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BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS

Softletter's SaaS University: Selling, Marketing, Infrastructure and Finance Conference returns to Boston, MA!

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Too many software companies are trying to fill sales pipelines with an empty lead bucket.
See pages 4, 5 & 8.

New Mobile Models for Distribution

From the late 70s through to the early part of this decade, distribution in software played an important role in the overall business model of the industry. Desktop/retail application were widely available for purchase off the shelves of stores such as CompUSA, Computer City, ComputerLand, and many other resellers, most of whom have gone extinct (physically). Now, only a handful of titles are available from resellers and the power of the distributors, the middlemen firms such as Tech Data and Ingram, who once were giants in software, is highly diminished.

In on premise, client/server markets, VAR channels are still very important, but as growth in these respective markets slows and market shares stabilize, you can expect the major vendors to slowly subsume and purchase major parts of their channels to drive revenue growth and maintain market shares.

In SaaS, while reseller channels are an important factor for about one third of the current crop of companies, they are by no means the primary factors in this market segment's growth. And distributors and aggregators are currently very minor players in the overall scheme of things.

However, in mobile applications, reseller channels are important and, in the case of Apple, critical to success. Apple's App Store is unlike anything ever seen before in software, a proprietary channel under complete control by a single vendor supporting a single platform. Inevitably, different models are springing up to challenge the Apple approach. One of the most interesting we've seen is GetJar, a multi-vendor mobile application reseller. We sat down with Ilja Laurs, GetJar's CEO, to discuss how his model works and explore his take on the growth of the mobile market.

Ilja, can provide us with a brief business background of GetJar and why you moved into mobile applications reselling?

GetJar started off as a mobile game platform/developer from 2000 to 2005. We currently employ over 50 people, have offices in San Mateo, Lithuania, and the UK. The company is currently profitable, and recently received $6m in Series B venture funding.

We moved into distribution in 2005 based on our experiences on working with the major telecom carriers. We discovered it was very difficult to break into distribution via these companies. They normally weren't interested in anything other than brand name

Ten Tips for Using Body Language for More Effective Presentations, Part II of II

*By Sharon Sayler, MBA, Author, **What Your Body Says***

When Presenting at Webinars (cont.)

5. Speak more rapidly during a webinar; think of the session as a radio cast. Dead air during a webinar is deadly and a quicker speaking pace will make you sound more intelligent. A headset is a necessity.

When Presenting via a Webcam

6. Always setup a mirror in front of you during a webcam session. This will help provide immediate feedback during the session and help remind you to smile and gesture during the session. I also suggest you put a poster up on the wall where you can see it reminding you to breathe.

7. Remember that during a transmission from your desktop, a gesture toward the camera can appear enormous and fill up the screen, therefore make sure to sit further away from the camera.

8. Practice on keeping your gestures close to your body and make them from the chest up. Never place your hands below the desk you're sitting at and start fiddling; you'll give your audience the wrong idea. And sit up during the session, stay focused on the camera, smile, and looking off camera and reading E-mail are verboten.

When Presenting Using PowerPoint

9. Learn how to use your presentation space to cue the audience on mood and tone. Don't use lecterns; they cut you off from the audience and create a negative zone between you and them. Never drift into corners or to the side of a stage and park there; this diminishes your "authority" as the speaker. Use the side stage to deliver negative news (poor sales, bad marketing, a down economy, etc). When doing this A) walk to the side and present the bad news with your palms down (this is a non verbal cue that emphasizes the negative); B) then walk in silence back to center stage (this symbolically "leaves" the bad news behind you; C) move back to center stage and deliver good news with your palms up and open; this sequence "cleanses" you and your location of the distasteful information you've had to deliver. Handedness will typically dictate which side of the stage you use; pick one and be consistent.

10. Remember that the listeners will follow your eyes ahead of your body. If you want them to focus on a particular slide or data point, turn your body 90 degrees, look at the slide and point to it; in most cases, the audience will follow the direction of your gaze before the gesture is completed. And remember to stay in the light during your session.

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games, and the brand names were usually of poor quality, a theme that seems to continuously run through the industry. It was also very difficult to persuade them to look at different types of games. For example, our most popular game was Hangman; you played against your opponent one letter at a time at a cost of one euro per guess. When we tried to introduce logic and mystery games and more complex titles, we couldn't interest the carriers and when we could, developing a relationship was time consuming. The carrier model didn't scale.

Let's discuss GetJar. What platforms do you support and how does a mobile application developer mount their applications on your system? Also, how many apps do you have for distribution on the system and how many downloads to date?

All of them with the exception of Apple's iPhone (we do resell a few apps via an affiliate relation with iTunes). We have 75k+ apps for sale and the number is constantly growing. We're approaching one billion downloads as of this writing.

