

# **The Quick and Dirty Half-Dozen**

Mass Telecom Council: Marketing Series II

**Product Launches: Making Sure Your Ducks are in a Row**

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# Background

- **Expertise in software pricing, deal negotiations**
  - Coined term “floating license” in 1987
  - More than 100 projects completed
  - Author of “A Vendor’s Guide to Network Licensing and Pricing for Networked and Client/Server Applications”
  - Established [www.softwarepricing.com](http://www.softwarepricing.com) in 1998
  - Materials on the web since 1995*
- **Business development consulting since 1982**
- **Investor and advisor to early stage ventures**
- **Involved in Internet in 1970**

<http://www.cbi.umn.edu/darpa/arpnet.htm>



# Context of Presentation

## ■ Assumptions

Little product and company baggage

Need reference accounts

Pricing is difficult, uncertain

## ■ Givens

Highly competitive business

Differentiated product

Motivated, knowledgeable sales group

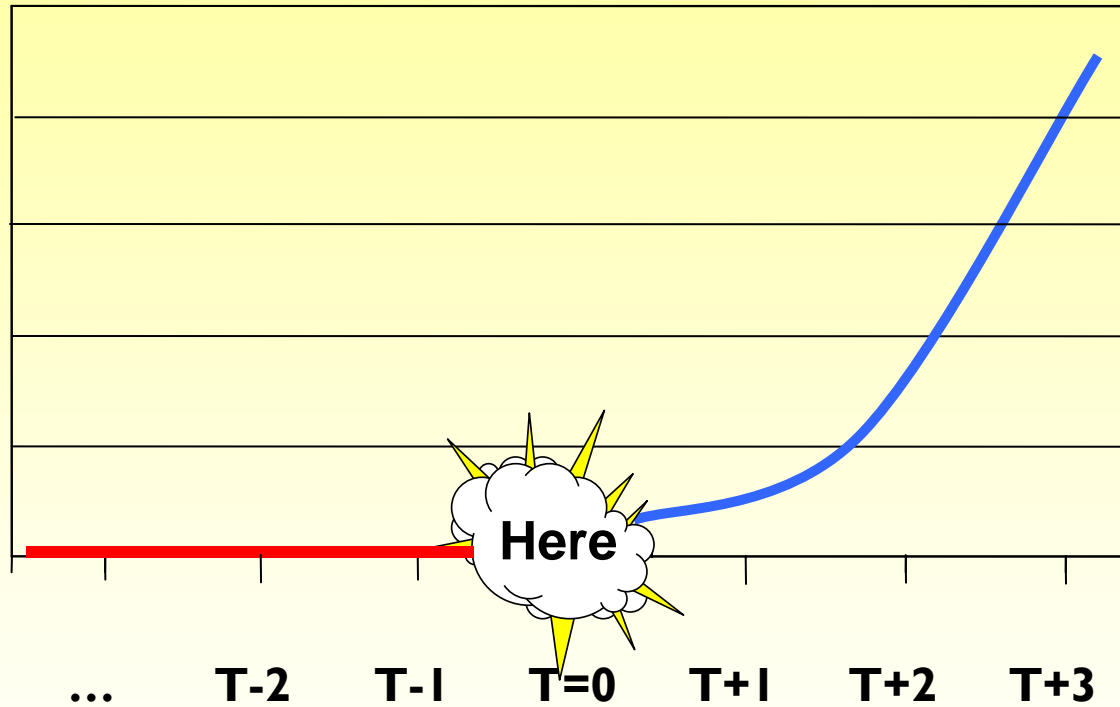
## ■ Desired Outcomes

Prove the unproven (company, team, people)

