

290T: The Business of Software

Homework 4 – Collabrys, Inc. Case

1. Who are Collabrys, Inc.'s customers and what do they want?

Brian Park

Collabrys, Inc's customers have all been brand managers. Brand managers want to grow their customer base as quickly and effectively as possible. They often try to do this by understanding their customer segments better, so they can target each segment with different messages and reach them more cost effectively.

David Gelbart

The customers are product marketers. They want to do marketing campaigns, to understand the impact of those campaigns, and to understand their customers.

Ashley Tan

Who are Collabrys, Inc.'s customers and what do they want?

- Collabrys, Inc.'s customers are any businesses that sell products directly to consumers.
- They want a data-mining tool that can match their customers' needs with their products, so they can market towards their customers with the right products (one on one marketing).

2. What is Collabrys, Inc.'s value proposition to their customers?

Florian Fuchs

Q2: Value proposition:

- currently you spend a lot of money for somehow telling everybody about your products so that some of them might actually buy them
- we will stop this waste of money and boost your sales by telling you exactly whom to address in which way so that they will buy your products
- we even do the communication part for you

Brian Park

There is a saying in advertising that "Half the money I spend on advertising is wasted. The trouble is I don't know which half." Collabrys solves this problem by helping companies understand how effect their advertising will be. They help advertisers understand their customers better so they can develop marketing plans more customized to each segment. They do this by helping clients gather a wide range of data on customers, analyze the data, and then help forecast what effect advertising might have on each segment.

Ravi Shanmugan

As either a software or a service, Collabrys offers brand managers the ability to

- Personalize communications with customers
- Collect information about them through the interactive elements of the communications sent in step (a), and develop customer profiles
- Further refine the "personalization" of subsequent contacts with customers – can repeat steps (b) and (c) as needed
- Achieve truly direct, one-to-one online marketing, resulting in higher sales and brand loyalty

While this all sounds good on paper, Collabrys has struggled to communicate this value proposition consistently and distinguish it from the other value propositions offered by CRM providers.

Phil Li

Collabrys provides "digital fingerprints" for individual users, characterizing their psychographic traits based on implicit user behavior rather than costly interviews and surveys.

3. What are Collabrys, Inc.'s core competencies?

Joyojeet Pal

My own understanding is that the **marketing and brand building** side are where Collabrys' core competencies lie. Even though it is essentially a firm that has created what seems to be an analytic software, it seems that such a software would be unviable if the creators did not adequately understand the industry in which it operated. Essentially, they have spotted a market, and created a product around it. Thus, I would rate them as application developers in the branding space, if such a term exists.

Tom Chang

Collabrys' core competencies are in their marketing department - with Villapando-Ibalio's leadership. Innovative product offerings and concepts like BrandPrint were exactly what Collabrys needed given the vague and nebulous initial product offerings.

Laheem Jordan

3. Collabrys' core competencies are:
-developing psychographic information profiles of customers
-tailoring messages to customer desires
-connecting customers and advertisers more intimately

Lauren Wilkinson

Core competencies include:

- (a) Consumer interactions including customized e-magazines;
- (b) Statistically meaningful models of the customer's profile, drawn from several interactions;
- (c) AI algorithms that draw inferences from the consumer profiles to predict future buying behaviors.

Jimmy Su

Collabry's technology has the following capabilities:

- **It provides the technology to collect information about customers.** This is done using e-magazines. A profile is built by tracking mouse clicks off the e-magazine for each customer.
- **It provides the technology to extract meanings out of the collected data.** The collected data can either be data collected using e-magazines or external client data such as surveys and purchase histories.

Kevin Clugage

Collabrys' core competencies are **software development and technology innovation.**

4. What corporate skills are required to be a licensed software company? When the case ends, which of these does Collabrys, Inc. have? Which don't they have?

Egan Lau

They have:

- Good technology.
- A strong team of software developers.
- Solid strategic planning process

They didn't have:

- Ongoing R&D: The core competencies must include some sort of unique technology. The technology they developed through Musgrove is a good starting point, but they must keep developing it.
- A sales force to target brand managers.
- Partnership with other technology vendors.
- Customer training for their software products.
- Strong investor buy-in for this model

Gabriel Eirea

4. I would guess that you need:

- a lot of programmers working on the user interface
- application engineers working with the customers
- a sales force targeting the customer base (in this case CRM companies).

It looks like Collabrys has none of these.

Rachel Rubin

Licensed software need: proven worth of software; modular software; existing customer base to sell to; Easily customizable software; Large customer base;

Collabrys has: The software, a built in market (existing CRM companies to use their technology to improve their product)

Collabrys needs: They don't really have a customer base though they have been trying. it is hard to push it the last bit; ability to differentiate itself from the competition

Jennifer Lung

the most critical survival skill for a company pursuing a licensed CRM software strategy (i.e. becoming an analytical software firm) is the ability to sell to the IT departments and chief information officers. By the end of the case, Collabrys didn't demonstrate this capability. The reason is mainly because that the value proposition was not received by these people. Therefore, there is no way to capture the values.

5. What corporate skills are required to be a services company? When the case ends, which of these does Collabrys, Inc. have? Which don't they have?

