Desktop Application Software

The Setup

The client makes a software product that manages desktop applications across different machines. There are 2 broad categories – large organization (with 1000 + computers) and small organizations (100 – 1000 computers) that use the software. Client has a strong presence in the small segment but has not been able to penetrate the large segment

Question

- 1. Why is the client not able to have a footprint in the large segment?

- 2. What recommendations would you have – stay / exit the large segment? What tactics would you use if you decide to stay?

Additional Info

- Client software is extremely stable and has clear benefits because of reduced system outage. These benefits are more for large companies than for small companies
- Client sells the software, retail stores sell support services at time of sale.
- • Retail stores sell using a direct sales force that visits the large / small companies.

Additional Info

	Average Price	Licenses Sold per year	Margin	Support Services	Revenue from Support Services	Margin from Support Services
Small Company	$2000	100	10%	100% of the time	+$2000	+10%
Large Company	$20,000	12	25%	20% of the time	+$20,000	+25%

Each sale by sales reps gives them 1% of every $1 in revenue they bring to the store
A sales rep can either sell to 8 small companies or to 2 large ones in a given month