

> Welcome

Welcome to the June 2005 issue of Global Insight, a regular newsletter from TransTech USA designed to keep you informed of the latest news, issues and trends effecting the successful commercialization of technology into new markets.

Your company has a great product and has enjoyed success in your initial market and now you are considering the challenges of entering a new market. Peter Bryant's whose 20 plus years of experience spans the US, UK and Asia Pacific, founded TransTech USA to address those challenges.

TransTech USA provides services and programs that improve an organization's performance in technology commercialization and technology strategy development.

> Messaging and Positioning

the Unique Value Proposition

In past editions we discussed the elements that contribute to successfully entering a new market. In this issue we will explore a critical element for any company – developing a compelling and competitively differentiated message. What does this mean?

A world class and competitively differentiated message breaks into a four level stack, all inter related. If one of the stacks is not effective this will weaken the entire message. These four distinct levels can be described as follows:

Level 1 – The Unique Value Proposition

This is the compelling customer promise. It should grab the client's attention and gain their empathy

Level 2 – Differentiators

These are usually five to six key attributes, not restricted to product features, and are defensible in combination against all comers. This is also described as your barrier to entry.

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> What's Happening

Peter Bryant is a leading authority on the successful commercialization of technology into new markets.

- Peter Bryant was appointed to the Advisory Board of T-UP, the leading New Zealand Technology Incubator.
- TransTech USA has presented "Product Commercialization - Entering New Markets" to multiple education programs including the CSU Executive MBA Program and the Colorado Institute of Technology Executive Briefing Program.
- TransTech USA has teamed up with The York Group, a leading global developer of distribution channels. TYG will private label several of TransTech USA's Power UP services.

Level 3 – The Enablers

These are the features and functions that are the enablers for the differentiators, this is how you prove the differentiators actually exist.

Level 4 – Positive Proof Points

These are the client examples and case studies that support the first three levels. This requires clients to be aligned with the messaging and positioning you are marketing.

This will form the foundation for collateral development including the power point pitch, web site and brochures.

> Seismic Shifts in the Software Market

Major Developments in the Next Five Years

In five years, we'll look back and not recognize the "old" enterprise software business. Here are the major market developments that will reshape the industry.

By M.R. Rangaswami, the co founder of Sand Hill Group, Palo Alto, CA. www.sandhill.com

Everyone agrees the ground is moving beneath the software industry. More than simply market maturation, the enterprise software sector is shifting to an entirely new way of doing business. Product development, sales and marketing, operations and strategic partnerships are all transitioning to new models and new benchmarks for success. A look at the enterprise software landscape reveals the market is shifting along four fault lines.

1) Proliferation > Consolidation

Software companies continue to be the most common type of startups in America. Software accounted for 24 percent of U.S. venture capital investment in 2004, according to Dow Jones VentureOne. An amazing 655 software startups received \$4.9 billion in funding last year alone – and that doesn't count the hundreds of bootstrapped operations that get off the ground in garages and lofts every year. While the number of U.S. software M&A deals has rose 27 percent between 2002 and 2004, the value of those deals has nearly tripled according to Thomson Financial.

2) Proprietary > Open

Open source is impacting the enterprise software industry in many ways. Vendors are leveraging the robustness of the open source stack in their product development. In addition, many software startups are using open source to save money. Most interestingly, vendors are both competing and partnering with open source solutions vendors. IDC says packaged software is the fastest growing segment of the Linux market, growing 44 percent annually to hit \$14 billion in sales by 2008.

3) In-house > Outsource

Whatever concerns software makers had about outsourcing development of their products have largely disappeared. The offshoring wave hit enterprise software with its greatest intensity 2 to 3 years ago and its force continues unabated. The CEO Outlook 2005 survey from Sand Hill Group found 60 percent of software companies are offshoring some part of their business.

4) Product > Customer

As the industry reeled from the tech bubble's burst, enterprise CIOs took stock of their I.T. assets and efforts and did not like what they saw. The transition to more prudent spending and more conservative technology strategies seemed to happen overnight. Rather than software reps pushing end-of-quarter deals, customers began demanding evidence of ROI, new pricing models and digestible product portions based on open standards. The message has been received. Software companies, not traditionally known for their customer focus, are making efforts to be more customer-focused. The

Sand Hill Group CEO Outlook 2005 study found 40 percent of software CEOs say their customers want to buy via a service or subscription model. The surprising thing? Many software companies are complying. The study found 35 percent currently sell via one of the preferred models. Many software vendors will not be able to hang on during the coming tumultuous five years. The survivors will operate in an entirely new landscape – with new models for business, hiring, development, services, marketing and so on. These vendors will not look back nostalgically on the “good old days.” The enterprise software business of the future will be more dynamic, innovative, efficient and business-driving than ever before.

Read the full text of the story at <http://www.sandhill.com/opinion/editorial.php?id=22>

> Case Study - WLAN Management Software company targets the Enterprise

Roving Planet

ROVING PLANET

Roving Planet, a venture backed software company, based in Colorado USA, is a leading provider of integrated wireless LAN security and management solutions for the enterprise, healthcare and education markets. Roving Planet provides a comprehensive software solution that incorporates security, configuration and monitoring of multi-vendor wireless LANs.

The company had gained initial market acceptance of its network appliance, primarily at a departmental level, reflecting how clients were deploying WLAN networks. It then raised \$8m to from some leading VCs, including Draper Fisher Jurvetson and Appian Ventures, to accelerate sales and marketing and development to a software platform. Furthermore, says Greg Mesch, Roving Planet's CEO, "We saw that with rapid WLAN adoption by corporations we would soon be dealing more at the enterprise level and being seen more in the context of the network and systems management market. Accordingly we wanted to develop a messaging and positioning that reflected this market evolution"

TransTech USA was engaged to advise Roving Planet on a range of strategic initiatives, including leading the development of messaging and positioning within the Enterprise and the broader segment of Network Systems Management space using the Power UP program.

"TransTech USA's Power UP program was fundamental to our positioning within the broader Network Systems Management market and our migration from departmental to enterprise selling. The focus sessions we had with leading vendors and analysts were enormously helpful and insightful. The entire process was a key input into our go to market strategy." Mesch says.

Fact Byte - Venture Funding

Q1 05 venture capital disbursement figures were released in late April by the MoneyTree Three of PricewaterhouseCoopers, the National Venture Capital Association and Thomson Venture Economics (publisher of the PE Week Wire). The basic story is that VC activity was down from the preceding quarter, with just 674 U.S.-based companies raising approximately \$4.63 billion. That represents a 14% deal volume and 15% investment volume decrease from the \$5.44 billion raised by 776 U.S.-based companies in Q4 2004. The number of deals was a bit higher than during the first quarter of 2004 (674 vs. 665), while disbursement volume was significantly lower (\$4.63 billion vs. \$5.03 billion). One trend noted by Daniel Primack in his daily Private Equity newsletter is the increased volume of deals in Asia Pacific and Europe that are not covered by these statistics.

Source: PE Week Wire 26th April 05 by Daniel Primack

Global Insight: A newsletter focused on providing strategic business advice to executives of technology companies looking to successfully enter new markets.

Peter Bryant
Publisher

James Wall, *Freeman Wall Aiello*
Editor

To send us feedback please email
info@transtechusa.com

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TransTech USA provides services and programs that improve an organization's performance in technology commercialization and technology strategy development.