Abstract

This entrepreneurial marketing case study focuses on serial entrepreneur Wayne Soutter and his current technology start-up TrackerSense, which produces a low-cost mobile tracking device for high-value packages.

The case begins with the Eureka moment in which the idea emerged and follows its development, which led to the initial 500-unit proof-of-concept production run, in anticipation of a significant scale-up afforded by hoped-for venture capital investment. The practically oriented discussion questions invite students to consider a number of important marketing development decisions, and the real challenges often faced by entrepreneurs with respect to product design, branding, distribution, intellectual property protection and sustainability.

Outlining some size, consumption and innovation industry insights and trends, the case also profiles the founding entrepreneur and how his charismatic and driven personality bootstrapped the SenseTracker business into being.

This case was written following extensive interaction with the company founder using a practical marketing perspective.

Case

Learning Objectives

This case will enable students to do the following:

- Appreciate practical marketing product design and innovation challenges;
- Strategically consider the selection criteria for brand names;
- Justify a start-up distribution strategy choice;
- Assess how innovations might reasonably be protected, and provide competitive advantage;
- Understand economic trade-offs in the context of a strong sustainability agenda.

Introduction

While on a family trip to London, Wayne Soutter's child became lost in a crowd, leading to parental panic. As a result of this experience, Wayne—a serial entrepreneur—realized that a product that would track children in such a situation would be a valuable tool. However, his subsequent entrepreneurial investigation into tracking devices for children and something similar targeted at pets initially indicated only a modest market size, strong emerging competition and no real unique value coming from his company. The two critical success factors identified were access to low-cost design and manufacturing facilities, where it would be difficult to establish any protection from copycats, and a retail route to the mass market for families and pet owners. Wayne weighed the high cost and the risks involved in establishing a consumer brand proposition in both these markets and decided to prioritize other lower risk opportunities. Whilst on a plane returning from a business trip, Wayne struck up a casual conversation with a fellow passenger who turned out to be a courier sales manager from one of the leading players. This serendipitous conversation validated the idea Wayne had been mulling over for some time: a disposable tracking system for higher value packages. Existing autonomous tracking units, prone to being lost and damaged, were heavy and expensive, thus little used. A light and cheap
single-use alternative that did not have to be returned, a difficult and expensive process in itself, would fulfil an important unsatisfied need in what was believed to be a large and lucrative opportunity. A small device, produced at a £10 target price, would likely be welcomed by customer-focused logistics solutions companies such as DHL, UPS, TNT and FedEx. The concept of the TrackerSense package locator had been born. But the bigger challenge was deciding how to bring the concept into a fully realized commercial operation.

Market Opportunity

Track-and-trace services are not new; in fact, Apple embeds tracking in its mobile devices to help protect and locate them if they are lost or stolen. Many courier companies offer premium services that provide modest package location information, but they are reliant on scanning the package or its container at various points in transit or items passing through fallible and relatively infrequent gateway readers that use bar and QR codes or RFID strips.

Mobile telephone or GPS trace technology is already offered by some delivery companies, but their tracker units are expensive ($300–$500 each), require large and heavy batteries, and might be accurate at only ½ km or less. Knowing that your high value package is located somewhere within a 500 m circle in a major international airport cargo shed, surrounded by thousands of other similar brown, boxed packages is not the best scenario, particularly if it needs an intervention, dry ice replacing for an organ replacement or water for thirsty livestock. The high cost of the existing tracking units necessitates a clunky and bulky design with big, heavy batteries pushing up the recovery cost even further. Trackers, like packages, go far and wide with few people aware of their value and also perhaps suspicious of their function. Because of the high value of the tracking unit, they need to be returned and reused, an endeavour that is expensive due to battery weight and not always successful, requiring further insurance or replacement expense. High cost, poor design and limited accuracy has limited tracking device market penetration significantly.

Key industry developments over the last decade have seen improved battery power-relative-to-size performance, falling costs of circuit boards, and a lower energy Bluetooth technology emerge. Short-range, wireless Bluetooth sensors can offer temperature, moisture, light and drop shock detection capability, extremely desirable for tracking specialist items such as donor organs or high value computing equipment.