Build platform for the future

Build modest revenue base

# Focus of Presentation

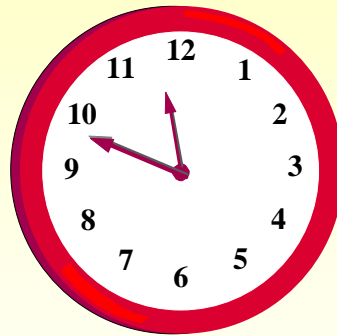


— Internal Stuff — Sales

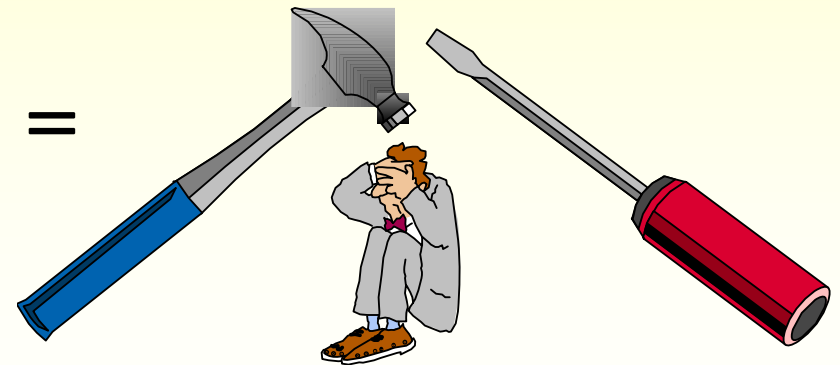
# Typical Initial Deal



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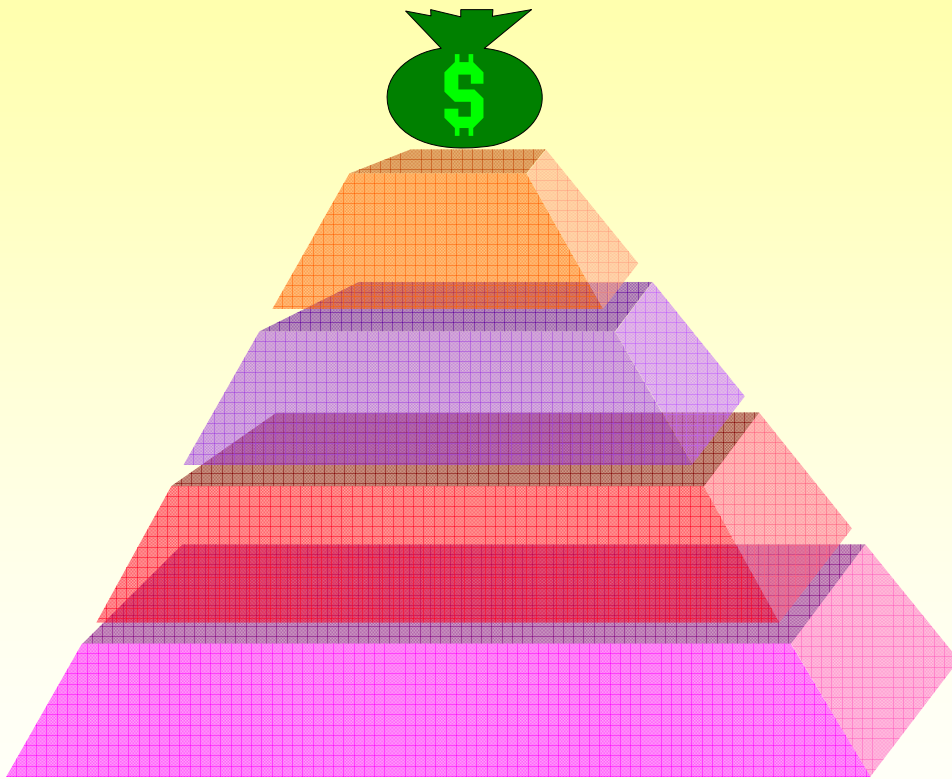


# Overview

- **What's the problem?**
- **Deal structuring**
- **Initial sales - process**
- **Negotiations**
- **Results**

# Doing A Deal Is A Process

*Step by step, one block on top of another*



- **Select sales target**
- **Screen companies**
- **Network to make contact**
- **Understand needs**
- **Pitch the deal**
- **Negotiate the terms**
- **Close the deal**
- **Get paid**