Mounting and maintaining your product on GetJar is a three level process.

- First, you need to register and create an account, then upload the application. The initial registrations and upload process takes about 30 minutes and your product will be reviewed and available for download within 24 hours. During the review period we'll be looking for things such as hacked code, and copyright violations. Free and paid apps can be uploaded.

- The second level is ongoing compatibility testing. We rely on the developer to tell us what phones the application is compatible with; what worked on an older phone may not on the latest model. GetJar can detect if an application fails or doesn't launch and we're in constant communication with our vendors about this. We currently support about 2,100 phones.

- The third level is our community of approximately seventy thousand beta testers. They report back to us using a wiki-like system that enables them to comment on the applications and their performance and features. The system provides a direct link to our vendors and they can access a permanent stream of use tickets and suggestions for improvements.

What margins can developers expect to pay on app sales?

Unlike other app models such as Apple's, we don't take a percentage of the sale of the application. Nor do we block any business model or application (unless it violates copyrights or has malware or related issues).

"With downloads coming from more then 200 countries and 2,100+ different handsets, GetJar is uniquely placed to see shifts in demographic trends in consumption by region, platform, handset and content type. We see Indian consumers downloading more productivity applications and English consumers downloading more entertainment apps than Indians. Religious apps are popular in the Middle East. Downloads by platform are also shifting quickly. Android wasn't even a part of our business last year. Today, it's the second most popular platform on GetJar and we have at least three phones in our top 20 list of devices in the US that are Android powered."

—Ilja Luars
GetJar

Summary Results from the Softletter Lead Generation, Management, and Conversion to Sales Survey, Part II of IV

The Softletter Lead Generation, Management, and Conversion to Sales Survey was launched in June and closed at the end of August. The Allegiance online system (www.allegiance.com) was used to generate and manage this survey The purpose of this survey was to develop a comprehensive analysis of how software copmanies generate, manage, and convert their marketing leads to actionable sales opportunites.

This survey asked respondents to answer 30 detailed questions that provided us with an accurate snapshot of current lead processes and management. The survey recorded 101 valid responses, with 30 respondents stating their title was CEO, president, founder, or variant thereof, 19 vice president of marketing, three vice president of sales, and the remainder a variety of director level titles in both sales and marketing. Throughout this report numbers of particular interest have been **bolded**.

Lead Management

What operations group in your company has the primary responsibility for scoring and qualifying new marketing leads in terms of their suitability to be handed over to sales?	%
Sales	**35%**
Marketing	**35%**
Upper management (CxO), VP of X, etc)	14%
Business development group (may be in sales, may be in marketing)	11%
External outsourcing group	1%
No scoring takes place	4%

We find it intereseting that the split between Sales and Marketing is so close; we would have predicted Marketing would have had a clear lead on this question.

What is your primary means of managing marketing leads?	%
Marketing leads are handed over to sales for further qualification	**50%**
Marketing leads are manually scored against different criteria; leads that meet our criteria are then handed off to sales	7%
Marketing leads are fed into a marketing or lead management product, either on-premise or SaaS-based; leads that meet our criteria are then handed off to sales	**35%**
Other, please specify (significant answers included "leads handed off to telesales," and "marketing leads are handled directly by the consultants who qualify them")	8%

What is your primary means of calculating your marketing lead generation requirements?	%
A multiple of sales (you calculate you need, for example, 3X or 4X the number of qualfied leads for the number of sales you need to deliver)	**19%**
A program output (you calculate the number of qualified leads needed for a given period)	3%

Funnel math approach (You calculate from the number of sales needed for a given period the number of marketing leads needed)	39%
We don't calculate this	**42%**
Other, please specify (significant answers included "We calculate the number of leads we require, as we know our conversion rate," and "We look at historical conversion rates in a per segment and per product basis and target pipeline(leads) to meet goals based on these conversion ratios")	2%

The high number of respondents who don't calculate how many leads they need to fill their sales pipelines is shocking.

Over the last 12 months, how many marketing leads per month have your marketing generation programs generated?	%
1 to 50	**37%**
51 to 100	7%
101 to 250	13%
251 to 500	10%
501 to 1k	6%
1k to 1.5k	5%
1.6k to 2.5k	3%
2.6k to 5k	3%
5k to 10k	4%
10k+	6%
We don't track this	6%
Other, please specify	0%

Over the last 12 months, how much do you estimate it cost you to generate a marketing lead?	%
Less than $50 per lead	30%
$50 to $100 per lead	**29%**
$101 to $200 per lead	**10%**
$201 to $300 per lead	9%
$301 to $400 per lead	3%
$401to $500 per lead	3%
$501+ per lead	3%
We don't know the amount	11%
Other, please specify (both answers were "don't know the number")	2%

How often do you review your marketing lead generation results?	%
Daily	13%
Weekly	36%

While most of the focus in the press has been on Apple's lock on its reseller channel via the App Store, there are plenty of other examples on the different platforms out there; for example, Google Maps is not welcome on Nokia phones. Also, we support all billing platforms. We all know about iTunes but another example is Google Checkout, which currently doesn't support anything other than credit card transactions; that's a problem in Latam markets where credit card access is often limited. GetJar supports PayPal, merchant accounts, SMS direct billing and over 100 different billing platforms.