Wayne used a bootstrapping approach to establishing this start-up, drawing expertise and advice extensively from family, friends and his wider business network, cost-effectively at the point of need rather than employing lots of staff. Contractors were used to undertake specialist tasks that sat outside the skill sets of the three equity partners. The company started life as GoLoc8, an ingenious, literal text-speak variant of the functional benefit being offered by “Go-Locate”. Whilst the web address and company name were available at a low cost, wider reaction to the name was recognized as problematic, because it was often confusingly misread as Go-Lock-eight. A decision was made during the product development stage to utilize the more obvious “tracker” notion that could utilize a range of differentiating suffixes similar to the approach employed by the easy and Virgin groups.

Profile of a Serial Entrepreneur

Wayne Soutter, a South African by birth, graduated from the prestigious and socially liberal Wits University in Johannesburg, South Africa. He has never wanted to work for anyone else, and TrackerSense is the fourth business he has started. He sold two of the others to existing business partners, and the other one to a venture capitalist (VC), thereafter enduring a long and frustrating period of due diligence and working his notice period as a retiring, non-owner manager.

As a serial entrepreneur, Wayne’s passion is conceptualizing new solutions to important problems and grow-
sizing a business from an initial concept to its commercial realization. He loves challenges; in an example beyond his professional life, Wayne set himself the goal to swim the English Channel, without really being able to swim well. Of course he succeeded, being fed along the way from a cup on a stick dangling off the support boat, swimming non-stop for twenty hours.

He then set himself the goal of swimming the North Channel from Scotland to Ireland, and despite extreme cold, fierce winds, six-foot swells, and numerous jellyfish attacks, he completed the swim in just 12 hours, a record heralded by the BBC. He was driven and defiant. But Wayne did grow up in an unusually adventurous environment, having twice taken a year out of school to sail with his family in boats made by his father from South Africa to the east coast of America.

Sizing up the Package Market

Cobweb Information noted $189 billion global revenue for the industry in 2013, led by internationally integrated providers DHL, FedEx, TNT and UPS. They offer a useful industry definition of courier and parcel services, indicating that they “collect, sort, transfer and deliver items that may be time sensitive, or too heavy to be delivered by standard mail. Services typically provide door-to-door collection and delivery via international, national and local air, train and road [services]” (Cobweb, 2013).

According to the management consulting firm PwC, in the UK alone the annual market was 1.7 billion parcels in 2012 and was forecast to grow by 35% over the following decade, with around 2% or 25 million in the high value trackable segment. The size of the EU and US markets combined is estimated to be 7.4 billion packages.

Historically, service differentiation resulted in three key segments: courier (same-day); express (premium next-day); and parcel (non-premium, non-guaranteed, three-day). However, Delivery Magazine notes erosion in these delineations, citing economic downturn, online retailing growth, and new competition as causal factors.

Fifty-five per cent of adults in the UK receive a parcel each month. In the ranking of leading home delivery retail brands, Amazon is the market leader, with more than a third of the population, followed by eBay, M&S, John Lewis, River Island, and Debenhams; Argos and ASOS, prominent fashion and homeware brands, slot in after the two leading virtual marketplaces.

A Network Research survey found that just under a third of respondents actually tracked their package online, half chose not to track their item and 16% were unaware of the tracking service offer. This is a key research finding that underscored the importance of a push communication strategy linked to tighter delivery time slots and offering the customer's choice.

Service Innovations

Delivery and returns inconvenience, according to a Mintel survey, is a put-off for consumers considering using online commerce, with 28% of survey respondents unhappy to wait at home for deliveries. However, the ecommerce growth in the business to consumer (B2C) sector has seen courier firms actively addressing the convenience issue: Collect+ deliver at 5,000 local shops; Hermes to 2,500 convenience stores and petrol stations; and UPS Access Point through 4,000 stores. Courier services are utilizing flexible, self-employed courier networks often made up of individuals who may be self-employed portfolio workers with a number of sources of income or semi-retired drivers keen to generate a supplementary income. These non-employed
contractors are dubbed “lifestyle” workers and are deemed cost-effective and efficient, receiving as little as 50p per delivered package whilst on average delivering 60–70 parcels daily, according to Cobweb in 2013. Hermes operates the UK’s biggest life-style network with 7,000 couriers on their books.

Additionally, 24-hour self-service parcel lockers have been popular in Denmark, Germany and Australia, and InPost, ByBox and Amazon are key innovator brands. Even enterprising pubs, via useyourlocal.com, can accept parcel deliveries. Mintel noted the innovative Volvo “Roam delivery” service that allows owner-not-present car trunk delivery, using smart phones to share a one-time-use, virtual, locate and access key.