# Doing Initial Deal Is A Little Different

*Everything is faster, rougher, based on judgement*

Low Hanging Fruit

- Select sales target
- Screen companies
- Network to make contact

Structure and Test the Deal

- Understand needs
- Pitch the deal

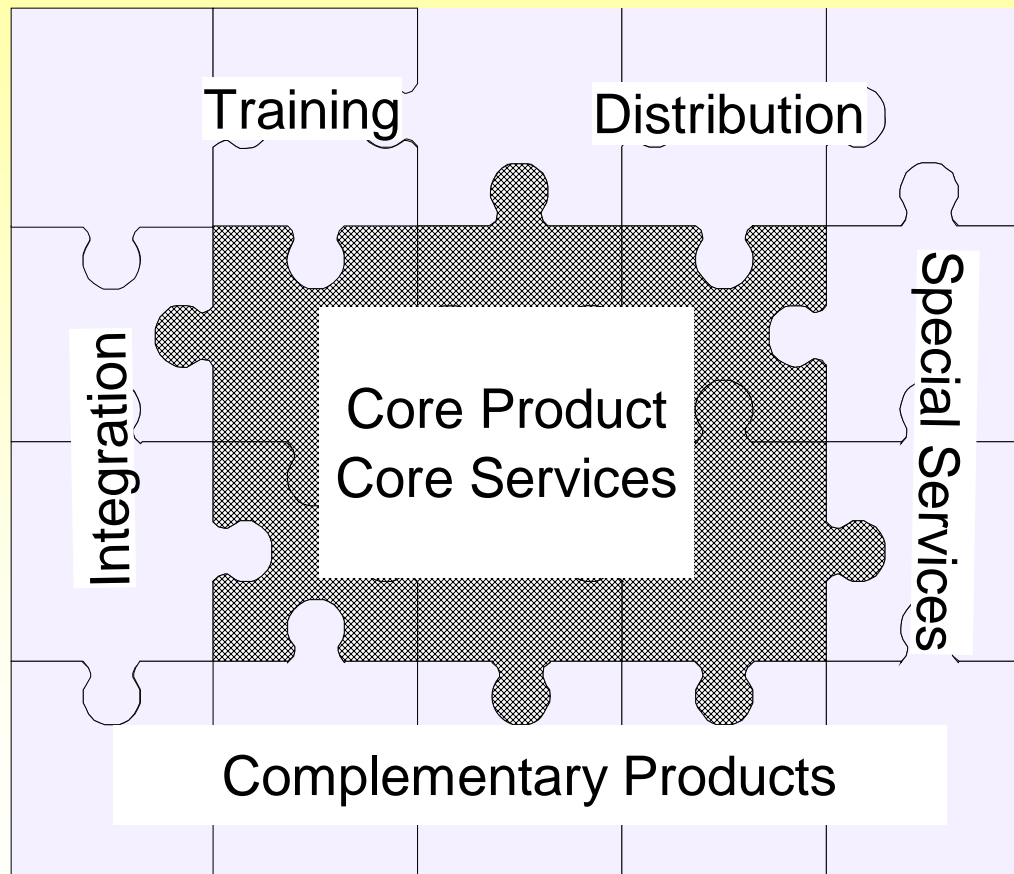
Value-Based Negotiations

- Negotiate the terms
- Close the deal
- Get paid

# Deal Structuring

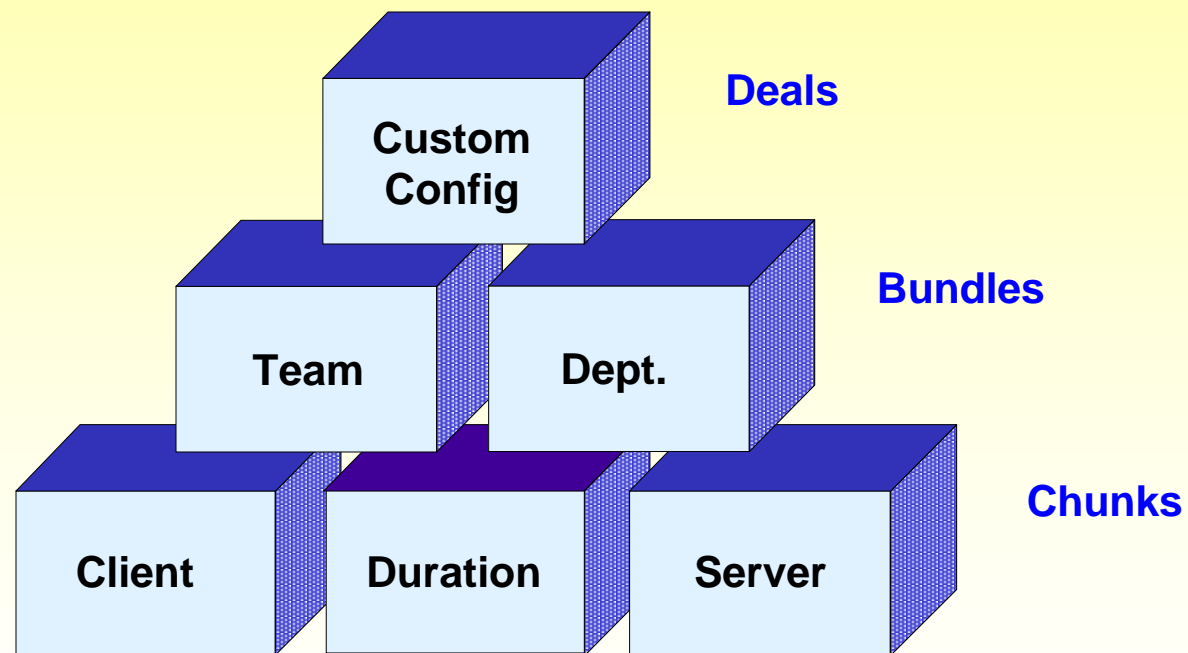
# Your Products and Services Are Pieces

*Make sure other