

1990

SOFTWARE SUCCESSTM

REFERENCE
BOOK

BY DAVID H. BOWEN



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Chapter 1

Promotion

A. Promotional Activities Survey

1. Company Revenue

In general, the companies who use promotional methods are larger than the average Software Success subscriber firm. I believe that this reflects the fact that promotion is a sophisticated activity which takes time to achieve payback. Larger and more established companies are much more likely to use promotional methods. It also appears that companies who are sophisticated enough to use promotion effectively are much more likely to grow larger.

<u>COMPANY REVENUE</u>	<u>% RESP</u>
< \$250K	10.3
\$250K - \$500K	5.1
\$500K - \$1M	17.9
\$1M - \$2M	33.3
\$2M - \$5M	15.4
> \$5M	12.8

2. Computer Type

This survey had slightly fewer PC and mini companies and more mainframe companies than prior surveys. It also looks like the focus on LANs relative to PCs is increasing.

<u>COMPUTER TYPE</u>	<u>% RESP</u>
PC	59.0
LAN	17.9
Mini	15.4
Mainframe	15.4

3. Market Size

The companies who responded to this survey are generally selling to larger markets than those who answered the distribution survey. This may reflect the fact that promotion is more compelling and more effective in larger markets. This isn't to say that you can't promote products or services in a small market, it is just easier in larger markets.

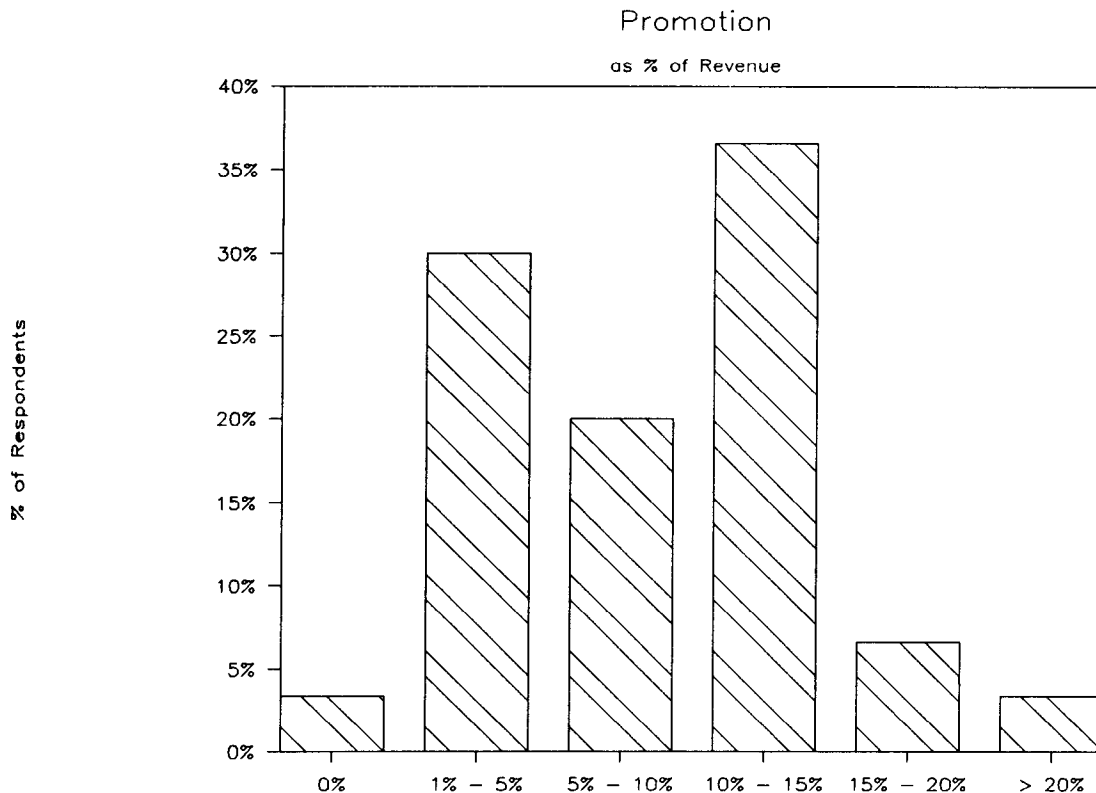
<u>MARKET SIZE</u>	<u>% RESP</u>
< 500	10.3
500 - 1K	7.7
1K - 10K	20.5
10K - 25K	7.7
25K - 100K	12.8
> 100K	15.4

4. Promotional Budget

Ten to fifteen percent of revenue is the most likely level for the promotional budget. Many companies spend less, but few spend more than this. (See the graph on the next page for more detail.)

