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26 February to 1 March 2009, **WIN 2009** (part 2), Istanbul, Turkey
2-4 March 2009, **Innovate 2009**, Orlando, FL, USA
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25-28 March 2009, **MTA 2009**, Singapore
30 March to 2 April 2009, **WESTEC 2009**, Los Angeles, CA, USA

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Quote for Today

In theory, there is no difference between theory and practice. But, in practice, there is.

Jan La Van De Snepscheut

Feature Article: Cambashi reveals its first look at Engineering Applications in 2008 and takes a look at the factors governing the performance of software developers in the next 12 months.

In 2008, vendor revenue growth continues

Software developer revenues in 2008 still grew 12.5% in \$US terms. EMEA grew by 10%, whilst Asia/Pacific showed the greatest growth with 15% over 2007, and the Americas around 11.5%. There are few predictions yet for 2009, though all indications are that it will be a tough year for developers and their customers, as global economic conditions continue to be in a state of flux. Our estimates include final quarter 2008 revenues lower than those made earlier in the year.

Putting it into perspective

From past experience in a down-turn, it takes a few months for the effects to be seen in the revenues of major independent software developers and their markets, and at least 18 months for things to bottom-out. This down-turn is somewhat different, in that capital for investment dried-up very quickly, as the banks struggled to balance their own books. Users with little free cash flow will place investment plans under scrutiny, limiting the scope for genuine new software sales to be generated. Those vendors with sales models geared towards new software will be those that are likely to suffer the most; those with large, maintenance-paying installed bases should fare better.

Consider a software developer with 60% of their revenue derived from new sales; a fall by half in new sales revenue will result in a total revenue decline of 30%, all other things being equal. However, if only 25% of their revenue comes from new sales, a similar fall in new sales will result in only a 13% decline in total revenue. Recurring revenue streams, such as subscriptions and maintenance, are much more stable. Use of engineering software for rapid product development and manufacture is so much part of industry these days that users can't simply turn off the tap completely, so we expect maintenance revenues to hold-up well.

Prospects for 2009

As new business becomes increasingly competitive, and software margins for vendors are still high, we expect that real software prices are going to fall - not necessarily list-prices, but through "offers", bundles and special discounts for upgrades and cross-grades. Signing-up existing users for subscriptions may benefit both provider and users alike. With "value" a key consideration for clients, maybe this is also the time when Software-as-a-Service (SaaS) starts to become more attractive, compared to traditional licensing. Certainly, discontinuities such as the present provide opportunities for new thinking and business models to be employed.

Most software suppliers will be pleased, and possibly surprised, if 2009 achieves 2008 levels. There are signs that vendors are reacting to this with hiring freezes, travel-budget reductions, and the like. However, most software developers, after several good years, are cash-positive and can withstand a certain disruption to normal business. Those with cash are also likely to look for merger and acquisition opportunities as company valuations decline, since this is one way to grow in a slow market.

In early 2009, we will assess the latest economic and business information and produce our estimates for the year.

[Nick Ballard](#)

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Hot Topic: When the going gets tough, the tough get . . . smart!

"There are no problems - only opportunities to excel!"

I have little doubt that most sales people will have been on the receiving end of messages of this kind over the last few months. The world economy is in a bit of a mess at the present time but sales people and sales managers are still expected to make their numbers. Tough market conditions do create opportunity - but they also exaggerate the gap that is always present between the "rational" and the "emotional" aspects of buyer behaviour.

On the rational side of the argument, tough market conditions often strengthen the economic case for implementing a new solution. Companies buy IT because they expect it to save them money but they also know that implementing any major change to the business involves disruption and cost. There are sound financial reasons why the true cost of implementing new solutions is considerably reduced when the business is already operating below capacity. Smart companies invest for the future at such times.

On the emotional side of the house the argument is, of course, more personal. Senior managers and executives are also consumers - whatever they experience as consumers becomes part of the experience they bring to making decisions in their professional life. At times like this, when individuals' personal financial circumstances may be under pressure, managers and executives are certain to be more nervous and apprehensive - so they will need more re-assurance. The perception of risk must be reduced to an absolute minimum.

To make a military analogy - the armour-plating has become a bit thicker - which means the sales team needs access to better ammunition. In particular, sales and marketing collateral needs to provide the hard economic data that will enable cautious prospects to confidently predict the cost savings, or the cash value of other benefits, that will flow from their purchase decision. Collateral that doesn't speak directly to financial issues such as ROI or payback period - and reduce the perception of risk by doing so with the authority of a reference customer - just isn't going to be good enough in a difficult market.

Does your team have the right materials for the job in hand?

[Bob Brown](#)

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Book review: Profit Mapping: A Tool for Aligning Operations with Future Profit and Performance, Authors: Anil Menawat and Adam Garfein

\$34.95 US, \$45.95 Canada, and £19.99 UK. ISBN# 0-07-147228-2

Management strategy books abound, but very few focus on making sound decisions about how to execute to best achieve a strategy. Fewer still take a truly multi-faceted approach to problem-solving in a dynamic environment. Enter Profit Mapping. It offers a structured framework that can be used to make strategic, tactical, or operational decisions. It can be used iteratively as conditions shift and as knowledge grows.

Based on systems theory, it sounds a bit complex, so the first part of the book provides all of the logic about why it needs to be dynamic, multi-faceted, and systematic. Then the book lays out a simple 7-step approach to profiling a problem. The book is illustrated with simple block diagrams and manufacturing examples throughout.

Profit mapping recognizes that each business unit - and each product - has its own processes, resource needs, and financial outcomes. It does not use aggregation or cost allocation, but the simplest form of activity-based model with parameters that management can change. They warn against "boiling the ocean."

The tricky part is that a profit mapping exercise needs analytical and scenario evaluation tools that are not like those you have today. Fortunately, it is complementary to existing IT systems and current initiatives such as lean, six sigma, outsourcing, globalization, etc. (and the authors show examples of how it actually improved results). It uses as much or as little data as is available.

Like many good management books, it leaves you excited about the vision, but unsure exactly how to proceed without the consultants who wrote it and their software. Yet it does provide a new perspective on making tough decisions in the real world. More particularly, it delivers a very thorough understanding of why we struggle so mightily to succeed at executing in ways that live up to the promise of our strategies.

[Julie Fraser](#)

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