big pieces are accounted for value prop and pricing*



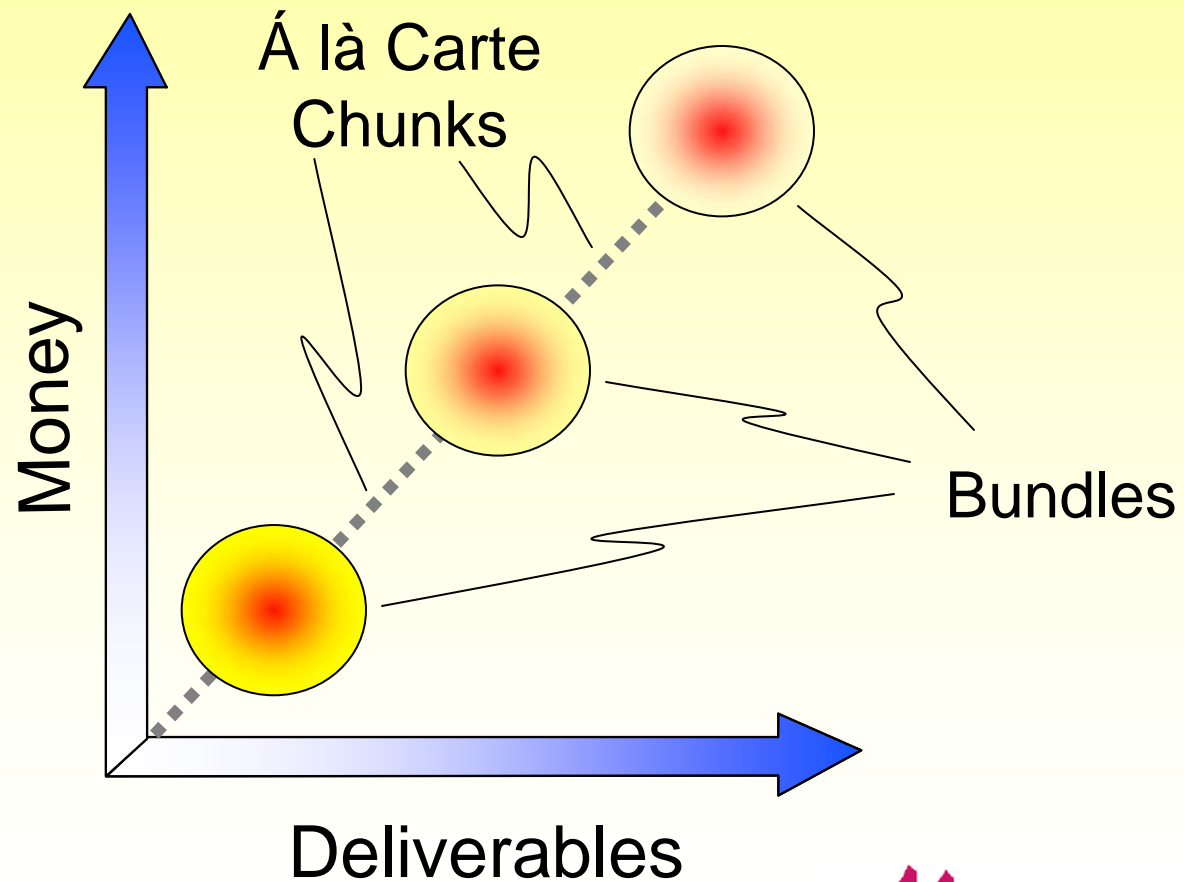
# Develop a Price Structure

*Use to structure the deal*



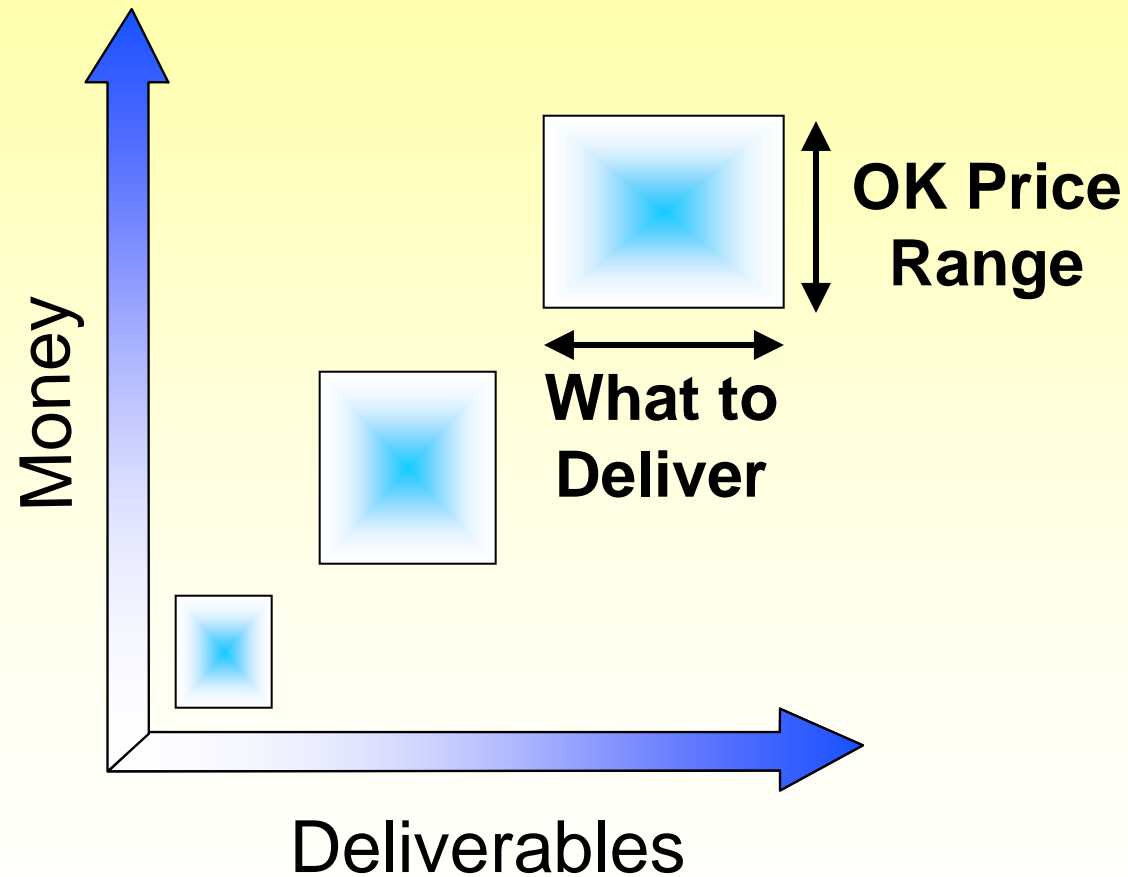
# Initial Structure: Value-Based Pricing

