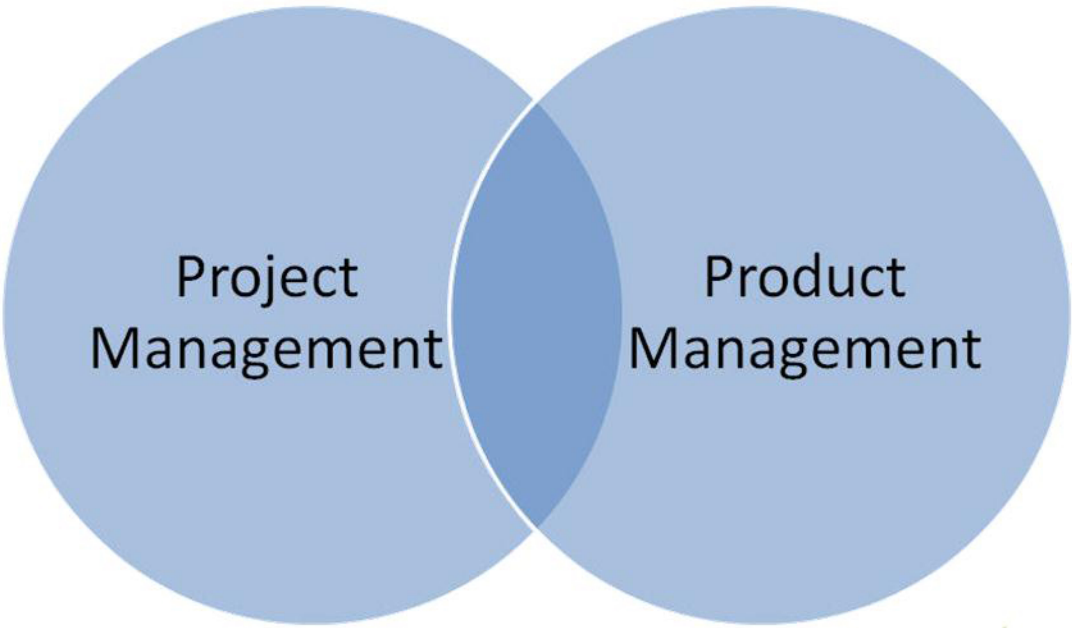
Growth strategies for software companies

Introduction

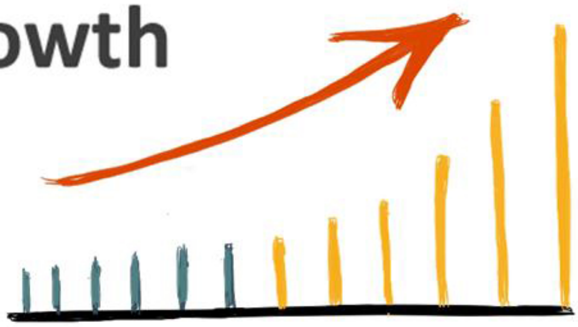
Eventually, everyone wants their small business to grow into a big business, right? If that's true, then learning which big business growth strategies might work for you, more so in case of software companies where competition grows exponentially and the changing technology makes it even more difficult to keep up.

Software and online services are in a period of dizzying growth. Year-old companies are turning down billion-dollar buyouts in the hopes of multibillions in a few months. But we have seen similar industry phases before, and they have often ended with growth and valuations fizzling out.

The industry's booms and busts make growth an essential ingredient in value creation and difficult to understand. To date, little work has been done on the importance of revenue growth for software and Internet. Here are five growth strategies that small businesses should consider. Not every strategy will be right for all situations but some of these might offer an opportunity for your business.



Creating Growth Strategies



What Strategies to Follow?

1. Growing your Product

Software companies can get stagnant very fast if the management lacks the vision to keep innovating. This usually spells doom for a software company. Many companies are solely dependent on one product for a major part of their revenue. Usually, it is this product that the company came into the market with and made its name. A very successful product, which could have been at the pinnacle of the innovation at one point can also turn out to be a bottleneck for a firm later on.

Lack of innovation at the right time can lead to the tables turning overnight. A major example of such a scenario is that of MySpace, which completely ignored the steady strides Facebook was making in the social sphere. They were not able to change their site to compete with Facebook and none of their strategies were effective. On the other hand, Facebook was continuously innovating, introducing new and improved ways to make their social world more and more interesting , interactive (read: gaming) and bigger. Although this is a topic which deserves its own paper, here it is sufficient to know that one of the largest social media platform was dethroned from the top rank by a newcomer just for the lack of innovation and product growth at the right time.

Why is product growth so important? Well because there is so much competition. In a monopolistic market the developer can lay back and enjoy the benefits of his work as long as he feels. But software industry in today's day and age is anything but monopolistic. Every day there is one or more products launched that are in direct competition with age-old established brands and products, and sometimes they are good enough as replacements for the same. To ensure that your product keeps looking attractive to the buyers, it is important for a company to ensure that the product has something new to offer its clients with every iteration of the software product released.

What Strategies to Follow?

2. Product Management Strategy

Most technology companies have a product management department serving as the "voice of the customer" and helping to better understand market needs. This function typically generates an extensive roadmap of new products and enhancements, but is this product management really being used strategically? For example, what is the product strategy that is driving roadmap priorities? And how is the product strategy linked to the company's overall strategy?

