

Friday, March 25th, 2011
Vol. 27, No. 03

Soft•letter

BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS



Our SaaS Pricing Survey explores a new world as we provide the first and only data and analyses on SaaS discounting levels and practices. See pages 13-15.

The Darker Side of Social Media: Protecting Your Company From a “Domino’s Moment”

by Joe Dysart, Softletter

While many software makers are enraptured with the promotional power of social media, they also need to grasp its perilous dark side—and its ability to damage or destroy a business with a few, choice mouse-clicks.

Domino’s Pizza learned this lesson the hard way recently when a video depicting its employees smearing mucus on sandwiches was posted—and went viral—on YouTube (<http://www.youtube.com>).

The site is the number one destination for swapping and talking about videos on the web, and discusses virtually every subject matter imaginable.

The Dominos video, a staged joke by two of its employees with nothing better to do, was tossed up on YouTube as a lark.

For Domino’s, it was anything but.

Within days, the reputation-tarnisher was viewed more than a million times, became a topic du jour on the micro-blogging service Twitter (<http://www.twitter.com>), and showed up numerous times in the top ten Google search returns for keyword “Domino’s.”

“It sickens me that the actions of two individuals could impact our great system,” says Patrick Doyle, Dominos president, who made his apology about the incident in a video Domino’s posted on YouTube.

Software firms are not immune from acting stupidly. Softletter is personally aware of two examples of recent social marketing mistakes made by two companies, both involving Facebook (we’ve decided, as an act of charity, to not identify either firm; no, neither firm subscribes to Softletter). The first was when a middle manager at a company posted up on Facebook a video of their pet snake being fed a live mouse. The video, which ran about three minutes, showed the hapless rodent being grabbed by the snake, squeezed to death, and ingested whole. The reaction to this bit of

continued on page three

Publisher & Managing Editor
Merrill R. Chapman
rickchapman@softletter.com
860/663-0552

Editor
Randy Hujar
randy.hujar@softletter.com
860/657-2838

Editorial office
Soft•letter
34 Sugar Hill Rd.
Killingworth, Conn.
06419
Voice: 860/663-0552

Subscription office
Aegis Resources
34 Sugar Hill Rd.
Killingworth, Conn.
06419
Voice: 860/663-0552
Fax: 860/663-0553

The Retail Epoch in Software Draws to a Close, Part I of II

by the Softletter Staff

The modern era of desktop software began in the late 70s with the development of the Apple II, Atari, and Commodore systems, with introduction of the IBM PC in 1981 only accelerating the process. By the early 90s, a trip to your local CompUSA, Best Buy, or Staples would have revealed shelf after shelf of packaged software being sold in a wide variety of categories. Specialty stores such as Egghead Software operated hundreds of stores nationwide dedicated to selling packaged software.

Today, this era is drawing rapidly to a close. All of the computer and software specialty chains have vanished, destroyed by the Internet. The top remaining retail locations, listed in order of estimated importance, are:

- Best Buy
- Staples
- Walmart
- Costco
- Target
- Office Depot (These last two are a close tie)

Until recently, Apple would have ranked number three on this list, but the company has just shrunk the number of software “bays” in its retail locations from 10 to two, a move designed to pressure software companies into selling through its online Mac App Store. With this move, access to retail opportunities for most Mac developers has for all practical purposes vanished.

At all of the above locations, shelf space dedicated to selling software over the last 12 months has dropped by an average of 60% (more in some cases). To add to the feel of carp thrashing wildy in a draining pool, Walmart has just announced it’s reducing by 10% allocation space for all entertainment categories. The bad news continues if you’re selling edutainment or education titles—retail locations will no longer stock them except in special circumstances. Interestingly enough, while clothing, bags and devices may sport designs and signage built on brands such as SpongeBob SquarePants and Dora the Explorer, retailers don’t want associated software titles on their shelves.

In fact, if your product is aimed at a demographic below 13 years old, forget about shelves. Retailers have discovered that all the kids have moved online and want content that’s constantly streaming and renewing itself while connected to a community. The idea of interacting with a product that’s its own little self-contained world on CD is foreign to the contemporary youngster.

What’s still selling well in retail? Productivity software such as Microsoft Office, Adobe’s various graphics products, utilities that improve your Windows PC performance and entertainment titles. And interestingly enough, for the right title, there’s still time to slip into the retail pool and make a splash before the water’s all gone. But when we go through the margin model in the second part of this article, you’ll need to decide if the small amount of money you can make at retail justifies the time and money you’ll need to dedicate to the task.

rodent snuff cinema was very negative, people with animal rights sensibilities began to post nasty comments about the incident, and word of the video began to spread. (There are several videos of this type on YouTube; if some idiot at your company links to them you can expect exactly the same result for your Facebook site.) Luckily for the company, upper management decided to close down the relatively new Facebook site to cut short the controversy; this action seems to have prevented the event from going highly viral. But don't count on this type of good luck to prevent a catastrophe; this firm was lucky. (The company, after a few weeks, resurrected their Facebook site.)

The second involved a political discussion on race that spiraled out of control when a participant in the discussion stated on the company's Facebook site that "perhaps the Ku Klux Klan had a point." While the phrase was meant ironically, comments posted on the firm's site demonstrated that many didn't appreciate the subtlety of this intellectual slight of hand. Nasty comments were posted and the Facebook site was quickly taken down (to, again, be quietly revived after a suitable period of time had passed).

In both cases, the principal employees involved in the respective incidents left the company.

Bruce Arnold, founder of Caslon Analytics (<http://www.caslon.com.au>), a web marketing firm that counsels clients on managing company reputations online, says no company, and no industry, is safe from social media sites like YouTube, Facebook, MySpace and the like.

"Some (posts) are little more than a repository for juvenile humor: graffiti, comments that "X" is the devil, and animations of creatures urinating on the corporate logo," Arnold says. "Others feature detailed and sometimes persuasive critiques, including 'insider' documentation, and are associated with newsgroups.