Kevin Clugage

Service companies have the following skills: (1) ability to treat each customer as unique, (2) a service differentiator based on technology or resource knowledge, and (3) ability to manage/add resources for each customer. Collabrys has all these skills.

Scott Hafeman

5. What corporate skills are required to be a services company? When the case ends, which of these does Collabrys, Inc. have? Which don't they have?

Attributes they have:

- A history of intricate customer sales visits
- Extensive brand marketing and AI expertise used to solve complex customized problems

Attributes they don't have:

- Partnerships with other companies to create a total integrated solution

Tom Chang

- To be a services company, Collabrys also needs to have a seasoned head of sales who can navigate through client organizations to reach the appropriate decision makers (brand managers).
- Collabrys probably will need to have a more robust account management staff to assist customers in understanding the product launch process. This group will probably require some level of domain expertise as well.

6. What strategy would you recommend that Collabrys, Inc. pursue? Why?

Brian Park

Collabrys should pursue the services model. The reasons are

- It does not have the expertise necessary to be a licensed software company
- It has many of the competencies necessary to pursue a services model
- The company has only recently found its niche or bowling pin - brand managers. It should give itself time to learn how to sell more effectively to brand managers so that it can build its customer base quickly and become more profitable.
- The process is very complex and sophisticated. It is almost like becoming an advertising agency for a company. This process needs to be very customized to a client's needs and is a more natural fit as a service, rather than software.

Christian Adler

Recommendation

services company helping companies that are bringing a new product to market.

- analytics software is hard to distinguish from CRM software.
- market for selling the software as module to CRM company is much smaller than the market when targeting big customer companies by itself.
- CRM companies could clone Collabrys software.
- "Closer to the original mission of the company and to the skill base of the current top management".

Kevin Clugage

I recommend Collabrys follow a service centric strategy. The software approach requires educating potential customers on the underlying technology, but there are few customers that "get it" with respect to that technology. A service strategy allows Collabrys to focus on the value of their technology instead: increased sales through customer profiling. This greatly decreases the sale complexity and gives customers a discrete value that justifies paying for the service. With at least one reference account, potential customers can be convinced of the service effectiveness, without having to know details of the BrandPrint "secret sauce".

Laheem Jordan

6. Collabrys should attempt to become a licensed software company so they can

- deliver a clearer sales message,
- make themselves more attractive to investors
- get rid of a model that did not seem to be working well for them
- adjust their business model to deal with the economic downturn

Will Plishker

- service (i.e. LaunchPad) approach
 - vertical approach more viable
 - less company needs, especially with respect to executive team
 - bigger piece of the \$300 billion pie
 - risk/reward ratio better
 - less company upheaval – fits with original vision

Ashley Tan

I would recommend the licensed software strategy.

1. The company has an unique software which can be licensed.
2. Its technology can be a tool that used for analysis of any media consumption data regardless of its source.
3. Its engineers have more in depth instead of breadth knowledge and experiences.
4. Using this strategy, the company won't compete with existing CRM companies
5. More marketable to be sold to other companies
6. More flexibilities, the software can be sold as a module or package.

Leo de Luna

Collabrys should pursue the analytics strategy. Analytics provides a key point of differentiation in a crowded Internet/software space and is an easier pitch to potential customers. The technology could also be patented, thus building the IP portfolio of the company. Such a strategy would lead to a more valuable company that had a higher exit potential. Follow-on funding would be easier to raise with an analytics model for the same reasons.

Jimmy Su

I would recommend the licensed software approach. The strength of Collabry is its technology for analyzing collected data. This is the most important attribute that sets Collabry apart from its competitors. This analysis is applicable to any data collection, so it is not limited to data collected via e-magazines. The value proposition and customer base become clear in this case. I am skeptical of the way Collabry collects data using e-magazines. I don't see enough values added to the readers of the e-magazines. It is not clear that people would exchange lost of privacy for content. The goal of most individual customers is to buy the things that they want cheaply, and this e-magazine approach does not offer this incentive.

Collabrys, Inc. today (from website):

- Collabrys provides full-service solutions to improve customer acquisition, retention, compliance, and insight. Our solutions combine the power of e-marketing, targeted content, research, and analytics with solid underlying database marketing technology.
- Collabrys solutions enable our clients to accelerate acquisition, increase lifetime and annual value, and gain actionable insight into customer needs and behavior. Programs can be launched in as little as two weeks and typically pay for themselves within the first 90 days.
- Three focus areas:
 - Consumer products
 - Financial services
 - Medical technology

History:

- March 2002: Collabrys raises \$11mm Series B from Canaan Partners, Versant Ventures, Aspen Ventures, Red Rock Ventures, Ignite Group, Sutter Hill Ventures
- February 2002: Collabrys, Inc acquires Qbiquity
- 11/2001: VP Eng leaves; Musgrove hired as consultant
- 10/2001: personal care company signed
- 12/2000: 12-month cosmetics contract signed
- Q4 2000: VP Biz dev leaves
- 8/2000: Collabrys raises \$5mm Series A from Versant Ventures
- 7/2000: Collabrys has 18 content editors; 40 person staff; first prototype ready
- 4/2000: Jan Sherman vacates CEO position; Benjamin Wayne hired
- late 1999: Flaca/Collabrys founded