Soft•letter

SaaS and Enterprise/ Client Server are wrestling down sales close times

Creating Compelling Product Roadmaps

by Brian Lawley, 280 Group

Product roadmaps can mean the difference between success and failure when delivering and marketing products. Done correctly, they can help win and keep large customers and partners, and can guide the engineering and strategic planning efforts of a company. Unfortunately most product roadmaps are created "on the fly" and under pressure when sales or senior management make a last-minute request. As a result, they don't have the impact they should, and can be a source of trouble if you aren't careful. But done successfully, product roadmaps can drive your company's strategy and development efforts. They can provide partners, press, analysts and customers with a clear idea of your company's direction. They can help your sales force hold onto a major deal by reassuring customers about your future directions. And you may need a roadmap to get your company's next round of funding.

Why a Product Roadmap?

There are wide variations in terms of definitions and uses for roadmaps. The first step is to decide what type you need and what it will be used for. There are five types of roadmaps that are the most commonly used: market and strategy, visionary, technology, platform and product (internal and external). Each type is good for specific uses and can be combined to create a bigger picture.

Market and strategy roadmaps paint a picture of which markets you will be going after and how you plan to develop the products for each segment. For example, in year one you may want to enter healthcare by partnering with another company. Or you may want to enter the financial market in year two by building products in-house or acquiring products.

Visionary roadmaps paint a big picture of trends in the industry and society in general. By showing these trends, you can then demonstrate how your products fit into the bigger picture and also how you are taking advantage of the market's momentum.

Technology roadmaps highlight trends occurring in the overall industry in terms of technology and then allow you to map your company's products and releases to them. They are an excellent way to show how your company is

The Softletter 2007 Sales Efficiency Survey: Close Rates

In our Sales Efficiency Survey we asked respondents how fast their sales personnel were able to close sales. Their responses, broken down by industry category, are presented below. Numbers of particular interest are boldfaced.

Enterprise/Client Server

Less Than 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	12 to 18 Months
3.5%	**32.1%**	**28.5%**	23.8%	11.9%

SaaS

Less Than 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	12 to 18 Months
16.6%	**41.6%**	33.3%	4.1%	4.1%

Desktop/Retail

Less Than 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	12 to 18 Months
9.5%	**42.8%**	**23.8%**	4.7%	**19%**

OEM

Less Than 3 months	3 to 6 Months	6 to 9 Months	9 to 12 Months	12 to 18 Months
25%	12.5%	12.5%	12.5%	**37.5%**

An analysis of these close figures reveals several crucial points for companies planning their sales strategies. While many pundits have provided anecdotal information that the SaaS sales cycle is faster than in other industry segments, for the first time we have data that reinforces this assumption. It is noteworthy that the SaaS segment enjoys the the best performance in the **Less Than 3 Months** and **3 to 6 Months** cohorts. Collectively, **91.5%** of our respondents reported that their major SaaS sales close within 9 months.

However, it's important to note that **Enterprise/Client Server** is no slouch in time to close either. While it would have been a surprise if this category had performed well in the **Less Than 3 Months** cohort, the 32.1% number for **3 to 6 Months** is not to be sneezed at; major sales that close in this timer period are always coups. Collectively, **60.6%** of major **Enterprise/Client Server** deals close within nine months. Ten years ago, this number would perhaps have reached 30%. As noted in the summary results, the software sales cycle, driven by such factors as remote demos, CRM, and the 24/7 communications cycle made possible by the Internet and digital technology, is changing profoundly.

Another number of interest is **Desktop/Retails** high posting in the 12 to 18 Months cohort. This is accounted for by the fact that if you are not already in the channel, gaining entry is a long process. This same syndrome applies to the **37.5%** number for **OEM**.

taking advantage of up-and-coming new opportunities created by echnology.

Platform roadmaps are used by companies that have an overall platform strategy that relies on partners working closely with them. Examples of platforms includes Windows, the Palm OS, Google, MacOS and many others. In a platform roadmap, you lay out the core platform's development as as well as what your company will be delivering in terms of the products and development tools needed to support it. Microsoft is legendary in the industry for understanding how to market the Windows platform.

Product roadmaps (internal and external) are used to show when product releases will be available, what their overall theme or main features are and what secondary features will also be included. Internal roadmaps can be used for driving development priorities, communicating to upper management and other departments and for use in obtaining funding for the company. External roadmaps are used for communicating to customers, partners, press and analysts. External roadmaps should be based on the corresponding internal roadmaps, but be much more vague.