"Financial analysts have attributed falling share prices to particular campaigns, noting that some domains claim a regular audience of twenty to fifty thousand visitors, and that information on those sites has been accepted and echoed by the mainstream media."

For software makers, the take-away from Domino's (and others) rude awakening is to pro-actively develop a reputation management strategy before the horror occurs, and be ready to pounce when a silly joke—or worse—threatens to go viral on your company.

Indeed, according to a recent study from the Aberdeen Group, companies that embrace a reputation management strategy not only guard their brand against ne'er do wells, they're also much more likely to increase shareholder value as compared to companies that ignore the social media space.

"Ironically, Facebook discovered it wasn't immune from its own viral effect when news broke about its questionable PR campaign instituted by famous PR firm Burson-Marsteller. Facebook hired Burston to plant unfavorable stories with journalists about Google's social services. One of the most popular things to discuss on Facebook is Facebook and the social marketing firm's actions provided a rich topic that's still being dissected and debated, on the system in millions of venues."

—Joe Dysart
Softletter

continued on page six

Summary Results from the Softletter, Pricing, Discounting, and Billing Services Survey, Part II of II

The **Softletter Pricing, Discounting, and Billing Services Survey for SaaS Companies** was launched in February of 2011 and closed at the beginning of April, 2011. The Allegiance online system (www.allegiance.com) was used to generate and manage these surveys. The survey consisted of a total of 53 questions and results from this project will be incorporated into the **2011 Softletter SaaS Report**. The purpose of this survey was to develop a comprehensive analysis of current use and practices among SaaS application providers in regards to most implemented SaaS pricing models, pricing surcharges, including SLAs and integration, typical discounts offered for yearly/multi-year contracts and SaaS billing and monetization choices and perceptions.

The surveys recorded 104 valid responses, with the single largest group, 50% of respondents, reporting their title as Owner, Founder, President or CEO of their companies. This was followed by 30% identifying themselves as Vice President, Executive Vice-President or Director. 10% identified themselves with a CxO title including COO, CFO, CSO and one CTO. The balance of respondents were senior sales managers, directors, product managers and similar middle management designations. 24% of those taking the survey were from international venues, with representation primarily from Canada, the UK, and Ireland. Respondents from Israel, Denmark, France, Holland, and Norway also participated.

Throughout this report numbers of particular interest have been **bolded**. Decimals have been rounded off to whole percentages one degree of precision for summary results and percentages may not equal 100%. Results cross tabulated by company revenue size have been rounded off to whole numbers and may not equal 100%.

SaaS Discounting

| Do you offer discounts to customers who sign quarterly, yearly or multi-year contracts? | % |
|--|------------|
| Yes | 58% |
| No | 42% |

There has been a great deal of speculation on the topic of SaaS discounting practices and levels. This is the first time in the history of the industry that hard numbers are being attached to the topic. The number of companies reporting that they **do** discount is indicative of a growing industry seeing competition expand in the various market segments.

| Please indicate at what length of subscription you offer discounts. Please select all that apply | % |
|---|----------|
| Multi-Year | 65% |
| Yearly | 63% |
| Quarterly | 11% |
| Don't Know | 4% |

| | |
|---|----|
| Other, please specify (Significant answer was "lifetime") | 2% |
|---|----|

The numbers for when SaaS vendors offer discounts show that most firms resist discounting for quarterly payment schedules; the primary inducement to pay quarterly is to reduce billing overhead. When talking to some respondents as part of our post survey research, we noted that several offered extra training and increased service and support in return for a quarterly payment commitment.

| Based on offering quarterly contract length discounts, what percentage discount do you typically offer over your monthly subscription pricing? | % |
|---|------------|
| 4% to 6% | 33% |
| 7% to 10% | 50% |
| 11% to 15% | 17% |

Vendors who do offer discounts for quarterly payment cluster heavily in the **4% to 6%** and **7% to 10%** cohorts; not a tremendous surprise. The 50% of respondents reporting that they offer **7% to 10%** discounts is a bit higher than we would have predicted.

| Based on offering yearly contract length discounts, what percentage discount do you typically offer over your monthly subscription pricing? | % |
|--|------------|
| 1% to 3% | 0% |
| 4% to 6% | 9% |
| 7% to 10% | 53% |
| 11% to 15% | 18% |
| 16% to 20% | 15% |
| 21% to 30% | 3% |
| 31% to 40% | 0% |
| 41% to 50% | 3% |
| 51% of more | 0% |

| Based on offering multi-year contract length discounts, assuming a two year or more contract, what percentage discount do you typically offer over your monthly subscription pricing? | % |
|--|------------|
| 1% to 3% | 6% |
| 4% to 6% | 6% |
| 7% to 10% | 23% |
| 11% to 15% | 26% |
| 16% to 20% | 17% |
| 21% to 30% | 20% |
| 31% to 40% | 3% |
| 41% to 50% | 0% |
| 51% of more | 0% |

continued on page eight

Specifically, the report, “Brand Reputation Management: Using Online Monitoring to Protect the Company’s Crown Jewels,” found that companies with top-notch reputation management plans are 12 times more likely to increase shareholder value year-over-year than tone-deaf counterparts.

Such a monitoring strategy, web marketing experts say, needs to encompass social media in all its forms, including video sites like YouTube, social networking sites like Facebook, MySpace, and micro-blogging services like Twitter.

Fortunately, there are a number of tools and service providers companies can use to protect your company’s image.

Do It Yourself Reputation Management

“While shutting down your Facebook page can help cut short a nasty viral explosion, if you’ve spent time and money building up your site, this will usually not be a viable option.”

—Joe Dysart
Softletter

One of the easiest ways to secure a general idea about what’s being said about your company on the web is to monitor the major online communities, mailing lists and blogs—all places where those looking to shape public opinion tend to congregate.

