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**NETIA**  
**LEADER IN THE DIGITAL COMPUTER INDUSTRY,  
LOCATED IN THE HEART OF WINE COUNTRY**

by

**Christophe CARNIEL**  
Chairman and Managing Director, NETIA

November 5th, 2003  
Report by Élisabeth Révah  
Translation by Rachel Marlin

**Overview**

In the *département* of Hérault, the town of Claret not only produces wine but has also been the birthplace of NETIA. This is a company which edits software and provides digital solutions for the audio-visual sector. It is one of the world leaders in this market. It all started in 1993 with the vague idea that digitising sound and pictures would be of interest to some people. Christophe Carniel and two other engineers at the École des mines (originally for mining studies; now an undergraduate engineering school) in Alès launched this venture without knowing that some of the most important radio and television companies in the world would subsequently use their software and that it would be distributed in more than forty countries. Despite this global success, the three men decided to keep the company's nerve centre in the region where it all began, thirty kilometres from Montpellier, in the heart of the countryside. They did not regret this decision: like good wine, local culture seems ripe for the development of talent.

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## TALK : Christophe CARNIEL

When NETIA was created ten years ago with two friends, we had no idea what its principal activity would turn out to be. We were still in our twenties, we had just lost our jobs and we had technological know-how in an area which was relatively unknown - the digitisation of pictures and sound. We had yet to find a suitable medium in which to apply it.

Since then, we have come a long way. Today NETIA edits software and provides digital solutions for the audio-visual sector. Eighty percent of our activity is derived from radio and we are just starting to digitise a number of television channels. I would like to talk about our venture and how we managed to achieve what we did.

### **Know-how seeks home**

I was born in Montpellier 37 years ago. After I obtained my engineering degree from the École des mines in Alès in 1988, I decided to take up a career in the computer industry. I worked for a software engineering company and was in charge of its Belgian subsidiary for three years. Financial difficulties in 1993 terminated this experience. It was at this moment that two engineers from the École des mines and I decided to create our own company.

*Who wants to digitise ?*

As a result of a few years' experience in Brussels, I was able to see how a recording company (which was where our offices were based) functioned. The company exchanged a staggering number of audio recordings with its partners, especially radio stations. In addition, in order to improve its sales, those in charge suggested that their clients should listen to short excerpts of music which had not been previously released before buying. The subject of digitisation was raised and I carried out a few technical tests to see whether it would be possible to transcribe a record into a computer.

When we created NETIA, radio was not the only outlet that we had in mind for our expertise. The tourist industry was also interested in the digitisation of sound and pictures in order to publicise various regions. Our other outlet was the audio-visual sector. We decided to contact the ten largest companies in the French media : nine of them refused us but we got lucky with the tenth. After one-and-a-half years, we finally found what we had been looking for.

*Thank God for luck !*

At that time, TF1 (one of the French independent television channels) was working on a confidential project for setting up a channel for non-stop news and information called LCI. The three people in charge of overseeing this project were very occupied by other matters and were probably very grateful for the coincidence which brought us together. Undoubtedly they could have become involved with a company which was better known than us, such as Sony, but it is unlikely that the cost and the conditions would have been as advantageous.

Our task was very ambitious. We had to be able to record the report of a journalist working in the field which was transmitted via telephone into a computer. We then had to distribute it to the editorial staff's internal computer network, edit it using a simple device and finally to project it as a fixed image on a screen. Today, all these operations are considered extremely straightforward but at that time, it was the first time that a ground signal had been transmitted digitally to the editorial staff on the television channel and then on air/broadcast.

This was the first chance we had to demonstrate our expertise : originating within television and yet purely audio, this operation signalled our breakthrough into the radio sector.

### **Out to conquer radio**

Encouraged by this initial success, we continued to do the rounds of both the French and the foreign media. At the same time, between 1996 and 1997 we launched a Research & Development programme the aim of which was to present a complete range of products adapted to the needs of radio. Throughout this period, we were lucky to have been backed by sympathetic investors.

#### *Yesterday and today*

Until 1997, multi-track analogue audio tape recorders were the only means of recording sound. Journalists used a pair of scissors to edit their reports which they physically transported to the studio in order to broadcast them. One has to remember that a radio broadcasting studio is like a small industrial factory. Raw material, including telephone interviews, reports, commercials, and records, is constantly arriving. It is recorded, then refined by a cutting and editing process. It is then transmitted by Hertzian waves, satellite, the Internet and in the near future, by mobile telephones. We attempted to simplify this acquisition chain, as well as the methods of production and transmission using software which made it possible to carry out all the required tasks on one workstation simply using a mouse. This workstation is, of course, connected to the studio. This means that the journalist does not physically have to run down corridors just minutes before transmission. A technician is now automatically alerted if he has to transmit the report.