When creating product roadmaps, I suggest the following eight-step process:

1. Decide the detail level and amount of time you want to spend creating the roadmap(s).

2. Assess competitive moves, market and technology trends.

3. Gather and prioritize requirements.

4. Decide on the time frame that is most appropriate to use.

5. Choose an organizing strategy for features.

6. Build your internal roadmap.

7. Get buy-in on the internal roadmap from your team(s) and finalize.

8. Create an external roadmap based on the internal roadmap.

After you have gathered up a master list of all feature requests, you'll need a way to logically sort through and prioritize them. The easiest method for this is to use a prioritization matrix. (We've developed such a matrix in Excel.) The matrix allows you to create categories such as revenue impact, strategic importance, customer pain level, etc. and then to assign a weighting to each one. Once you have ranked each feature using criteria and weighting, you can then sort them based on total scores and arrive at a ranked list of the most important new capabilities.
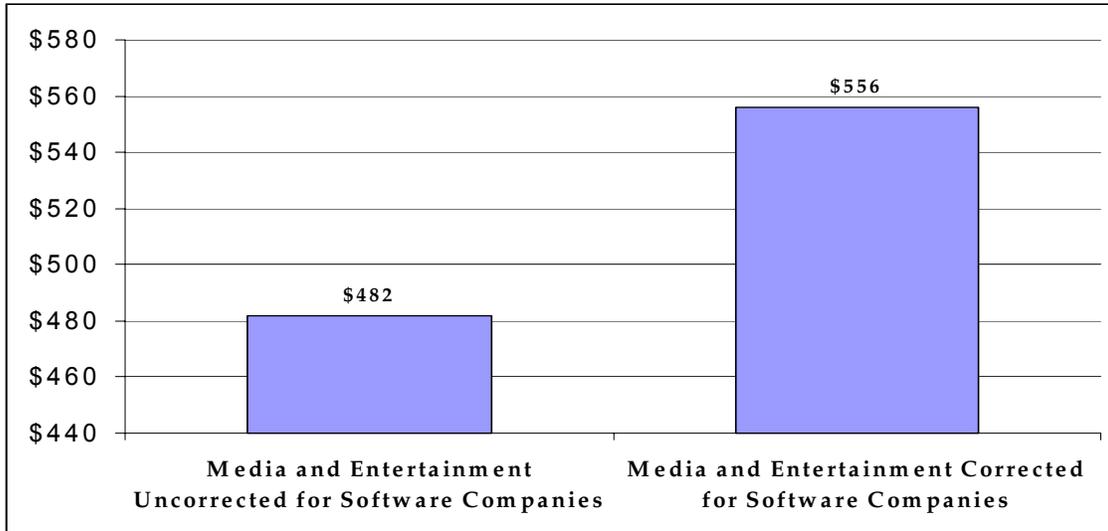
"Always use code names for products in your roadmaps—you never know where your roadmaps will end up, and with codenames you can at least be assured that no one will know exactly which versions of the product you are describing."
—Brian Lawley
280 Group

Release your roadmap results as uneditable PDF files—this will ensure that no one takes the master file and makes changes that end up becoming promises to customers, partners or other constituents."
—Brian Lawley
280 Group

$580	
$560	$556
$540	
$520	
$500	
$482	
$480	
$460	
$440	

Media and Entertainment Uncorrected for Software Companies — **Media and Entertainment Corrected for Software Companies**

Benchmarks: Q2 2007 Venture Capital Investments

With VCs putting $1.5 billion in 248 deals into software companies, the industry regained its top spot among the 17 major investment markets tracked by the PriceWaterhouseCooper MoneyTree report. The amount of money pumped into software has reached levels not seen since 2001 and the dot.com collapse, with cash sunk representing 20% of all investments.

The glow surrounding the software industry has also increased markedly thanks to VMware's ultra successful IPO, which saw the company's stock shoot from an opening bid of $29 to over $65 as of September, 2007. This is a particularly impressive performance as the IPO represented a sale of just 10% of VMware stock to the public, with parent company EMC retaining complete control over the division's operations. Over the next 18 months, Softletter predicts the long drought of high-tech IPOs will come to an end. Tech, having been sent to the stock doghouse for almost six years, is about to reemerge.