The quickest way to begin the process is to sign up for Google Alerts (<http://www.google.com/alerts>), which enables you to track mentions of your business name, including mentions on YouTube.

You’ll also want to sign up for an account on Twitter which you can use to monitor the posts there. Signing up for an account here will also prevent someone else—including a dissatisfied customer—from grabbing your brand name, and masquerading as a representative.

One caution—if a company representative does begin to post on Twitter for your brand, make sure he/she knows the neighborhood. Essentially, Twitter’s culture demands that you need to be transparent on the service. If you try masquerading as something else, there’s a good chance your cover(s) will be blown sooner or later, and you’ll lose credibility in the community.

Meanwhile, posts on web blogs—the modern day answer to personal journals—can be tracked with the free blogwatch service Technorati (<http://www.technorati.com>), which has been around since the blog phenomena went large. Technorati does a great job of monitoring what’s being said in this space, as well as keeping track of newly created blogs.

And BoardTracker.com (<http://www.boardtracker.com>), a free service that monitors buzz on the countless discussion boards on the web, is also an essential do-it-yourself tool.

It’s also a good idea to keep tabs on anything that may be cropping up about your software company on podcasts—or the grassroots, often homemade radio-show type productions on the web. PodcastAlley

(<http://www.podcastalley.com>) offers an excellent overview of what's going on in the podcast world.

Other free reputation management tools to check out include BlogPulse (<http://www.blogpulse.com>), which also tracks blog posts; Keotag (<http://www.keotag.com>), which tracks keywords, including company names, that are being used as tags on the web; SeekingAlpha (<http://seekingalpha.com/tag/transcripts>), which tracks the postings of conference call transcripts on websites; Yahoo's Upcoming (<http://upcoming.yahoo.com/>), which tracks notices of upcoming new conferences, by keyword; Google Trends (<http://www.google.com/trends>), which tracks the most popular keyword searches on the web; and Compete (http://searchanalytics.compete.com/site_referrals/), which tracks the top website referrals for any keyword search.

Reputation Management Service Providers

If do-it-yourself daily monitoring becomes overwhelming, you may want to try other services, like BlogSquirrel by CyberAlert. (<http://www.cyberalert.com/blogmonitoring.html>). BlogSquirrel will automatically monitor blog postings containing your company's name and/or other keywords, and send you daily reports about those postings via E-mail.

The service also offers you tools to ensure you'll receive fewer alerts about posts you consider irrelevant. Plus, you'll also be able to maintain a "digital clip book" with the service, which you and any other appropriate member your firm can refer to when necessary.

And Webclipping.com (<http://www.webclipping.com>), a long-established service, will track also what's being said about your company on the web, keep you apprised of competitors' activities and send out alerts about copyright or trademark abuses.

Nielsen Online (<http://www.nielsen-online.com>) combines the auto-monitoring of blogs with human analysis to help companies avoid potential public relations nightmares. One especially interesting feature is that the system is programmed to include analysis of "natural language," so you'll be able to find positive or negative posts about your company, even if those posts are rendered in poor grammar.

Dow Jones Insight (<http://www.dowjones.com/product-djinsight.asp>), offers a more comprehensive look, monitoring what's going on with your brand across virtually all media, tracking company mentions in mainstream media, radio and TV, and in posts on websites, blogs and comments in discussion groups.

The firm also employs a "reputation analysis tool," which automatically sifts through all the mentions of your company, and churns out reports about potential problem areas. Reputation Intelligence can also portray such public opinion data in graphical form for easier dissemination company wide.

"YouTube CEO and co-founder has stated that he wants YouTube to be watched in the same way as television, up from 15 minutes a day to an average of five hours."

—Joe Dysart
Softletter

" More reputation management service providers to investigate include Radian 6 (<http://www.radian6.com/cms/home>), Visible Technologies (<http://www.visibletechnologies.com/>) and SproutSocial (<http://www.sproutsocial.com>)."

—Joe Dysart
Softletter

As the numbers show, when dealing with multi-year commitments, discounting levels “spread out” over a much wider range; the charts on page 15-16 help demonstrate this. This is driven by the more complex bargaining and jockeying for best value on the part of both the SaaS provider and the customer.

SaaS Pricing and Billing

| Do you have different pricing and subscription models for each country you do business in? | % |
|---|------------|
| Yes | 13% |
| No | 69% |
| Only some countries on an as needed basis | 12% |
| Do not know | 5% |

We found the response to this question interesting. In our discussions with SaaS experts and providers, we’ve often discussed the issue of how you price a SaaS product, for say, the Indian market as opposed to the US. Some vendors have adopted a policy of providing different pricing schedules for different national markets, but the majority seem to be resisting this trend, offering as an alternative tiered pricing and modular packaging that enables vendors to offer configurations at different price points. However, as US SaaS firms begin to compete more vigorously in international markets, we may see increased acceptance of localized pricing schedules.

| When was the last time you changed your pricing and/or subscription model? | % |
|---|------------|
| Within last 6 months | 40% |
| 7 to 12 months ago | 18% |
| 13 to 18 months ago | 8% |
| 18 to 24 months ago | 6% |
| Over 24 months ago | 8% |
| Never. Our model has not changed | 19% |

| Are you currently re-evaluating your pricing and/or subscription model? | % |
|--|------------|
| Yes | 59% |
| No | 41% |

| Do you typically create custom contracts for new customers or sign them up using standardized contracts? | % |
|---|------------|
| Custom contracts | 23% |
| Standardized contracts | 73% |
| Other, please specify (significant answer was “standard base with customizations as needed per customer/product”) | 3% |

| Do you publish your pricing schedule on your website? | % |
|--|----------|
| Yes | 33% |

| | |
|----|-----|
| No | 67% |
|----|-----|

The issue of whether a software company should post its pricing up on its website has been long disputed. If you're a SaaS company in SMB markets, in the majority of cases you will post at the least a basic pricing schedule. For enterprise companies, the consensus has long been that by doing so, you are simply providing pricing intelligence for your competition.