So how do you make money?

Our model is based on the pay per click model to drive your visibility in the store—we call it "pay per download." App developers auction for premium visibility spots on the site via a process that combines the amount bid with a relevancy metric; this is combined into a quality score. The lower your quality score, the higher your cost per download.

Relevancy for us is the likelihood that the consumer will download your app, given the context—category, search keyword, country and other data that we can read about the user. For example, if the consumer is browsing the "navigation" category, then he's far more likely to download a navigational sponsored app than a medical reference title.

So in this context (user browsing navigation category) even though a medical dictionary may pay a higher price for a download, we still rank the navigation app higher, despite of a smaller bid, because the bid delta is well compensated for by the much increased probability of the download. So yes, this is a profit maximization strategy for us, but it also means a better consumer experience because sponsored apps are highly relevant.

What are the current median costs per download app vendors can expect to pay?

Costs start at $.01 per download and typically can reach as high as $2.00; you pay per download regardless of whether your application is free or paid.

What type of reporting do you provide your vendors? Apple's reporting system at this point is very rudimentary.

Our reporting system is very rich. You can analyze your downloads by phone, country, platform, carrier, and language and what we call conversion (successful downloads). We also provide macro information on the total number of site downloads, highest number of downloads per country and conversion data on downloaded apps.

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Second Quarter M&A SaaS Public Peer Group Analysis

Ticker	Company	Price	Market Value	Enterprise Value	Trailing Twelve Month Sales	1	EPS	Forward Sales	EPS	TTM Multiples EV/S	EV/EBITDA	P/E	Forward Multiples EV/S	P/E
ATHN	Athenahealth, Inc.	24.0	794	714	202.0	23.7	0.23	312.5	0.87	3.53 x	30.12 x	104.35	2.28 x	27.59
CALD	Callidus Software, Inc.	3.1	98	69	71.3	(13.0)	(21.09)	79.8	0.07	0.96 x	nm	nm	0.86 x	44.71
CNQR	Concur Technologies, Inc.	44.8	2,240	2,130	267.5	65.0	0.51	355.3	0.96	7.96 x	32.77 x	87.92	5.99 x	46.71
CTCT	Constant Contact, Inc.	23.3	664	543	140.4	7.2	(0.04)	218.6	0.67	3.87 x	75.82 x	nm	2.48 x	34.75
TRAK	DealerTrack	18.0	724	530	226.7	23.0	(0.03)	268.6	0.72	2.34 x	23.08 x	nm	1.97 x	24.96
DMAN	DemandTec	6.1	183	117	79.1	(4.6)	(0.41)	85.6	0.10	1.48 x	nm	nm	1.36 x	61.10
DBTK	Double-Take Software, Inc.	10.4	220	132	84.0	13.8	0.57	94.9	0.42	1.57 x	9.53 x	18.25	1.39 x	24.76
INFA	Informatica, Corp.	26.9	2,470	2,140	526.8	120.5	0.66	682.8	1.22	4.06 x	17.77 x	40.82	3.13 x	22.08
KNXA	Kenexa	12.5	282	222	158.5	15.0	0.14	183.0	0.85	1.40 x	14.84 x	89.29	1.21 x	14.71
LPSN	LivePerson	7.0	356	308	98.9	19.0	0.17	128.3	0.38	3.12 x	16.20 x	41.12	2.40 x	18.39
MDSO	Medidata Solutions	14.9	345	257	144.4	20.1	0.24	189.6	0.94	1.78 x	12.79 x	62.17	1.35 x	15.87
N	Netsuite, Inc.	14.4	914	817	168.9	(12.9)	(0.43)	214.4	0.19	4.83 x	nm	nm	3.81 x	75.95
OPEN	OpenTable, Inc.	43.4	986	871	73.9	16.4	0.29	112.7	0.78	11.79 x	52.97 x	149.55	7.72 x	55.60
PFWD	Phase Forward, Inc.	16.6	727	598	221.6	29.5	0.13	274.5	0.72	2.70 x	20.24 x	127.92	2.18 x	23.10
RNOW	RightNow Technologies, Inc.	15.0	479	367	158.8	11.8	0.16	205.0	0.66	2.31 x	31.26 x	93.50	1.79 x	22.67
SLRY	Salary.com	2.7	45	34	45.8	(12.1)	(1.59)	45.6	0.21	0.75 x	nm	nm	0.76 x	12.62
CRM	Salesforce.com	94.3	12,140	11,550	1,380.0	163.0	0.62	1,850.0	1.53	8.37 x	70.84 x	152.16	6.24 x	61.66
SVVS	Savvis, Inc.	16.9	989	1,360	869.5	184.5	(0.61)	957.2	(0.38)	1.56 x	7.37 x	nm	1.42 x	nm
SFSF	SuccessFactors, Inc.	23.0	1,660	1,330	161.6	(6.6)	(0.18)	227.5	0.15	8.23 x	nm	nm	5.85 x	153.13
TLEO	Taleo, Corp.	26.1	1,040	741	205.4	27.5	0.12	264.7	0.94	3.61 x	nm	nm	2.80 x	27.71
WBSN	Websense, Inc.	20.5	887	855	315.9	52.6	(0.20)	371.7	1.41	2.71 x	16.26 x	nm	2.30 x	14.56
ULTI	Ultimate Software	36.4	906	858	203.5	11.1	(0.02)	274.0	0.79	4.22 x	77.68 x	nm	3.13 x	46.04
VOCS	Vocus	15.9	308	194	86.4	3.0	(0.12)	108.5	0.70	2.25 x	64.17 x	nm	1.79 x	22.69
XATA	XATA Corporation	2.7	26	30	69.4	5.1	(0.63)	81.8	0.48	0.43 x	5.82 x	nm	0.37 x	5.54
Min			26	30	46	(13)	(21.09)	46	(0.38)	0.43 x	5.82 x	18.25 x	0.37 x	5.54 x
Max			29,130	26,230	2,190	351	0.66	3,180	1.56	11.98 x	77.68 x	152.16 x	8.25 x	153.13 x
Average			2,280	2,057	316	43	(0.79)	418	0.68	4.01 x	34.58 x	90.85 x	2.97 x	37.91 x
Median			726	570	160	16	0.13	217	0.71	2.91 x	26.60 x	89.29 x	2.29 x	27.59 x