It is clear why radio stations decided to digitise. One reason is the improvement in productivity in a strongly competitive environment. With digitisation, several journalists of the same editorial team can transmit a press conference given by the French President in real time. Previously, the journalist in charge of covering the event had to record it himself and then make as many copies as necessary for his colleagues, which he had to distribute personally to each of them. As a result, there was a considerable loss of time as well as an additional cost for the tape, which for the radio station France Inter, for example, amounted to roughly 500,000 Euros per annum.

Another determining factor is that digitisation offers the option of preserving the original document in perfect condition by use of a virtual version. The danger of cutting the tape in the wrong place without being able to correct one's mistake no longer exists: a single click with the mouse and one can go back to the original version. Finally, the ease of use of software has finally convinced radio stations of the need for this revolution. One result is that in 2002 it was decided to stop making analogue tape recorders ! Today, 4,500 people throughout the world use our star product, Radio Assist. It is now in its seventh version.

#### *A wonderful market*

Radio is a popular medium. There are 44,000 radio stations in the world of which 25,000 are potential clients for us ! The United States represents 50 % of this market, but the tendency for the American media to amalgamate should decrease this percentage in the future. Europe represents 35 %, Asia and the Pacific 15 %, and Africa and the Middle East 10 %. This last region will become increasingly important in the future because of the large number of radio and television stations being created today. In this market, we do not have very many competitors: one in France, three in Europe and three in the United States. In fact, it is a niche market that specialises in products and not in services.

NETIA is currently the official supplier for the main French radio stations and those in many other European countries. Today, all the journalists and technicians in the Radio France group use our

tools to create their programmes. We have also digitised the radio stations of the RAI, the Belgian Radio Television corporation, the acquisition part of the BBC, and also Australian National Radio, the first American sports radio station Sporting News Radio, Radio Vatican and Radio France Internationale.

The market for the digitisation of radio is constantly changing. Important technological projects are currently being developed to modernise the systems for transmission, notably to allow one to listen to the same radio station in Berlin or Madrid without changing the frequency.

### **A success story**

Radio was just the start for us. There were other markets and other countries of interest to us.

#### *Television here we come !*

At the end of 1998, we set about applying our technology to pictures by creating a range of software for television. The television counterpart of Radio Assist, U Share, was born. Its second version appeared in 2002. There are far more signals in television than there are in radio : technology in this area has not moved as fast as in radio. NETIA offers a range of software which allows video-digitised documents to be exchanged automatically. France Télévision, Canal Plus and M6 are among our clients.

#### *International expansion*

In 1999, our products started becoming successful in Europe and we decided to test the American market. Following initial setbacks during the first two years, our venture proved to be a success. Today, more than half of our turnover (8 millions Euros) is generated overseas. We have two offices, (one in Claret, thirty kilometres north of Montpellier, and the other in Paris), three branches (in Liège, Hong Kong and Sydney), and one subsidiary in the United States (NETIA Inc.). In addition, we have a network of distributors in more than forty countries.

#### *Next step: diversification*

The success of Radio Assist allowed us to secure strategic international partnerships. The decrease in the cost of raw materials enabled us to increase our margins. As a result, we experienced strong growth in 2000. In the future we envisage several types of diversification. We have already made some forays into the new media sector, such as the Internet and mobile telephones which allow one to listen to the radio and watch television in a new way.

Internal radio stations (better known as *public address systems*) could also be interesting sectors for us. Increasing numbers of important distributors want to control their audio marketing by transmitting their own internal radio station entirely controlled by themselves in their shops, rather than the normal public radio station which puts out commercials for their competitors. An example of this is Radio Renault which is due to broadcast in the near future. It will transmit music programmes and commercials dealing with Renault products.

Finally, telecom operators such as France Télécom, Deutsche Telecom or Triumph in the United States are increasingly interested in our services which they rent from important companies in the media industry.

## Wine and its virtues

Our clients are located in the world's capital cities. NETIA's strategic activities (including the administrative headquarters, the centre for R&D and the sales department) are in Claret, a village situated in the heart of wine-growing country, in a region better known for its wine than its computer prowess!

### *An unquestionable degree of attraction*

Why Claret ? Because we come from the region, but primarily for financial reasons. When we were looking for premises for our new company, the mayor of Claret offered us a new building with 150 sqM at a very favourable cost. Later on, when our activity really took off, we decided to keep the company's nerve centre here while at the same time developing a network of offices in the foreign capitals closest to our clients.

There are many other reasons why we chose Claret. Firstly, we are not very far from Paris : we are thirty minutes from Nîmes railway station which is then two-and-a-half hours by TGV to Paris. Secondly, this location created positive publicity for us in the new technology industry of information and communication. Additionally, we are not the only ones to have chosen the south of France : there is an increasing stream of people leaving Paris for this area.