An interesting side note is the MoneyTree report notes that the Media and Entertainment sector saw a decrease in investment dollars,with $482m going to 73 companies, down from $502m to 79 companies in Q1, 2007. But if you analyze the dollars flowing to software companies whose primary focus is gaming and edutainment, a different picture appears. In software, the number two deal in this quarter's top 50 is Trion World Network, Inc, (broadband gaming), which received $30m in funding. Number seven was Fabrik (personal media systems), which received $25m. Number 12 was Playphone, $18.75m (mobile entertainment). If you add these companies to the Media and Entertainment category, the number for the quarter is almost $556m. We feel that as entertainment increasingly converges on the PC, software companies must be factored into any study of the growth of this sector.

The material in this report is drawn largely from the Money Tree Survey by PricewaterhouseCoopers and generally confirmed, modified, or supplemented by other sources.

The Top 50: Software Venture Capital Investments—Q2, 2007

Company	Business Focus	Lead Investor	Investment
COADE Inc	Engineering and software design	Insight Venture Partners	$41,767,200
Trion World Network Inc	Entertainment/games for broadband era	Bertelsmann Capital Ventures, Doll Capital	$30,000,000
PGP Corporation	Messaging and data storing solutions	D.E. Shaw Technology Ventures, Doll Capital	$27,400,000
Veoh Networks Inc.	Software for television/peer casting	Goldman, Sachs and Co, Shelter	$26,000,000
Cybernet Software Systems Inc.	IT solutions, services, and products	Goldman, Sachs and Co.	$25,000,000
Cybernet-SlashSupport	Customer support/business service software	Goldman, Sachs and Co, SAIF Partners	$25,000,000
Fabrik Inc.	Personal digital media application appliances	3i (US), ComVentures	$24,923,100
Crossbeam Systems Inc.	Total security solutions for safe networks	Charles River Ventures, Commonwealth	$21,405,000
mformation Technologies Inc.	Mobile device management software	Battery Ventures L.P., Carmel Ventures	$20,352,800
I.D. Analytics Inc.	Identity risk management	Canaan Partners, Investor Growth Capital	$20,000,100
Healthcare Analytics Inc.	Informatics technology solutions for healthcare	Tenet Healthcare Co, undiscloser firm	$20,000,000
Playphone Inc.	Personalization and entertainment content	Cardinal Venture Capital, Menlo Ventures	$18,750,000
Millenium Pharmacy Systems	Medication management systems	Ascension Health Ventures, Boulder Ventures	$18,188,000
Palo Alto Networks Inc.	Enterprise network security solutions	Globespan Capital Partners, Greylock	$18,000,000
RedSeal Systems	Security risk management software	JAFCO Ventures, Leapfrog Ventures	$17,100,000
Clearwell Systems Inc.	Corporate email intelligence solutions	Redpoint Ventures, Sequoia Ventures	$17,000,000
U-Systems Inc.	Color ultrasound imaging system	CIDC Consultants Inc., Kinetic	$16,500,000
VirtualLogix Inc.	Virtualization software platform	Atlas Venture Ltd., Esprit Capital Partners	$16,000,100
BSG Alliance Co.	Enterprise software solutions	Foundation Capital, Hummer Winblad	$16,000,000
Convey Computer Co.	Application to improve microprocessor servers	CenterPoint Venture Partners, Intel Capital	$15,800,000
Coradiant Inc.	MSP for internet sites	Doll Capital Management, Grandbanksl	$15,000,000
OpTier Inc.	Enterprise software	Carmel Ventures, Gemini Capital Fund Mgmt	$15,000,000
Copan Systems Inc.	Nearline storage software	Austin Ventures L.P., Credit Suisse Group	$15,000,000
TheFind Inc.	Online ticket search	Bain Capital, Cambrian Ventures	$15,000,000
StreamBase Systems Inc.	Streamed database processing	Accel Partners, Bessemer Venture Partners	$14,995,200
Xactly Co.	Sale compensation application	Alloy Partners, Bay Partners	$14,725,200
Veveo Inc.	Internet enabled video software	Matrix Partners, North Bridge	$14,024,000
Parature Inc.	Online customer support software	Sierra Ventures, Valhalla Partners	$13,867,000
SpaceClaim Co.	3D modeling technology	Borealis Ventures, Individuals	$13,500,000
deCarta Inc.	Software platform for location based services	Cardinal Venture Capital, Mobius	$13,100,000
StrongMail Systems	Enterprise grade email generation and delivery	Duff, Ackerman & Goodrich, Evercore	$13,000,000
MuleSource Inc.	Open source infrastructure and integration	Hummer Winblad Venture Prtners, Lightspeed	$12,500,000
GlassHouse Technologies Inc.	Data protection and management services	Globespan Capital Partners, Grandbanks	$12,499,900
Avail Media Inc.	IPTV and media servies to broadband operators	Benaroya Capital Co., Columbia Capital	$12,249,800
Right90 Inc.	Performance management systems	Interwest Partners, Shasta Ventures Mgmt	$12,000,000
VaST Systems Technology Co.	CAD services	Allen & Buckeridge Pty, Foundation Capital	$12,000,000
eProject Inc.	On demand project and portfolio management	Bay Partners, Kennet Venture Partners	$12,000,000
eMeter Co.	Wireless technology for the energy industry	Banner Partners, Foundation Capital	$11,800,000
Virtusa Co.	E-business strategy	Charles River Ventures, Individuals	$11,273,100
LiteScape Technologies Inc.	VoIP enabled business applications software	Blumberg Capital Ventures, SOFTBANK	$11,250,000
newScale Inc.	Service delivery management software	Chess Ventures, Cross Creek Capital	$10,999,900
JasperSoft Co.	Commercial open source reporting solutions	Doll Capital Management, Morgenthaler	$10,998,100
Mobile Productivity Inc.	Automotive repair information and service	Warburg Pincus	$10,777,000
ITM Software Co.	Business management software	Ascend Venture Group, InnoCal	$10,638,000
Vsoft Co.	Global IT service provider	iLabs Capital	$10,367,000
Convio Inc.	Online constituent relationship management	Adams Street Partners, Austin Ventures	$10,150,000
3D Marketing Technologies Inc.	Marketing analysis software	Bay Partners, Individuals	$10,100,000
41st Parameter Inc.	Internet fraud protection	JAFCO Ventures, Norwest Venture Partners	$10,068,000
Click4Care Inc.	Medical management software	Psilos Group Managers	$10,000,000
YouSendIt Inc.	Secure transmission of large documents	Alloy Ventures, Cambrian Ventures	$10,000,000