Softletter disagrees with the consensus (and please feel free to disagree with us). We believe that it makes sense to at least provide an indicator or range of prices a potential customer can expect to pay if they subscribe (or purchase/license) your product. If a competitor wishes to find out more about your pricing, it will not take them long to do so via a variety of means (impersonating a customer, contacting a current customer of yours to conduct research, hiring a research firm to provide competitive intelligence, etc.) On the other hand, by providing pricing guidance to prospective purchasers, you will tend to eliminate people and companies who have unrealistic pricing expectations or are simply tire kicking.

| What payment methods do you accept? (Please select all that apply) | % |
|---|-----|
| Checks (direct billing option) | 70% |
| Credit Card (direct billing option) | 42% |
| Scheduled electronic funds transfer (ACH/SEFT) | 54% |
| Credit Card (online option) | 30% |
| PayPal (online option) | 15% |
| Other, please specify (Significant answers were "wire transfer, direct debit, and carrier billing, and bank payment") | 7% |

| How do you manage/track receivables and collections? | % |
|--|------------|
| In our billing system | 57% |
| Separate application (internal) | 21% |
| Separate application (third party) | 11% |
| Do not know | 4% |
| Other, please specify (Significant answer was "Excel") | 4% |

| How do you currently bill for professional services? | % |
|--|------------|
| On a time and material basis | 44% |
| On a fixed price basis | 32% |
| We do not bill separately, it is included in product pricing | 7% |
| We do not offer professional services | 11% |
| Other, please specify (Significant answers were "consulting services can be billed on T&M and Fixed and professional services are included in the monthly user/location cost") | 6% |

We found the comparatively high number of respondents reporting they billed **On a fixed price basis interesting**. Normally, you would assume that when billing for professional services, a software company would provide themselves the flexibility of the time and materials model. But SaaS companies have found that billing more than 100% of the subscription contract value is

continued on page ten

usually not possible. Under these circumstances, billing on a fixed price basis can make more sense since you already know the maximum amount you'll be able to charge the client.

| Do you offer bundled products (Any grouping of products under a single sku)? | % |
|---|----------|
| Yes | 55% |
| No | 45% |

| Do you combine bundles into a single product (a bundle of bundles)? | % |
|--|----------|
| Yes | 32% |
| No | 61% |
| Do not know | 7% |

| When creating products for your business, which best describes the language you use when discussing your product methodology and terminology: | % |
|--|------------|
| Components, products & plans | 9% |
| Modules, products & plans | 36% |
| Components, products & bundles | 8% |
| Products, plans & packages | 36% |
| Products, bundles, bundles of bundles | 4% |
| Other, please specify (Significant answers included "partner environments and products, bundles, and service levels") | 6% |

| Do you track revenue share? | % |
|------------------------------------|----------|
| Yes | 43% |
| No | 51% |
| Do not know | 6% |

| What is the primary method used to track revenue share? | % |
|--|----------|
| Manually | 29% |
| Billing System | 38% |
| Internally developed application | 24% |
| Third party application | 7% |
| Other, please specify | 2% |

| How long does it take to complete invoicing/billing of your clients? | % |
|---|------------|
| Within 10 days | 45% |
| 11 to 15 days | 5% |
| 16 to 20 days | 2% |
| 21 to 30 days | 14% |
| Immediate, the process is automated | 27% |
| Do not know | 7% |

| The following statement best describes the performance of our billing and revenue capture systems at our company: | % |
|--|----------|
| They are performing very effectively | 22% |
| They are performing effectively | 55% |
| They are performing somewhat ineffectively | 18% |
| They are performing very ineffectively | 4% |

| For your company, what is the most important function or benefit of a billing system? | Not Imprt | Somewhat Imprt | Imprt | Very Imprt |
|--|------------------|-----------------------|--------------|-------------------|
| Helping enhance cash flow | 7% | 9% | 46% | 38% |
| Eliminating manual methods (e.g. use of spreadsheets, etc.) | 3% | 13% | 23% | 60% |
| Central repository for product list/catalog and prices | 20% | 36% | 32% | 12% |
| Ability to dynamically build, price and update products | 14% | 41% | 27% | 18% |
| Increased accuracy | 4% | 19% | 40% | 37% |
| Better and more timely reporting | 2% | 25% | 42% | 31% |
| Integration with existing accounting system | 11% | 20% | 32% | 37% |
| Low cost of software (use and support) | 7% | 33% | 35% | 25% |
| System allows creation of "what if" scenarios for product pricing and bundling | 31% | 36% | 27% | 5% |
| Real-time reporting | 7% | 26% | 45% | 22% |
| Detection and avoidance of billing errors as they occur | 2% | 23% | 42% | 33% |
| Customizable visual representation of queries and reports (graphs) | 18% | 37% | 36% | 9% |
| Customer support through self-service customer billing portal | 20% | 33% | 30% | 18% |
| Online product catalog and integrated e-commerce site | 41% | 32% | 22% | 5% |

| Which of the following describe your greatest problem area or inefficiency with your current billing system? | % |
|---|----------|
| Product pricing | 17% |
| Internal billing process | 40% |
| Revenue and/or billing reporting | 20% |
| Creating new products | 11% |
| Other, please specify (Significant answer was "management reporting ie by product or bundle") | 12% |

| How do you manage your SaaS payments and billing? | % |
|--|----------|
| Manually (use spreadsheets or other tools) | 19% |
| Application - internally developed | 36% |
| Third party application - on premise | 19% |

continued on page 12

| | |
|--------------------------------------|-----|
| Third party application - SaaS based | 22% |
| Do not know | 4% |

It's a bit shocking to see any SaaS company using manual methods such as spreadsheets to manage their billing.

