

Precise software



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Introduction Precise is at the crossroads of making a decision of whether to launch their new innovative product at Oracle OpenWorld 2000 while it is still in its early stages or wait until the next year. There is risk and reward in both the scenarios. If they chose to launch their new innovative product there is risk of failing to prepare it in time. This might lead to consumer losing trust in the product or its functionality at an early stage which will make their job of regaining their customer's loyalty way more difficult. Another issue related to the first decision is that the targeted customers may not recognize the actual need of purchasing the new product and therefore pay much more on it. If they do not launch the product, they might be losing an opportunity of a first mover advantage in the market. The company might lose the novelty of the new product, because other companies are always in the developing spree and might come up with something similar in short period of time. Having analyzed the risks associated, there are three main issues which Precise is facing and if addressed can help to arrive at a decision. (a) When to launch? Within the answer of which lies the explanation for key issues of new product planning and development (b) How to Market it? The answer to that question should suggest correct segmentation analysis and valued marketing strategies to attack the targeted segment (c) What is the best price? An in-depth study of ideal pricing strategy and one which matches with its sales and marketing strategy should be undertaken by Precise. Analysis: Precise is still under the planning and development stage and the product is a novice in the market. Precise is carrying reputation risk and risk of losing its customers. When weighted with the benefits of an early launch, I feel Precise should not launch it in OpenWorld 2000. There are two scenarios which crops up if it's launched. One, Product might lose out of revenue and customer

trust, and two this will give a half baked product to the competitors to develop a similar product and launch it themselves. Precise's strategy to sell Insight should differ from their existing one. Existing strategy which focuses and depends more on the sales reps is not fetching the desired results. Current strategy is not securing enough revenues and hence the bottom line is less affected. The new product, which is an end-to-end product needs a specialized team of sales personnel who are able to sell not only in ' Database server' and ' Storage' but also include in them User, Web network server and Application servers. Insight is created as an end-to-end solution. Why should it come cheap? If this is the one which the market wants and if Precise is able to deliver on time and with desired features, the pricing should be high. This may add some obstacles to selling it. The customers are used to a certain price range that they might find it hard to adjust to the new pricing strategy. This is where a team of better equipped sales agents be helpful to create that market need. The consumer may not recognize immediately the need for such a product or the marginal benefit they will derive out of it, but if pitched on the right note they will be convinced. The pricing decision is no doubt the most crucial decision especially in a price conscious and competitive market. Also since it's a new product, too high or too low can make or destroy its perception in the market. Precise should consider demographic data like region they cover, average order size, average size of companies they cater to etc into the pricing decision. Precise also needs to keep in mind the position of the potential buyer whom they are going to sell it to, and via direct sales or third party. Sometimes third party also works as they have built a certain level of trust in the market and a name for themselves. Another factor is the economic strength of the

potential buyers; this factor may internally integrate / overlap with other psychological factors wither the buyers are willing to pay the extra amount for INSIGHT and would they consider it as a more qualified software. But the important question remains: how much are they willing to pay for this product? Given the fact that Insight is still a new product to be introduced to the market it is hard to determine the price elasticity for this software since no historical data is available. Yet, Precise can always refer to the other method of estimating price elasticity through collecting date from the target market to draw conclusions about the relationship between the quantity demanded and its effect on price changes. However, does Precise want to spend a big amount of many on such a method while its validity is still in question, and does Precise want to spend time on this research instead of focusing on developing the product in time if they decide to go to WorldOpen 2000. Options: In reference to the first issue, Precise has two options: First is to launch the product in WorldOpen 2000 despite its pre-maturity. While doing that, they should stress the fact that it's still in progress and assure their clients that it will carry even more attractive functional abilities to it by the time of delivery which will be in one year. They might urge customers to think about it as a semi finished product for their benefit, so that Precise can take their suggestions and incorporate in the fully functional software. This will mark the beginning of the era of Insight. They can use this additional required year for developing the product in strengthening the ties with their potential customers. They can also get them involved in the development process by identifying their needs and working on fulfilling them. The Second option is to wait until WorldOpen 2001 to launch a fully developed product. During those two years they should study their marketing strategy

thoroughly. Make sure the pricing and sales strategy is in place and in case a competitor came up with a similar product to Insight during this period, they should take advantage of learning from the other company mistakes and develop more competitive features. About the question of how to market it, Precise till date has created a niche for its own segment. People think of Precise as a specialist company. They should try to maintain that strategy and make sure the product placement of insight is similar. Customer should be sold on price, but one uniqueness and novelty. Innovation and niche should be stressed and that no other company can provide this end-to-end solution. BMC is thriving on its direct sales team and figures are improving as a percentage of revenue each year. Similarly if a good sales force is deployed Precise should do well. Secondly VAR and System integrators will not work on new products such as Insight, so direct sales is the best option. In reference to the third issue, Precise could consider maximizing their profit in the long-run. However, Alon cannot determine yet how much are the total costs of the software, since its still in its early stages. There are a couple of pricing objectives to be considered Like how much are they expecting Insight to give them in returns and what price will guarantee them the largest or sole market share by preventing competition. Precise has not been efficient in considering cost in the past. In year 1999 Marketing costs were nearly 75% of total revenues and they made losses at the end of the year. In considering Insights price cost of production, promotion and distribution should be considered as part of the price in addition to labor and programming implicit and explicit costs. This will give a realistic estimate and not create a burden on the balance sheet of the company as a whole. Cost- plus and Rate-of-return pricing methods are appropriate in the case of

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Precise/ Insight. However, those two approaches may have downsides whereby one could argue that by using either one of those couple of approaches Precise wont determined accurately if its targeted market is willing to pay for Insight. But for that if they decide to launch it in 2001, they might want to go for a market research and then decide. Another is that there is a negative relationship between pricing and sales volumes. And both methods fail to estimate the outcome. All of that don't reflect on competition adequately. If the Precise methods of pricing in considering cost would put them in a tight competition, then they are at risk of getting out of the market completely.