Strategies for Organizing Features

Once you have gathered and prioritized product features, you need to decide which strategy you want to use to organize them. There are three strategies generally employed: themes, golden features and timed releases.

Themes are a simple and effective way to organize your releases. To create a theme, take the original list of prioritized feature requests and classify them into similar categories to see if any trends emerge. For example, it might be that the majority of requests focus on product stability or increased performance. You can then group these features into releases placed in the roadmap, each with its own theme.

The golden feature approach chooses a single feature that becomes the release's absolute top priority and then rallies the entire company around it. This single feature needs to provide enough customer value to justify the entire release. It must be compelling enough that all of your customers will want to upgrade (and potential new customers want to purchase). And its functionality must be so simple to communicate from a marketing and competitive point of view that the description gives your product an immediate boost in a buyer's psyche. Ideally you should be able to describe the golden feature in one to five words. Some examples might include "30% Faster Performance" or "Import MS Word Files." Golden feature is particularly effective if you are on short release cycles or are doing a point release. Apple, with its focus on Spotlight with the release of OS X 10.4 (Tiger), is a recent example of a successful golden feature approach. Another advantage to golden feature is that you have a higher likelihood of meeting a tight schedule because the new capability is the only item on your critical path.

The timed release strategy uses predetermined release dates to drive the schedule rather than features. You decide on a release interval (quarterly, every six months, once a year, etc.) and then you take the prioritized feature list and estimate which of the top features can make it into each release. If a feature misses the release, it's moved to the next release. Timed release has the advantage of providing your customers, partners and company with known ship dates to plan around. It also alleviates the pressure of everyone attempting to shoehorn their "pet" feature into the next release, since they know that there will be another release coming along shortly. The downside of the timed release strategy is that it doesn't work well for features with long development cycles. If your team is working on a feature that may take several release cycles to complete, they may be pulled off its development to finish work on interim releases.

To create a roadmap that includes multiple product lines, first follow the procedure for creating single product line roadmaps. You can use a multiple-project prioritization matrix to decide which projects should be funded, and which should be cut. As with the feature prioritization matrix, the multiple project matrix can have any criteria you wish, such as strategic importance and revenue potential. You can then create an internal and external roadmap combining the product lines. Remember that because of the amount of data, multiple product line roadmaps usually only include the theme or golden feature for each release. Separate roadmaps convey the full details of the release for each product.