| How satisfied are you with your current billing software? | % |
|--|------------|
| Very satisfied | 29% |
| Somewhat satisfied | 47% |
| Somewhat unsatisfied | 21% |
| Very unsatisfied | 3% |

| What percentage of your overall gross SaaS revenues are spent on paying for your billing and invoicing services? | % |
|---|------------|
| Less than 1% | 29% |
| 1% to 3% | 47% |
| 4% to 6% | 21% |
| 9%+ | 3% |

| Which of the following billing software brands do you recognize? Select all that apply | % |
|---|------------|
| Monexa | 10% |
| Zuora | 32% |
| Chargify | 14% |
| Aria | 16% |
| Vindicia | 9% |
| Metanga | 4% |
| None - I do not recognize any of these billing software brands | 57% |
| Other, please specify (Significant answer was "Recurly") | 1 |

| How do your customers perceive your SaaS pricing? | % |
|--|------------|
| Customers find our pricing well suited to their needs and clear | 46% |
| Customers find our pricing acceptable for their needs (neither good nor bad) | 40% |
| Customers find our pricing an area that could be significantly improved | 1% |
| Do not know | 10% |
| Other, please specify (No significant answers) | 3% |

| Please tell us how your customers perceive how you bill and capture payments for your services | % |
|---|----------|
|---|----------|

| | |
|--|------------|
| A positive customer experience | 20% |
| A neutral customer experience (no comments good or bad) | 59% |
| An area that could be improved | 7% |
| Do not know | 14% |

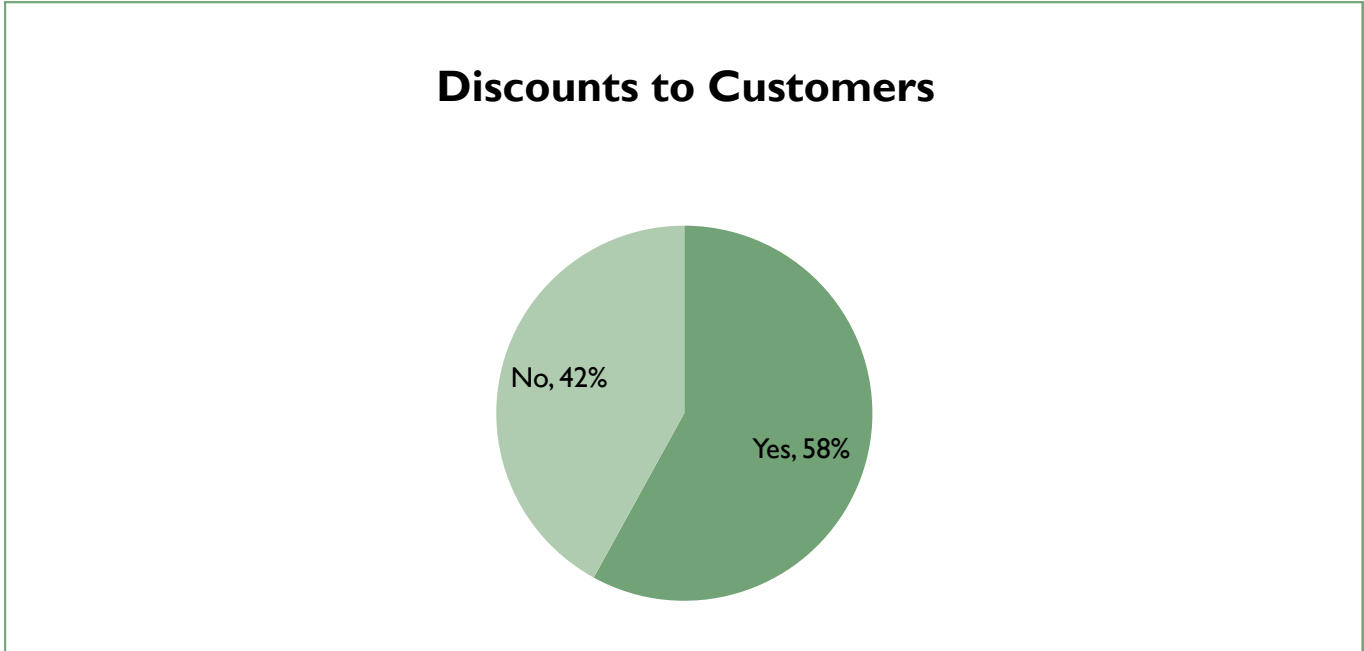


Figure One: Do You Offer Subscription Discounts to Your Customers?