*Develop rough pricing structure and price list*



# Alternative Structure: Price Points

*Different deliverables at different price points*



# Test and Refine the Deal

*Use rejection to refine approach; never go back a second time*



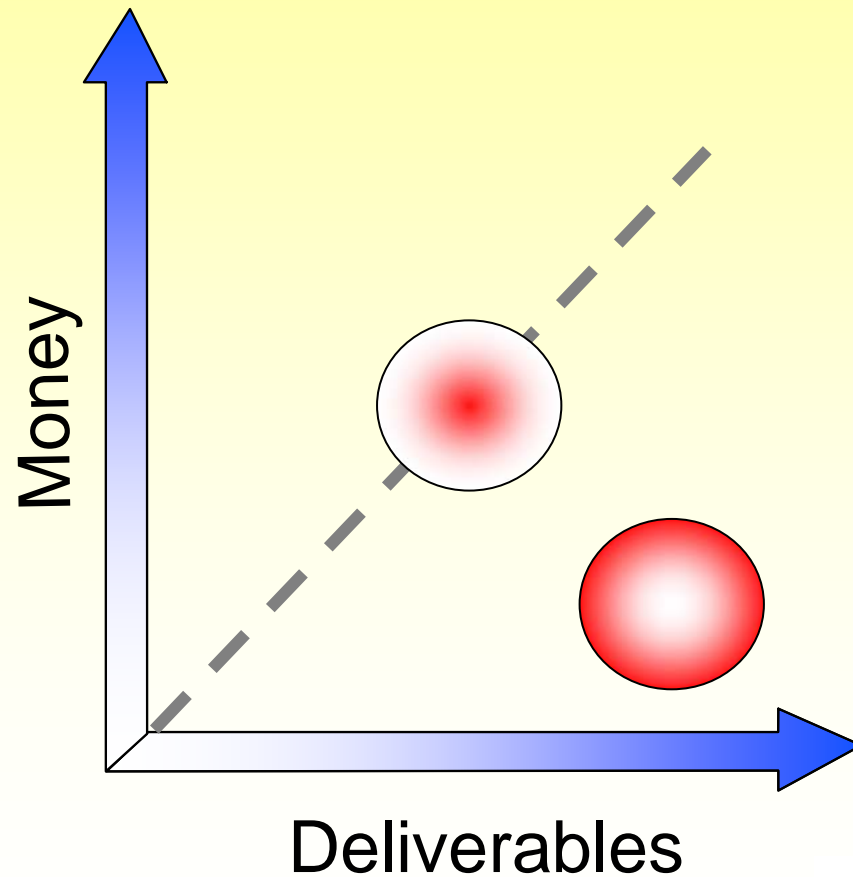
## Why “Never go back a second time”?

- **Don't waste time - May still lose deal**
- **More contacts are better than fewer**
- **Better negotiating position later**
- **Gather more info before circling back**
- **You've gotten the information you need**  
**(But not the results you wanted...)**