This is higher than I would have expected. I wonder how many of the respondents included all marketing budget items including lead generation. I suspect that a number of the companies in the ten to fifteen percent range were including their lead generation budget. Some of their comments indicated that they were unable to distinguish between these two types of marketing programs.

I would expect a software company to spend fifteen to twenty percent of revenue on marketing if personnel expenses are included. I would expect pure promotion to be under five percent because most promotion is inexpensive. Lead generation would range from ten to



Promotion as a Percentage of Revenue

fifteen percent and salaries might be five percent. This balance will depend in large part on the company's evolution. Early on, I would focus on hard lead generation and free publicity. Over time, more money will go into salary and more long-term projects.

5. Effectiveness

We didn't get a lot of feedback on the effectiveness of different groups performing promotion.

a. Agency Effectiveness

Only 18 percent of the respondents answered this question and most of them felt that their

agency was good.

b. Freelance Effectiveness

Only five percent of the respondents answered this question and they felt "good" or "OK" about the freelancers who had helped with promotion.

c. Communications Manager

Ten percent of the respondents answered this question and most of them felt good about the communications manager.

d. President

Forty-three percent of the respondents commented on this question and most of them

felt that the president was "OK." This supports my experience. While the president has the knowledge and the background to do a great job of promotion, they have far too many demands on their time to do a good job.

e. Marketing

64 percent of the respondents answered about marketing. "Good" was the top answer and "OK" was a distant second. This is the type of project at which a marketing department can excel.

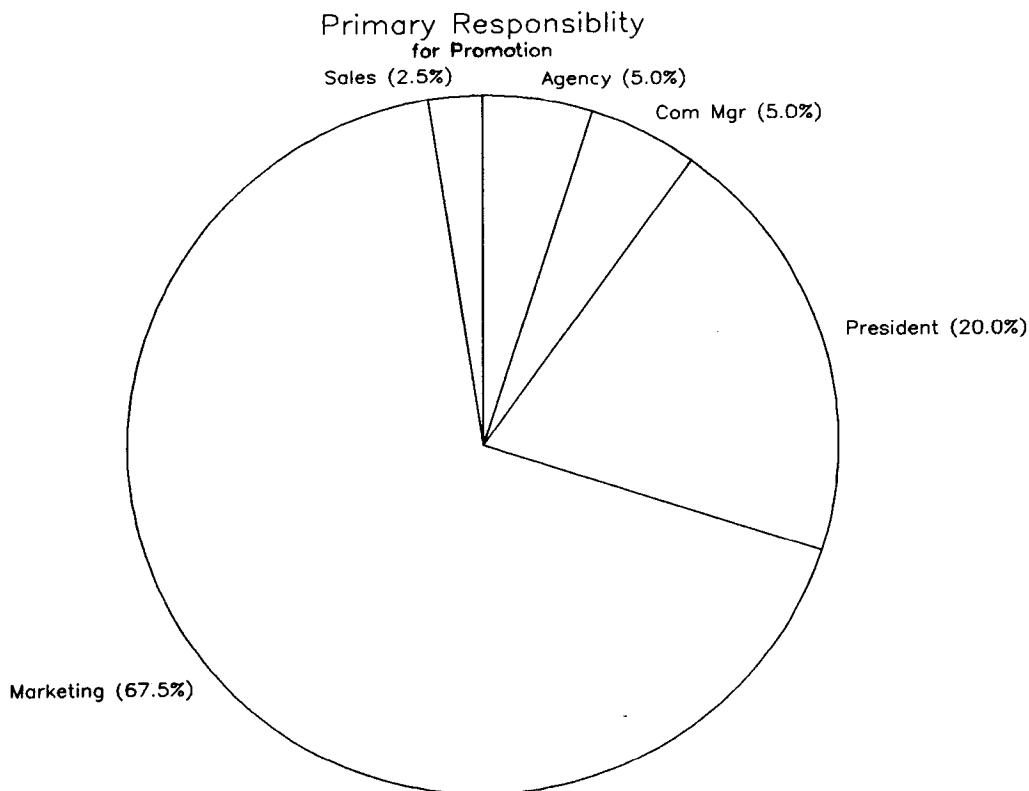
f. Sales

Twenty-five percent of the respondents ranked sales as either "OK" or "good" (even). This was higher than I expected, but many sales people like marketing and do well at it.

6. Responsibility

Marketing is most likely to have primary responsibility for promotion, with the president second. (See the graph below.) In most companies, the president starts off with responsibility for marketing and promotion. At some point, it becomes clear that the company needs a stronger marketing effort and that this will require someone dedicated to marketing.

In many cases this is an entry person with a marketing education and a strong motivation to learn, but little practical experience. I have seen a number of cases where a good marketing coordinator can be very effective. The president and the company know what they want to do, they just need someone to get it done.



Primary Responsibility for Promotion