough with the current structure (see chart). The associate companies don't communicate much between themselves. A lot of changes have already taken place and CompuCo truly wants to develop products that are more global in terms of feature sets. We have weekly conversations with Dr. Durand. He has spent a lot of time in the US and understands the American way of doing things.

Not all of the European products available from CompuCo filled the requirements of the US market, however. Therefore in early 2018, the US subsidiary licensed its first product from outside CompuCo, a landscaping program that would let users plant palm trees, which was not possible in the French programs. The US Company planned to continue contracting directly with developers to produce new products that would fill its domestic needs. In doing so, Stride believed that future US product development would play a stronger role in CompuCo's international product development efforts, but he planned to continue the overall company practice of not using in-house developers. Thus, CompuCo US acquired partners with marketing and sales organizations in Spain and the UK.

Stride also saw CompuCo moving away from simple niche products into larger program suites that had become more commonplace in the US market in recent years. Overall, Stride felt that CompuCo would become more reliant on CompuCo US to identify customer needs.

He further envisioned the company's expansion into Latin America through a joint effort between CompuCo Corporation and CompuCo España.

As Stride reflected on the events of the last year, he was very pleased with progress that had been made and the general direction that the organization had taken. There were several issues though, that he knew had to be addressed both by CompuCo US as well as CompuCo if their success was to continue. One issue was the need for CompuCo US to grow in size. Given the substantial increases in sales volume that they had experienced and the continuing need for more and more new products to offer to their customers, the limited number of employees could potentially prevent the company from achieving the growth that it was looking forward to. With the tight job market that existed in almost all sectors of the US economy this problem was even more worrying.

Another concern was the evolution of the relationship between CompuCo US and CompuCo. The success of CompuCo US had meant that they had been able to operate relatively autonomously. Indeed, the two organizations were now at the point where they operated as two nearly equal "heads" of the same organization. But, while Dr. Durand allowed tremendous openness in the decision-making process, Stride couldn't help but feel concern about the impact that a two-headed monster might have on the effectiveness of both organizations.

Related to this was a concern about the myriad relationships that CompuCo US had with its partners, customers, CompuCo, and it employees. Handling all of these relationships was becoming increasingly complex and it was not entirely clear how they should be developed in order to meet the needs of what was rapidly becoming an international company.

Organization Chart

CompuCo Lyon, France	Independent Software Developers Throughout Europe

Micro Application German Partner Company	CompuCo UK Subsidiary	CompuCo US and Canada Partner Company	CompuCo España Spain Subsidiary	Easy Computing Belgium, Holland, and Luxembourg Partner Company

French Product Interns

Ralph Stride
President

Ken Hoskins Vice President Sales	Mark Johns Chief Financial Officer

Fred Schnure Director of Sales Special Markets	Jamie Sadler Marketing Manager