# Negotiating the Deal

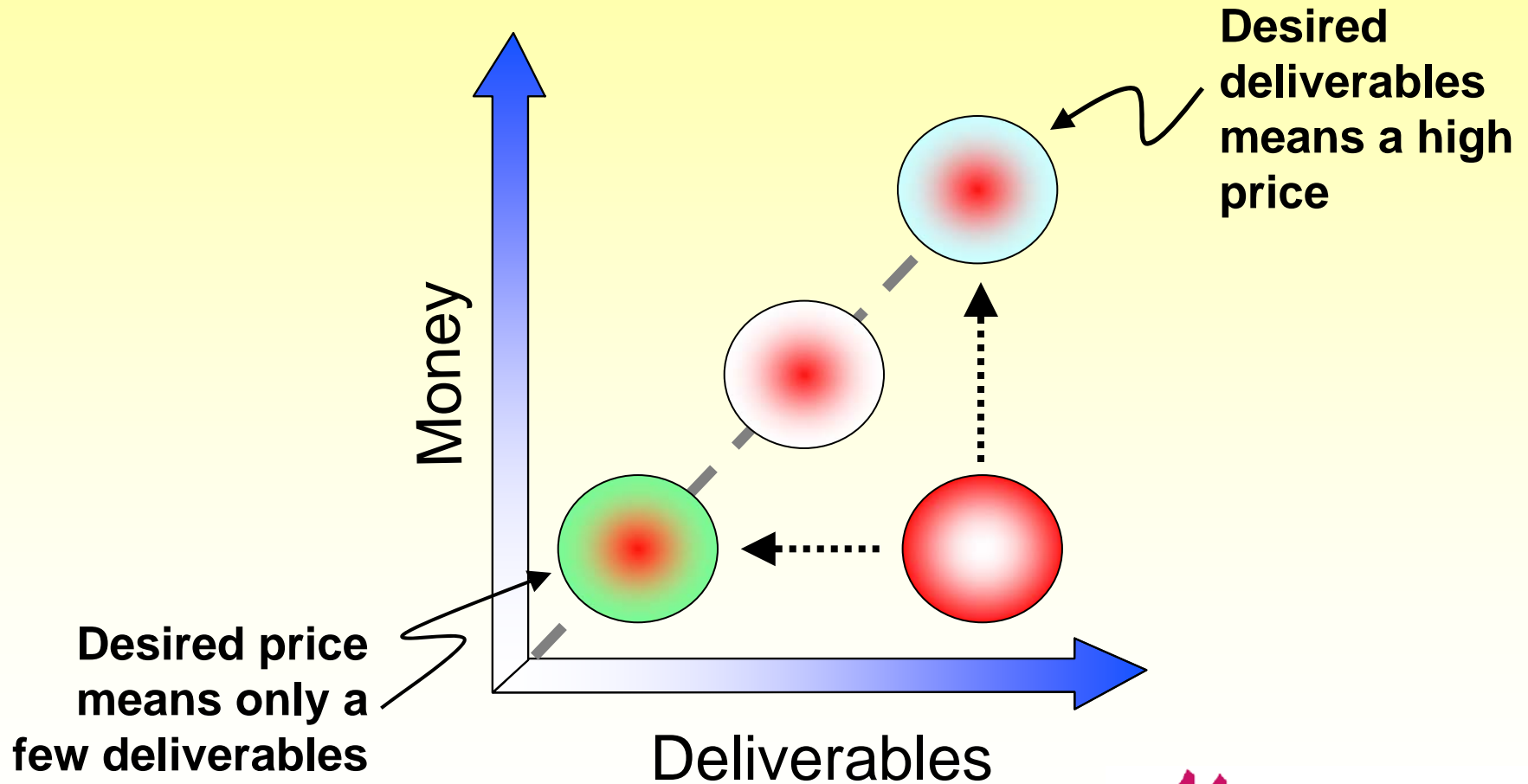
# Typical Starting Point for Negotiation

*Customer wants more for less*



# Value-Based Response

*Give Customer Choices You Can Live With*



# Results

## Results of This Process

- **Faster pricing from “structure then level” approach**
- **Bundled and price point deliverables easier to sell**
- **Market testing by selling is REAL information**
- **Systematic but customized approach**
- **Nine prospects usually gets you six customers**

# Moving Forward

# **Company Is In Improved Position**

- **Customer tested price structure and levels**
- **Small number of initial non-standard deals**
- **Price list, experience, anecdotes**
- **Reference accounts**
- **Customer cash**

***Thanks !***



# Background Info -- Jim Geisman/Marketshare, Inc.

**Jim Geisman is President of Marketshare, Inc. a management consultancy located in Wayland, Massachusetts focusing on computer-related and software product sales and distribution. Marketshare helps clients increase sales revenues by developing or applying innovative pricing, sales or marketing programs. The company was founded in 1982 and has served more than 200 companies in the US, Japan and Europe ranging in size from Start-Ups to multi-billion dollar, multinational corporations.**

**As an acknowledged SW pricing expert, Jim authored the first publicly available report on network licensing in 1988. He has been involved in structuring and valuing significant transaction including M&A and OEM/distribution deals. Jim has written extensively on software pricing in the trade press and has consulted internationally on issues of software pricing and deal structuring. He is a frequent speaker at trade conferences. His consulting, published reports, and seminars on pricing and negotiating have influenced pricing on more than \$3 Billion worth of software.**

**He was the editor of Software Success newsletter. He was also one of the 50 ARPANET Pioneers and worked at Bolt Beranek & Newman where he did testing on the ARPANET, the precursor of the Internet, when there were only four nodes.**

**Jim was Apollo Computer's first Director of Marketing. He serves on the Board of or as an advisor to several small companies. He was on the Executive Committee of the MIT Enterprise Forum of Cambridge. He continues to chair the Forum's Start-Up Clinic Committee.**

**Jim holds BS and MS EE degrees from Tufts University and an MBA from Harvard**

