



making competition irrelevant™

THANKS TO OPTIMIZEDNOW, METAPHOR SCORES \$1M IN SALES LEADS

Chicago-Area Software Company Avoids Saturated Market

By Heather Bowser *OptimizedNow Writer*

ROCKVILLE, MD — For John Carr, the truth wasn't easy to hear: Unless something drastic changed, his company's new software product wouldn't be able to compete in an already saturated market. He was going to lose money, and lots of it.

Carr is the Chief Executive Officer of Metaphor Corporation, a medium-sized software company based in Chicago. A few years ago, Metaphor partnered with Microsoft to develop software for school districts to manage their information. Among other things, the technology, known as a Student Information System or "SIS," allows teachers and administrators to track scheduling, attendance, health records and grades and then share some of that information with students and parents.

Unfortunately, as Carr's product prepared for launch, he learned from consultants that the software wasn't "different enough from everyone else" and would likely have a difficult time competing in such a crowded marketplace.

"I almost decided to kill the product," Carr admitted.

Fortunately, before Carr could whack the head off of his project, he received some good news that kept the software intact. Carr's consultants — OptimizedNow, based in Rockville, Md. — were able to help him find a solution.

Change the delivery, repackage the product, solve the end-users' pain, and make it fun, they told him. If you change it, you'll make money. We can help.

Carr agreed, and about four months later, the product went live and his business took flight. Like at least one other of OptimizedNow's clients, Metaphor's sales pipeline exploded from \$0 to about \$1 million.

"Our product wouldn't exist without them [OptimizedNow]," Carr said.

THE CHALLENGE

As a Microsoft Gold-Certified partner, Metaphor has worked with Microsoft to develop a variety of software products. In late 2004, the dynamic duo decided to build a Student Information System solution and call it Backpack.



Although Carr knew other companies were making basically the same program and delivering it the same way, the project continued.

“We knew there was competition, but we still thought we had enough differentiation and that we would be OK,” Carr said.

Like the other companies, Metaphor built and delivered its software the old fashioned way. They invented the goods, drove to the client, loaded the product onto servers and computers and drove home.

This old-fashioned delivery method — tech people call it “on-premise” — is slow and expensive. Carr believed that this was once place where he could make his product unique.

The new way to deliver software is a business model called “Software-as-a-Service” or “on-demand.” Invented around the turn of the 21st century, SaaS (pronounced “sass”) allows customers to rent software, rather than buy it. Companies only use what they need and only when they need it. They also don’t have to buy expensive servers, manage data centers or deal with upgrades. Customers simply have access to what they need through the internet and that’s that.

Carr guessed that an on-demand model could work for Backpack, but since it was so new, he needed help crunching the numbers and making the transition. Billing, provisioning, security, marketing and handling the subscription revenue all have to be addressed and understood when switching from traditional on-premise delivery to on-demand.

That’s why he met up with OptimizedNow. For 20 years, the owners of the Maryland company have specialized in helping software companies using Microsoft platforms to grow, improve and expand. They’ve grown up, so to speak, dealing with major industry changes such as SaaS.

“We’ve seen it. We’ve done it. We know the potholes,” said Reed Overfelt, the CEO of OptimizedNow.

THE ‘BLUE OCEAN’ EXERCISE

In late January 2009 – after an extensive online assessment to “benchmark” Carr’s company and assess its maturity – the two companies got together for a workshop.

For two entire days, the top executives and marketers from both companies camped out in a room at the Metaphor office in Chicago. Hour by hour, OptimizedNow pushed the other executives through a variety of exercises, geared to identify Backpack’s target market, target buyers and “many other important strategic factors.” Essentially, OptimizedNow shows their clients a mirror, identifying all the places for improvement. They also help company officials self-analyze their own markets and customers and create a solid plan of action.

One of these exercises — they call it “Blue Ocean Strategy”— helps the company to “make the competition irrelevant.” Products or services that are highly differentiated in an open market are in what they call a “Blue Ocean.” On the other hand, products or services



in a crowded market with little differentiation that compete mainly on price are in a "Red Ocean." The theory was developed in 2005 by two Harvard gurus, Renee Mauborgne and W. Chan Kim, and outlined in their book of the same name.

From the exercise, Metaphor learned that unless something changed, the only way Backpack could compete was to lower its price or add features, explained Overfelt.

"And that's a bad place to be," Overfelt said.

"We were swimming in a sea of Red Ocean," Carr agreed. "Feature for feature we were competing with everyone else."

By the end of the first day of the workshop, executives from both companies said they wondered if the product had any hope of a future at all.

"At the end of the first day, [our clients] can sometimes look like they got ran over by a truck," Overfelt said. "We typically don't get invited to dinner that night. They're not mad, they've just never thought about their business that way."

A LIGHT GOES ON

Fortunately, by the second day of the workshop, a light came on and the despair melted away, Overfelt said.

Together, the groups decided to make Backpack look, feel and function like a social networking website. They would add a web experience to the standard SIS. The new program would do all the stuff it used to do – manage grades and attendance logs, for example – but folks would actually enjoy using it because they could communicate and get involved.

"It basically looked like Facebook, but was built for students, teachers and parents to manage their school experience, depending on needs of the individual," said Andy Ridinger, OptimizedNow's business and marketing manager.

The site is only accessible to authorized users, eliminating the potential of outside threats. This also allows the program to be available on school computers, Ridinger explained.

Even better, because the program was hosted online and not on-site, the school districts don't have to deal with maintaining expensive servers or software upgrades. Any school district on the planet can have access to Backpack.

"The experience we created was completely unique and shockingly simple," Overfelt said. "Everything clicked."

After some advice from OptimizedNow about the details, Backpack went live in April.



Moments after the product launched, Carr's competitors spent days and weeks camped out on his website, trying to figure out how he was able to build such a different product and offer it at such a low price. They have yet to succeed.

To date, three school systems with a total of about 2,000 teachers and 10,000 students now use the program, Carr said. A fourth school system, one in Vietnam, is expected to be using the program in the near future.

Over the months, OptimizedNow is continuing its service, an ongoing procedure called "Guided Execution." Since the site launched, OptimizedNow has helped Metaphor build and update their financial model and plan and execute strategic partnerships.

"There were a lot of epiphanies those few days," Carr said.

Epiphanies, perhaps, that saved Carr's product from drowning in a Red Ocean of suffocating competition, and paved the way to over a million dollars in pipeline.

About Metaphor Software

Metaphor Software was founded in 2004 and specializes in public sector software, with Backpack™ as its premiere education product. Metaphor is dedicated to doing software right, and providing the highest levels of service to its customers. Metaphor understands the unique challenges and needs of education institutions, and has crafted Backpack to meet and exceed those needs. Metaphor is also setting new trends in the education space, as one of the first companies to offer its products as a service, giving districts an affordable way to modernize the way they manage their schools and students. www.metaphorsoftware.com; www.backpacksis.com

About OptimizedNow

Strategic Consulting from the Founders of Microsoft Global Hosting and Rackspace. OptimizedNow is the first consulting firm to provide a proven end-to-end solution – from strategy to execution – designed to drive measurable results through clear product positioning. We offer simple solutions, expert knowledge, proven results for software and cloud computing companies. And, unlike other consulting firms, we do more than talk. We help our clients execute – through guided execution and venture capital funding. Our clients includes Microsoft, Lockheed Martin, RightNow Technologies, as well as numerous other smaller software companies. www.optimizednow.com