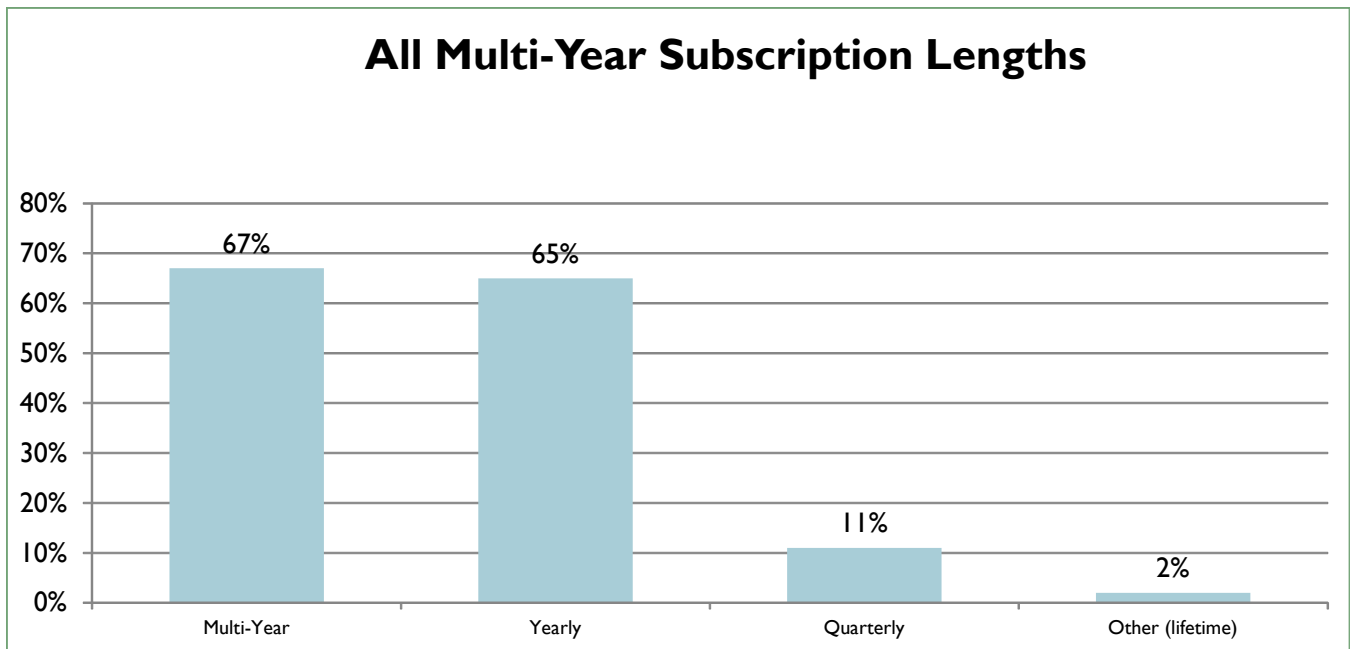


Figure Two: All Subscription Lengths Eligible for Subscription Discounts?

