

## 8. STRATEGIC ISSUES

### 8.1 Price:

There is no clear relationship between price of the product and its salability. Some consumers perceive the value of the product through its price. Others such as Borland, started with a low price to get market share then raised the price later. Unless your product is a mass market product, do not price it as a mass market product. Rather charge what the market will bear until the competition enters the market.

### 8.2 Standards:

It is increasingly difficult to sell a package that does not adhere to one of the main standards in the PC area. This standards issue will become increasingly more important as the user interface standard is added on top of the operating system choice. Opportunities exist in both the main and peripheral standards. Post suggests you review the market projections from Dataquest or another market research firm to find out how long it will take such standards as OS/2 to overtake DOS, Presentation Manager's life cycle, etc. These market projections will help you to plan your product introduction in such a way as to conserve your resources for maximum profit.

### 8.3 How Big a Distribution Channel Do You Need, and What Will It Cost to Set Up ?

This may sound like an odd question. However most of the Canadian software vendors that the Post has spoken to are unaware of the number of dealers they will have to line up in order to sell their products. A few examples may put this in perspective.

Epson has over 5,000 dealers for its printers. Ashton Tate has about 200 field service reps and does not directly market its products to end users. Ashton Tate has three non-exclusive distributors and 34 major dealers. These two channels account for 60% of their revenue. Ashton Tate's major accounts feed the product through 1,800 retail locations.

If we assume that it takes three days of personnel time to set up a dealer, then a major software product requires an investment of 15,000 days or 65 person years of work, assuming that the person works full time for 230 working days a year. Without expenses that represents an investment of over \$5 million and we have not considered travel, training, support, and profit. On a package basis, this represents the sale of 26,000 copies of a package that sells for \$200 profit. Considering the advertising and other costs it probably represents a minimum of 100,000 copies of the package.