Venture capitalists are not likely to be the source of cash to market software products. Canadian software publishers will have increasing problems finding financing from venture capitalists because software is no longer seen as a sound investment. The first reason is that software does not require a large investment of time or capital expense to create the product. Anyone in their garage can write a great software package. As a result, venture capitalists have no "protection" for their investment and they run the risk that the product they finance will be overtaken before they get a return on investment. The risk is simply too high for even the big risk takers.

The second problem for venture capitalists is that few software writers have had two successes in a row. Therefore, there is only limited time to get a return on the investment the venture capitalists have made.

The simplest example of this phenomenon is the effect that Lotus 1-2-3 had on SuperCalc. SuperCalc was the leading package in the software area, but very quickly the SuperCalc organization was devastated by Lotus 1-2-3. Wordstar suffered the same fate and venture capitalists have not forgotten these lessons.

If you plan to pursue the venture market we highly recommend to you "Pratts Guide to Venture Capital." Besides listing all the key venture capitalists in North America, the book also contains an excellent guide to how venture works and how to come to the venture capitalist well prepared.

Given these concerns and the changing market conditions, the key difference between successful and unsuccessful software companies is their ability to enter the appropriate distribution channels. Every software publisher should review his or her product and choose the channel and strategy that best matches his product and resources. A list of tactics and options to use if you lack larger resources is contained in this report.

This report will describe the current trends and "rules of thumb" in the software marketplace. However, I thought it would be useful to summarize some of the main current trends at the beginning of this report. They are listed in the following chart.

Chart 1. Trends in the PC Software Marketplace:

POSITIVE	NEGATIVE
Rise of Super Stores	Chain consolidation
More shelf space available	Fewer stores to sell to get started
Strong growth retail sales	Decreasing prices/discounting
15% annual growth rate in mkt.	Over 20,000 packages currently on sale