continued on page 14

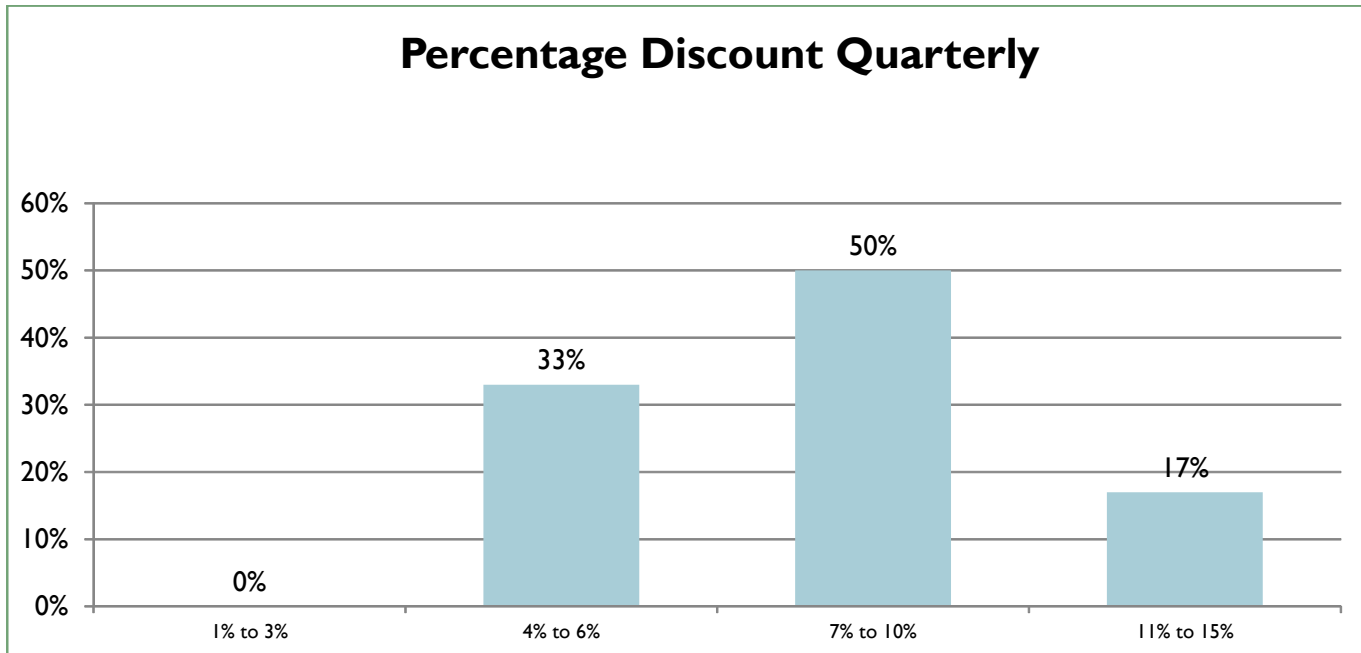


Figure Three: Discount Percentages for Quarterly Subscriptions

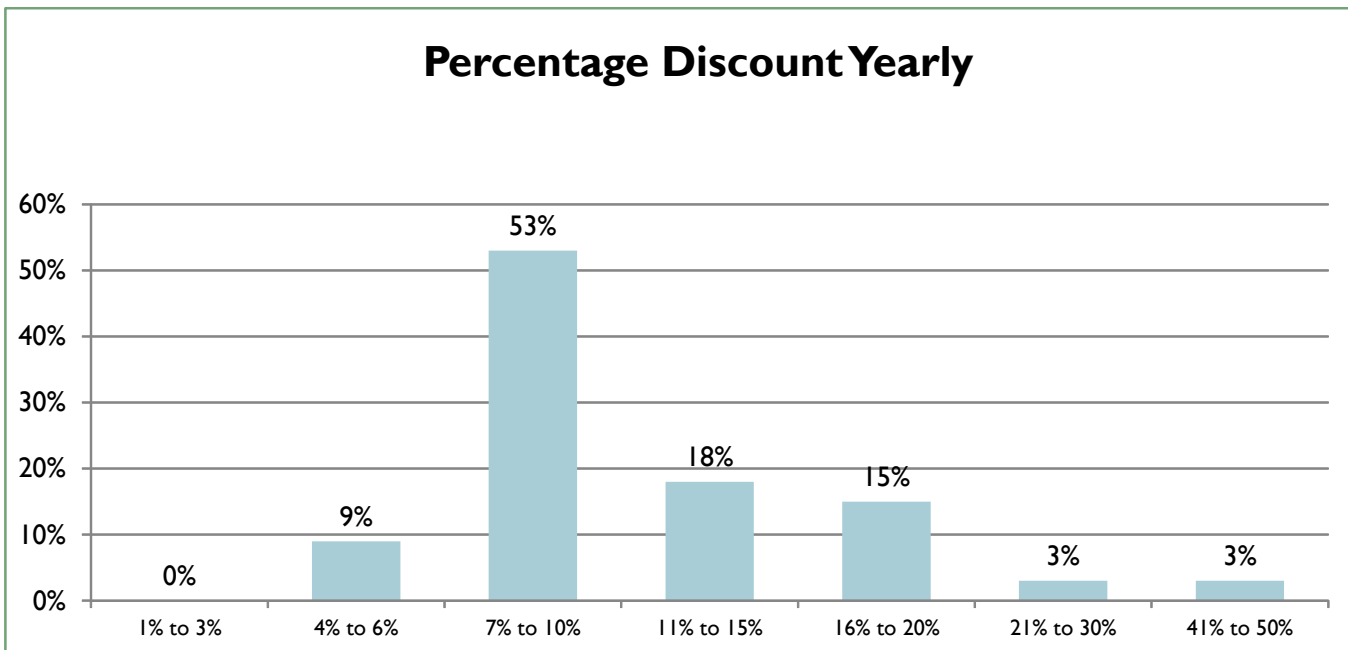


Figure Four: Discount Percentages for Yearly Subscriptions

Note that when negotiating discounts for yearly commitments, the median clusters heavily around the 7% to 10% and 11% to 15% for an aggregated number of 71%. When negotiations shift to to multi-year deals, the median flattens out substantially across the different cohorts. The reason lies in the complexity of a multi-year deal. In addition, procurement processes at larger firms drive deeper discounts as many purchasing agents at larger companies are compensated on their ability to these deliver discounts.