*nm (not meaningful) for multiples over 100x or negative
** figures are in U.S. dollars

CORUM
MERGERS & ACQUISITIONS

How often do you review your marketing lead generation results? (cont)	%
Monthly	36%
Quarterly	26%
Yearly	6%
On an as needed basis	**14%**
Never	3%
Other, please specify (significant answer was "don't know")	1%

Several numbers from this second installment of the report from the summaries stand out. We found the 35% reporting that they are moving their leads into a marketing automation somewhat low; in an era when there are many inexpensive software tools that can automate and track this process, we think handing off leads straight to a sales group is not an optimal approach, though the temptation to do so if you're a smaller company trying to ramp up revenue can be difficult to resist.

The 37% answering **1 to 50 leads per month** is also less than stellar. When people call the *Softletter* offices to discuss some of our findings and the conversation turns to sales pipelines, the lack of marketing leads to fill them is almost always a ongoing problem. For most companies, 1 to 50 per month is not going to do the trick.

THE NEW YORK TIMES ON ARMIJN HEMEL, A DEFENDER OF OPEN SOURCE: "ARMIJN HEMEL, 32, lives with his parents in Tiel, a town smack-dab in the middle of the Netherlands. He works as a technology consultant, but spends several hours a week on his avocation: pestering some of the world's most powerful consumer electronics and technology companies.... Last month, for example, Dell received a public tongue-lashing from the geek kingdom and a cease-and-desist letter courtesy of Mr. Hemel for shipping its new Streak tablet without providing the underlying open-source software code. Dell representatives acknowledged the issue and later put the code on a Web site." (Quoted in *The New York Times,* 09/25/2010)

SOFTWARE PRICING GURU JIM GEISMAN ON DISCOUNTING IN ENTERPRISE SOFTWARE: "Is discounting really an issue if no one believes in the list price to begin with? We believe the answer is YES. Ad-hoc (what Jim calls negotiated) discounting is generally the result of a price negotiation and is often part of a desperate effort to make quarterly sales targets. This is a problem for two reasons: (i) Software vendors lose the ability to construct the offers that generate the highest margins and to sell those offers based on their value. If you are not selling on value the only thing you get to compete on is price, which means that prices will only go in one direction, down. (ii) Discounting is not being used strategically, as an investment in customers or sectors that are strategically important. Jim suggests that software companies think of discounts as a form of investment, and an investment needs to have a return. (Quoted on http://blog. leveragepoint.com/leveragepoint_perspective/2010/09/discounting-in-enterprise-software-challenge-opportunity.html, 09/20/2010)