A final point about product roadmaps is that they are often used by large companies to forestall and choke off competition. Microsoft's Windows roadmaps have been, in the past, classic examples of this tactic at work. This approach can be a two-edged sword if your roadmaps lose credibility, a problem that has plagued the Windows Vista launch.

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Seller Beware—Outside Deal Funding Required

By Ward Carter, Corum Group

Of the several qualifications you'll judge a buyer by, one of the most important is "do they have the money"? If the answer is "No, but we can find it", this could be a danger signal.

As a seller of your privately held company, you'll spend considerable resources getting an M&A transaction completed. Critical to a successful sale is to find a buyer with not only the right strategic fit, but also the wherewithal to execute a transaction. Most of the buyers we approach for our clients are public companies, with verifiable financial strength, and money available to do all cash deals without borrowing. However, we often find privately held buyers that lack strong balance sheets and are reliant on third party financing to do a deal.

This creates an additional level of risk, as the transaction now requires third party approval, an additional level of due diligence and terms scrutiny, and another chance for someone to nix your deal. Ask questions about the buyer's funding sources. Have they raised money for deals before, and is additional investment already approved? How long will it take to gain approval, and what is the process? Further, what are the options if the primary funding falls through? And, how much experience does the investor/lender have with deals like yours in the technology space?

Do your own careful due diligence on the buyer. You may know little about their financial situation, as they are not public and probably don't have detailed financials they are willing to share. Their business may not be mature and their very survival dependent on securing funding and doing deals such as this one with you. Take care to understand the buyers' longer range plans for the company. Are they positioning for an exit? Make sure their timeline is consistent with yours, especially if you are being asked to sign up for an earnout or an extended employment agreement.

Bottom line, smaller, under-funded, privately-held buyers create an additional level of risk for you as a seller. Don't ignore this buyer group, as they may be your best option. But, go in with your eyes wide open.

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Company/Description	Acquired by	Price/Terms	Revenues	Multiple
eTapestry • *SaaS solutions for fundraising/nonprofits*	Blackbaud (BLKB)	$24,800,000 *Terms: Cash*	$7,000,000	**3.54**
JJWild • *Integrated healthcare delivery solutions*	Perot Systems (PER)	$89,000,000 *Terms: Cash*	$80,000,000	**1.11**
Triton Unternehmensberatung • *IT consultancy*	Software Quality Systems	$20,900,000 *Terms: Cash*	$6,600,000	**3.17**
ORTHOsoft (OTHSF.PK) • *Surgery navigation software*	Zimmer Holdings (ZMH)	$47,500,000 *Terms: Cash*	$12,100,000	**3.93**

Corum

Mergers & Acquisitions

MICROSOFT MESSAGE SENT TO SOME USERS SUFFERING FROM WGA INCORRECTLY DISABLING THEIR SYSTEMS BEGINNING AUGUST 24TH: "I'm sorry to inform you that the Windows Genuine server might be down for few days. I have escalate the issue to our Genuine team, kindly try to validate again on Tuesday." Quoted in Computerworld, 08/25/2007)

JUPITER RESEARCH ANALYST MICHAEL GARTENBERG ON NBC'S SEVERANCE OF ITS VIDEO CONTENT DEAL WITH APPLE: "Sometimes I think God put video content guys on the planet to make the music guys look progressive and visionary." Quoted on http://weblogs.jupiterresearch.com/analysts/gartenberg/archives/2007/08/nbc_leaves_itun.html, 08/31/2007)

JOEL SPOLSKY ON WINDOWS VISTA RETAIL PACKAGING: "I bought a retail copy of Office 2007 today (I'm loading up the new laptop I got for the world tour, which is a Thinkpad X61s), and I must be a complete spaz, but I simply could not figure out how to open the bizarre new packaging.

It's a hard plastic case, sealed in two different places by plastic stickies. It represents a complete failure of industrial design; an utter F in the school of Donald Norman's Design of Everyday Things. To be technical about it, it has no true affordances and actually has some false affordances: visual clues as to how to open it that turn out to be wrong." Quoted on www.joelonsoftware.com, 08/20/2007)

BLOGGER PATRICK FETTERMAN ON THE ANALYSTS: "However, my problem with the analysts goes deeper than this. That is, the analysts are so focused on large, established vendors and the technologies that they sell, that they completely miss the hot startups and the game-changing new companies until it's too late." (Quoted on http://www.patrickfetterman.com/, 08/31/2007)