Phurnace software case study

Business

The team conducted several face-to-face interviews with the actual PEE application users and posted a request to fall out the online survey on more than a dozen Java application related news groups. After the number one pain point and market interest level were determined, the team supported the statements by using numbers, scales, and percentages. In addition, the same market pain conclusion was drawn through a secondary market validation method, an independent study. Strong market validation from a variety of sources presented convincing pain points and interests.

Niche Market/landlers: The footwear, Essentials, enables fast and reliable server deployment while eliminating configuration errors and accelerating the enterprise application development life- cycle.

The dominant vendors of JOKE application servers wereIBM, BEA Systems and Job’s. Essentials fell In a niche between 2 existing Industries, the JOKE management software Industry and the Installation software Industry, which simple deployment and maintenance were not their core competences then. Furnace Software, not stepping on major players’ toes and, had less possibility to encounter direct intention in a short period of time.

They Just needed to develop the product at the fastest pace possible, making Essentials to reach the market before other companies developing similar products. Favorable Business Model: Furnace’s business model followed the traditional “ license-for-use” software paradigm, which was no stranger to the software industry.

Customers would pay a one-time fee for a perpetual license and would be charged additional annual maintenance fees to have access to updated versions. There were few reasons that this traditional software business del might work well.

First of all, the tractability of Essentials was high. Potential customers could try the benefits of software before making the purchasing decision. Secondly, the target customers, development managers, were responsible for deployments and application support, dealing with problem solving on a day-to-day- basis and had sufficient budget authority to buy Essentials on their own recognizable.

Thirdly, most of development managers had discretionary budgets of $5, 000 or more and the initial target price of Essentials was set at $2, 500 per license.

The purchase order did not need to be signed off by a 3rd party. Last but not least, the switching cost mentality was built into the pricing strategy of Essentials. The sustainability of Essentials was rooted in customers development cycle. Once a customer started using and relying on Essentials, he or she would find It both expensive and painful to switch to another product; therefore, the customer would be locked In to continue using Essentials and paying maintenance fees.

Huge Potential Market and Conservative

Growth Projection: Even though there were more than 50, 000 companies who spent more than $6 billion on JOKE product annually, the BIT was projected to be at 6 MM In 2010, Dates upon navels less than 2 companies as customers. If a 5% market share could be captured by 2010, revenues in excess of $30 MM could be recognized which would equal to BIT of roughly $8. 1 MM. Furnace Software team gave a big picture of potential market, but the growth estimates were conservative, started from capturing 2% of market share, which were more realistic and convincing.