We also banked on the fact that this location would be a contributory factor in encouraging our staff to remain with us for a long time. It is true that those who were with us at the outset ten years ago are still there today. Today, fifty-five people work in Claret, of which 30 % are foreigners. There is a total of seventy employees throughout the company. They are high calibre computer engineers, export managers and new media engineers from a variety of countries. They are firmly established in the region : they have built houses, take part in outdoor sports and appreciate the local way of life. We were able to judge their satisfaction when in 1999 and 2000 wages in the computer sector rose steeply. Not one of our employees was tempted to leave. There is no staff turnover in Claret. Stability is our strength.

Finally, in this village we have all the space we need, without mentioning the financial support we have received from the regional council when we wanted to increase the size of our building.

### *A striking delay in infrastructure*

There are, of course, also disadvantages to working in Claret. In fact, there is a big drawback, characteristic of rural areas, namely the lack of a telecommunications infrastructure required for activities like ours. Every day we transmit large documents between our offices via the Internet, to our distributors and our clients. High speed connection is therefore essential for us. Pressure from many companies in the region means that it will be installed here before the end of the year, whereas originally it was scheduled for 2006 ! By reducing our communication and maintenance costs, ADSL (asymmetric digital subscriber line) or 'broadband' will allow us to improve our competitiveness and to do battle with our competitors on equal terms.

Our region encounters serious delays in the creation of an infrastructure in comparison with urban areas, and the entrepreneurs in the Languedoc-Roussillon region must realise the advantages of standing united. For the past three years, I have been carrying out various actions whose aims have been to encourage economic development in our region. I am the president of the regional computer centre and six months ago, with five other heads of companies, we created FCPR Next Venture, to support companies who want to establish their businesses in our area. I am also vice-president of the *Cité des entrepreneurs*, created under the aegis of the Montpellier Chamber of Commerce. Its aim is to bring together initiatives and share experiences by means of discussion groups. Eventually,

its purpose will be to offer concrete support to entrepreneurs in the form of financial aid and training.

## DISCUSSION

### Back to square one

**Question :** *What sort of help did you have in starting up your activity in France and then in the United States ?*

**Christophe Carniel :** Legal advisers in Paris explained to us how capital risk worked. We financed the R&D and the international development as a result of three consecutive calls for capital. This phase proceeded without any problem.

On the other hand, our first foray into the United States ended in failure and a large financial loss. We had thought that we could cope on our own. We quickly understood that this was not the case and we contacted local companies and French entrepreneurs who had set up companies in the United States. These meetings resulted in the creation of a structure which was 100 % American, which invoices in dollars and whose accountant is American! Today, 20 % of our turnover is generated in the United States. We could make it up to 50 %, given the size of that market.

**Q. :** *Did you have moments of doubt and discouragement during the first few years of NETIA's activity ?*

**C. C. :** Of course, several times we were tempted to give up but you quickly forget the difficulties when you embark on such a great adventure. We spent the first year building up contacts. A few small contracts for installing networks allowed us to survive. In addition, since we were unemployed we received the state subsidy allocated for the setting up of a company. This small amount of money helped us to get through the hard times.

**Q. :** *Do you intend to float the company ?*

**C. C. :** Our financial investors sold their capital in 1999 in favourable circumstances, by an exchange of shares with a company listed on the stock market. Flotation was not a satisfactory way out for our financial investors at that time. Today it is still risky.

### In the heart of the vineyards

**Q. :** *You do not sell services but products and probably the bugs which come with them. From your base in Claret, how do you answer question from Australians or Americans who are impatient and whose systems refuse to work ?*

**C. C. :** We have thought a great deal about this question during the past few years once we realised that our clients do not really want innovative products as much as products which are adapted to their individual uses and needs. Our Quality Department now has the right of veto concerning any new version of software which is released. In addition, two radio station partners agreed to test our finished products in their real setting before their market launch. Finally, we have made plans for a security system which allows a station to remain on air despite serious technical malfunctioning. But none of this prevents bugs and our helpline is available seven days a week, twenty-four hours a day. It is organised according to time zones: the office in Claret is open from 9am to 6pm. New York then takes over until midnight, followed by Sydney. All this is perfectly obvious for the user. English is the language most commonly used when helping our clients, but it is not the only language. Clients can also send us questions via email. These questions are handled immediately

regardless of their country of origin as a result of an efficient information system to which all our offices have access. In the field, our distributors, helped by product experts, can also help out users by providing basic maintenance.

Ever since the initial operations, we understood the importance of providing assistance and training for our clients. Today it is noticeable that most of them in the radio stations know how to use our tools correctly. I would like to add that NETIA aims to sell more than just software in the future: we also want to sell services (licences, installation assistance, maintenance, support, access to the Extranet), for a yearly fee.