Since most technology companies' revenues come primarily from their products or services, one would think that the product strategy would be carefully crafted with the close scrutiny of the executive team and that it would be aligned with a corporate strategy. But this is often not the case. Without the engagement of the leadership team most responsible (and presumably most qualified) for determining strategy and direction, the risk is below par financial performance at best, and complete company failure at worst. Let's take a look at some practical approaches to making product management more strategic.

The Strategic Product Plan

The essential goal of a product plan should be to ensure that a product is built that delivers some business value to a specific set of customers in order to meet certain financial goals based upon a defined corporate strategy. Successive plans should increase that product's effectiveness in doing so. As discussed earlier a product plan describes the market opportunity (industry trends), profiles the target customers, specifies pricing, identifies the financial goals, indicates the key priorities for development and enhancement, and provides a roadmap for delivery.

Assuming that the product management department is already managing several products that are currently serving customers and gathering feedback from customers, speaking with the sales teams, obtaining a list of the top technical support issues, surveying competitor positions and features, and receiving new ideas from development, the product management team would have generated a list of hundreds of potential enhancements across the product line as well as some new product ideas. Prioritization typically takes place next due to limited development resources.

Companies can apply prioritization scheme based upon the number of times the feature/product has been requested or how much revenue the feature is expected to generate. The product manager may also make assumptions about value based upon how they think the product should be used.

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The roadmap can be developed based on this including a release schedule. This is not the end of a successful product management strategy though. Till now companies executives have not had an influence on the product plan. The plan is merely a reaction to a somewhat random set of market facts and events. So how exactly does the corporate strategy relate to the roadmap? Well, the goal of almost any technology company is to increase revenues. Without a strategy to indicate how the company plans to increase revenue, then just about any product plan could arguably help the company achieve its goal. A strategy about how new revenue will be generated ensures that a tailored Product plan supporting that strategy can then be developed.

For example, your company could plan to grow revenue by selling its flagship product into new geographic regions or by enhancing its existing products to appeal to a wider base of customers or by developing new products that appeal to the existing customer base. Each of these decisions carries with it significant implications on the product plan.

How your company plans to proceed would result in a different prioritization of the projects on the product manager's list.

What Strategies to Follow?

3. Minimum Viable Product (MVP)

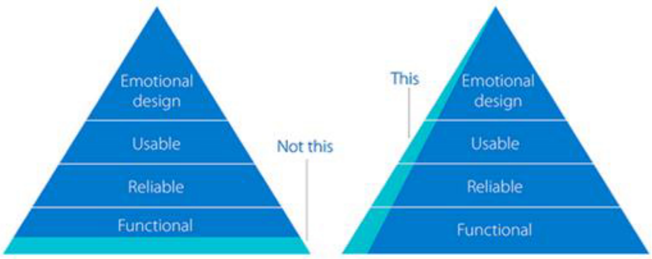
Not all good ideas turn out into great products. There are quite a few products that fail in the market due to a variety of reasons. This makes it important for a company to strategize and brainstorm to make sure its new product is not a failure. How do they find out if a product is going to be a hit in the market? And more importantly, how do we find that out by investing the minimum amount possible. That is where the MVP strategy comes in.

The concept of MVP is getting acceptance throughout in the area of Product Development and is largely used by startups, although it could be immensely helpful for new product design and development in large organizations.

What is MVP?

The objective of a Minimum Viable Product is to provide a mechanism for maximum learning about the target audience or the target market with the minimum effort. It doesn't mean that a company ship a product with only 5 of the new 20 features that it thinks are most required. The concept is beyond just the product features. A Minimum Viable Product takes into account the Product idea, how it generates interest among the users, what features customers or the market really wants, demands for the product, etc. It is a strategy that is used for learning about the customers early into the product lifecycle so that they can make the changes for the good.

Minimum Viable Product



Strategies for MVP

- A survey of the likely features of the product.
- An email campaign to see the interest generated for the product.
- A website which shares resources, articles about the features and the benefits to the customers.
- Continuous Deployment (Agile development, allowing developers to add more value to the business incrementally).
- A prototype of the product featuring the critical features.
- A closed beta for only very few customers.

Why do we need MVP?

- Full product development is a costly affair.
- Lower risk if the product fails compared to a product failing after years of development.
- Explore uncharted waters without risking company future.

Benefits of MVP:

- Maximum learning's from minimum efforts
- Early feedback about the product
- Ability to realize the true value/demand of a product more quickly
- More energy into the product development as we see some real demands

The concept of MVP is ideal for start-ups and new R&D products/ideas, where the feedback cycle needs to be really fast. It is better for a start-up to fail with a product idea in months than in years. The time and effort that is saved due to an MVP strategy is a big boon for start-ups and even larger organizations trying for new R&D product/ideas.

Conclusion

Eventually the goal of a business is to make a profit. And to make the company profitable it needs to be ensured that the products it offers are in demand and ready for the market challenges. Stagnant products, misaligned business and IT strategies and lack of innovation can be the biggest reasons for a companies slow growth, and ultimately its end. We have tried to explain the basics of how to keep a software company going on the path of success by following some basic guidelines as outlined in this and many other papers. Our goal for writing this whitepaper is to ensure that continuous innovation by software companies ultimately leads to marvelous innovations in the field of software development and we see better and impressive software every day.

By following the mentioned concepts software companies can change a downward growth graph into a sensational success. Although such things are never guaranteed in a volatile industry as ours, following a tried and tested path certainly helps!

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