Many courier companies already operate tracking systems using gateway readers and/or hand held scanning equipment. GPS technology is also used, but traditional solutions have tended to be costly and the need to recycle the tracking system incurs more cost. The idea of low cost and therefore disposable devices integrated with lower energy Bluetooth capability provides consigners new, real time exception reporting for proactive interventions during shipment, for example, in preventing temperature variations (as needed in shipping human transplant organs in dry ice), light exposure (filming equipment damaged by light as the package is erroneously opened), and drop shocks (e.g. high value, time critical computer servers that should not be dropped and need to be returned and replaced immediately if they are).

The TrackerSense Proposition

Wayne’s goal was to design and produce a simple and not technologically challenging one-step “peel and track” system in which the units’ power and tracking connectivity would be fully activated by simply pulling off the back of the adhesive label. TrackerSense’s wider mission statement was “to produce innovative tracking and monitoring solutions.” The launch tracker would be lightweight, have a battery life of at least 15 days, and cost £10 or less including a SIM card. Four key design challenges were to: (1) intuitively activate the battery reliably; (2) stick the tracker to the package; (3) avoid packaging being mistaken for a dispatch note; and (4) minimize the likelihood of being knocked off the package.

After experimenting with a range of different design concepts, the team developed a novel, lightweight, ultra-thin, backless circuit board housing, using a low-cost injection moulding process. Surprisingly, black coloration contained more signal blocking carbon and therefore a white colour was chosen to minimize signal loss. Performance is significantly affected by antennae quality and the TrackerSense product innovatively uses a printed, nearly costless, aerial design that is etched directly onto the circuit board. Traditional designs rely on using two plug-ins, costing an additional £1.20 each. The design is essentially a simplified backless mobile telephone without a screen, keyboard, microphone, speaker or buttons.

Global satellite positioning technology using SIM cards can hardly be viewed as a leading technology innovation, using a pared down, low cost mobile telephone as a tracker. However, the crucial TrackerSense innovation is its simultaneous exploitation of circuit board cost reduction, performance enhancements in battery technology and low-energy Bluetooth technology. It is important also to remember invention is but the beginning and successful commercialization the critical next step. Forbes magazine carries Apple founder Steve Jobs’ observation that Xerox, the company that invented core elements of graphical user interfaces, personal computers, laser printing, Ethernet, peer-to-peer and client-server computing and half the internet “could have owned the entire computer industry.” Therefore, the next important challenge would be how to successfully bring the invention to market.

Growth Strategy
Two investors were on board from an early stage, a non-active venture capitalist and a courier company. In addition to the three founding partners' investments the company had been successful in attracting a significant UK government tech start-up grant, awarded without any strings attached.

A 500-unit proof-of-concept production run was needed prior to seeking a major VC investment, following an audit of revenue generation. Production quality and user reliability testing was the next crucial development stage. Wayne knew that some investors require evidence of profitability before they invest, and that few are prepared to put their hands in their pockets at the pre-production “idea” phase.

Sales were forecast to be £2 million in the first year, rising to £8 million after three years, assuming product placement in around 20% of the market. Not satisfied with the challenge of just delivering an impressive looking new business, Wayne has already identified further product concepts, most notably in the initially discounted pet market, where advances in miniaturization of batteries could allow for an injectable pet tracker, harnessing experience in developing the launch product and its anticipated substantial income stream.

Conclusion

With nothing yet fixed in stone, Wayne continued to wonder: should the tracker stick on the outside or be sealed inside the packages, how should the range of service options be branded, what is the optimal go-to-market strategy, is patenting the design worthwhile and how to overcome the critical, but not entirely desirable disposability factor; what would you recommend?

Questions

1. Should the tracker unit be designed to stick on the outside or sealed inside the packages? Consider the different design, shape and required features for these two options using a simple graphical representation.
2. Consider an alternative brand name hierarchy. Where might it sit between a branded house (e.g. typical in Fast Moving Consumer Goods companies like Unilever and Proctor and Gamble) and single corporate identity (Canon and British Airways)? What URLs would you look to purchase?
3. What would you recommend as the go-to-market strategy?
4. How might Wayne look to protect the intellectual property inherent in this innovative product offering?
5. How might TrackerSense seek to overcome the possible negative connotations of “disposable”? Ethically aware consumers and courier companies being held to account for their environmental impact may be sensitive to the terminology and expect to see some sustainable mitigation.
6. In what ways did networking play an important role in the birth of this innovation?

Further Readings


Mintel. (2014). *Choosing your car as a delivery option when shopping online—26th February 2014.*


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