**Q. :** *How many days a week do you spend in Claret ? Do you not encounter management problems since you are so frequently away on business ? Do the quality of life and the isolated location not risk sending your engineers' innovative minds to sleep ?*

**C. C. :** Paradoxically, the more the company grows, the more I am present in Claret. In the first four years, I spent a great deal of time setting up our offices and our distribution network in France and throughout the world. They are now operational and managed by qualified colleagues. Now I spend at least two weeks every month in the region and the rest of my time is spent between Paris and overseas. Distance does not prevent communication: we often use the video-conferencing system which we find very satisfactory.

As far as internal competitiveness is concerned, we have found a good way of keeping it going by encouraging our employees to visit our clients. They are always delighted to listen to a popular radio broadcast or to meet a well-known presenter. These visits also allow them to observe the conditions where NETIA software is used and the constraints encountered. Keeping our teams in Claret motivated is a real issue and is a priority for our managers. One of the incentives we use is the salary. In NETIA salaries are, on average, higher than other companies in the region. We also try to encourage our engineers to be innovative by increasing their contact with French and foreign research laboratories.

**Q. :** *In Claret, besides an exciting career NETIA engineers probably find the quality of life that they were looking for. Today we attach a great deal of importance to the environment in which we live. This is also true with respect to sporting facilities.*

**C. C. :** It is true that skiing, rock-climbing and sailing are sports which many of our employees enjoy. Nonetheless, those employees who had dreamt of jogging for an hour during their lunch break have not done so once they started working for us in Claret. Some companies in the region have tried to emphasise this aspect and have built swimming pools and sports rooms on their premises. We did not want to follow this example since we think it best to separate sport from one's professional life.

### **Grapes and software**

**Q. :** *You have fulfilled a dream which many new enterprises have strived to achieve. You were three friends with a great idea who set out to conquer the world. Others have failed but you haven't! How do you explain this ? It is a fact that you are an engineer, a graduate of one of the prestigious École des Mines and you are assured in your knowledge. But above all, the company has grown up among the vineyards, in the heart of the attentive and vigilant wine profession. This unique mix of patience and wisdom is certainly in part responsible for your success.*

**Q. :** *I have visited your company and I was struck by the level of concentration, calm and solidarity which exists there. Do you think that the surrounding countryside, which is absolutely magnificent, has something to do with this ?*

**C. C. :** Our environment certainly influences us. Wine producers are people who are very meticulous in their work. We are in contact with the vines the minute we enter the doors of the company. This culture certainly has a strong influence.

**Q. :** *The link between mining studies, vineyards and state-of-the-art computers may seem obvious but it is not so for everyone, and probably not for Americans ! How do you explain this uniqueness to your clients ? Do you manage to attract foreigners to Claret ?*

**C. C. :** Our studies taught us a certain state of mind, to ask questions and to be open to ideas. It is true that the Americans still portray us with a baguette in our hands. But why not offer it to them ? In their country, it is, of course, an advantage to be 'americanised', but when they come to France we should show them that we are capable of making not only bread and wine, but also innovative software ! Yes, we wear berets, but we are also professionals and innovative ones at that! Surprise will win them over.

**Q. :** *The vineyards which are around various companies in Silicon Valley often belong to the heads of companies who are millionaires and who have had very successful careers in the computer industry.*

**C. C. :** I do not think that we can draw a comparison between these companies and NETIA. Our company has little in common with the start-ups which appeared between 1998 and 1999. It was created some years earlier and survived, whereas others were just a flash in the pan. One should not forget that Silicon Valley contains things other than start-ups...

As for the link between wine-growing and the computer business, this is a difficult area for me to analyse in depth. One thing is sure: there are very few people in Claret who are not wine enthusiasts. The same is true of our clients; we often see them at weekends visiting local cellars. There are even some people in the company who own vines !

**Q. :** *Software, like vines, demands constant maintenance and attention. The culture of regional wines is dominated by an obsession with quality. This is a frame of mind which is certainly not detrimental for the development of a company like NETIA !*

**Q. :** *I would imagine that the cultural dimension of wine might even constitute genuine value for the company. In the collective perception, it is the symbol of continuity. In this sense, the location of NETIA in the heart of vineyards is a very attractive element and positively influences the global image of the company.*

Presentation of the speaker :

Christophe Carniel : graduate of the École des mines in Alès. His first professional experience was in a software engineering company in France and abroad. In 1993, he teamed up with Pierre Keiflin to create NETIA, a company which edits software and is specialised in the audio-visual sector. He manages NETIA and is an active participant in the development of new technologies for information and communication in the Languedoc-Roussillon region. His motto: a good manager should always show ambition and modesty.

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