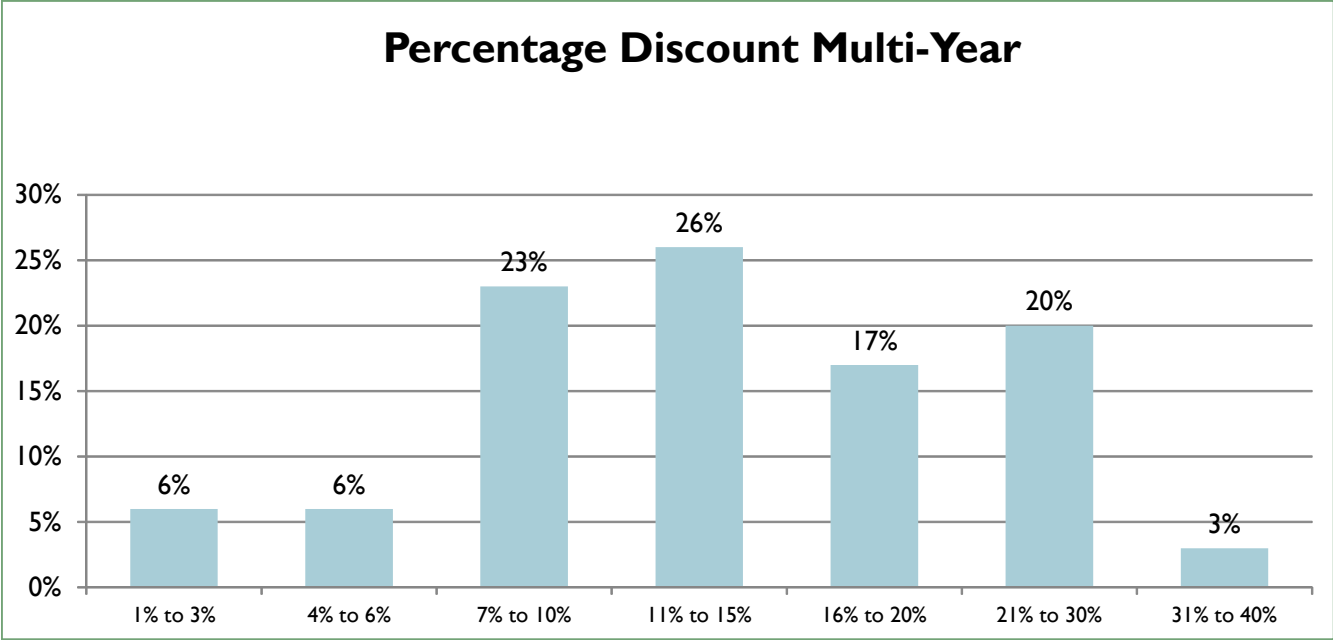


Figure Five: Discount Percentages for Multi-Year Subscriptions

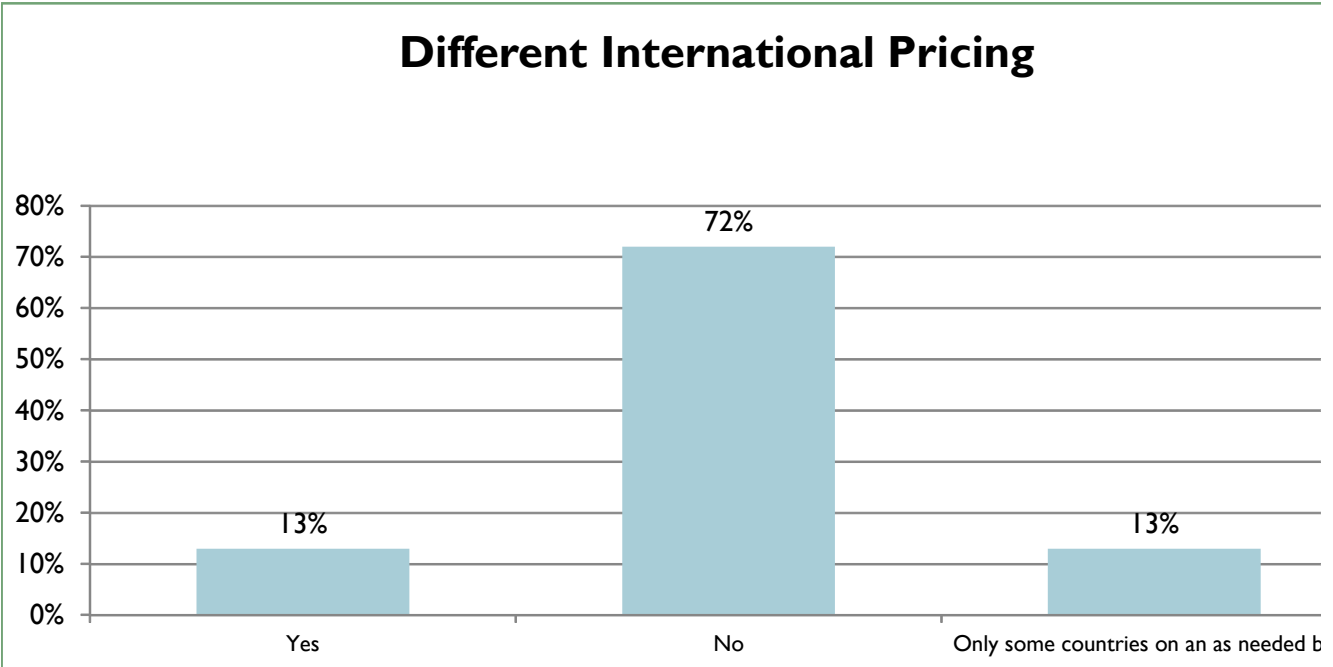


Figure Six: Do You Provide Different Pricing Schedules for International Markets?

We were a bit surprised that only 13% of SaaS firms reported that they offered different pricing schedules for international markets, but there are significant problems with this strategy. Customers will quickly become aware of country-specific discounts and A) either try to obtain the same pricing for their market or, B) attempt, in some cases, to sign up for accounts in the cheapest market. Based on our discussions with different SaaS firms, many believe a tiered, modular product architecture is the best way to match subscription pricing to local markets.

PR Disaster Resources

- **Denver Public Relations Blog** (<http://denverprblog.com/2010/12/29/the-year-in-review-2010-public-relations-disasters/>): Documents the 10 biggest PR disasters of 2010.
- **PRdisasters.com** (www.prdisasters.com): The name says it all.
- **PRWeek:** ([/www.prweek.com/uk/news/1061476/No-thing-bad-publicity-Five-ways-manage-fallout/](http://www.prweek.com/uk/news/1061476/No-thing-bad-publicity-Five-ways-manage-fallout/)): Useful quick article on managing a PR mess.
- **Ragan.com** (www.ragan.com): Excellent site that discusses PR, social media, conferences and similar venues; regular posts on bad PR.
- **Site Reference** (www.site-reference.com/articles/tips-tools-resources-diy-online-reputation-management): Site provided links to do-it-yourself reputation management tools.
- **The PR Coach** (www.theprcoach.com/bad-press-releases-william-lyon-homes/): Useful site that documents and ranks bad releases.

GREENLIGHT CAPITAL HEDGE FUND MANAGER DAVID EINHORN ON STEVE BALLMER “An investor who put \$100,000 into Microsoft stock 10 years ago would now have about \$69,000 worth.” (Quoted on <http://www.reuters.com/article/2011/05/25/us-microsoft-idUSTRE74O8BQ20110525>, 05/25/2011)

PCWORLD REPORTER SARAH JACOBSSON PUREWAL ON NEW TAKE ON THE OLD CHINESE WATER TORTURE: “Apparently there’s a new type of chain gang -- a virtual one. According to The Guardian, Chinese prisoners are forced to play hours upon hours of ‘World of Warcraft,’ farming virtual gold that the prison guards can then sell in the real world for nonvirtual cash. (Quoted on http://www.pcworld.com/article/228716/chinese_prisoners_allegedly_forced_to_play_world_of_warcraft.html#tk.nl_gox_h_crawl, 05/26/2011)

BUSINESSWEEK ON THE CONTINUING ATTEMPT BY THE STATES TO TAX ONLINE SATES: “California would require online retailers including Amazon.com Inc. to collect sales tax on Internet purchases by state residents under a bill passed by the Assembly. The bill, approved 47-16 yesterday, directs retailers that have a physical presence in the state to collect sales taxes on online transactions. (Quoted on <http://www.businessweek.com/news/2011-06-01/california-bill-directs-online-retailers-to-collect-sales-tax.html>, 06/01/2011)

THE NEW YORK TIMES ON HOW TABLET APPS ARE IMPACTING RETAILING: “Now, though, retailers like Net-a-Porter think they have found a way to give online shopping more of the feel of an outing at the mall or an hour with a catalog — by creating apps that resemble magazines for tablet computers. (Quoted in *The New York Times*, 05/29/2011)

Colleagues made off with your last issue? Go to www.softletter.com. Click Subscriber Login in the upper right of the home page. To view the current issue and to search archives of hundreds of articles by keyword, topic, or issue date, log in and enjoy!

Soft•letter is published 12 times per year; entire contents copyright © 2011 by Soft•letter.

All rights reserved. Reproduction by any means, without permission of the publisher, is prohibited. ISSN: 0882-3499.

Subscription rates: \$395 worldwide. Subscription office: Aegis Resources 34 Sugar Hill Rd.