COMPUTER
HISTORY
MUSEUM

PC Software Workshop: Accounting

Moderator:
Luanne Johnson

Recorded: May 6, 2004
Needham, Massachusetts

CHM Reference number: X4311.2008

Table of Contents

PC Software: The First Decade – Accounting Workshop

Conducted by Software History Center—Oral History Project

Abstract: The principals involved in three significant PC-based accounting and timekeeping software packages (Peachtree, TLB/Solomon and Timeslips) discuss the histories of their products, their companies and the competitors they were selling against. They discuss the difficulties of determining and using the most appropriate sales channel and the significance of product reviews in determining the success (or failure) of PC products. They talk about how the entry of IBM into the microcomputer market legitimized the entire industry and the eliminated the difficulties in supporting the multitude of computer platforms prior to the dominance of the MS/DOS operating system. Finally, they discuss customer and product support issues and how marketing problems changed with the maturing of the industry.

Participants:

Name	**Affiliation**
Luanne Johnson	Charles Babbage Foundation, moderator
Gary Harpst	TLB/Solomon Software
Doug Jerger	Jerger Associates, formerly Fortex Data Systems
Ben Dyer	Innovations Publishing, formerly Peachtree
Bill Goodhew	Intelligent Systems, formerly Peachtree
Mitch Russo	Mitch Russo Consulting, formerly Timeslips
Nathan Ensmenger	University of Pennsylvania, historian
Jeffrey Yost	CBI Univ. of Minnesota, historian

Introductions

Luanne Johnson: I'm currently with the Charles Babbage Foundation; before that, I was involved with the Software History Center. Earlier, before I was involved with running the ITAA [Information Technology Association of America], I had a software company I'd founded in 1971 called Argonaut Information Systems. We sold accounting packages—payroll, accounts payable, and so on. What I find interesting about this session is that I really don't know anything about the business that most of you were in. We weren't competing, because if we had been in the same market space I would have known who you were and what you were doing—I knew

who all my competitors were, including MSA (Management Science America), which is represented here, and what they were doing.

One of the questions that Nathan Ensmenger came up with and which I really want to focus on is where this aspect of the software industry—the PC software companies—came from.

Gary Harpst: I'm with a company called TLB that was founded by three people in May 1980. The main product was called Solomon, so we really became known more as Solomon Software over the years. Solomon was an accounting software product. In those days, Solomon and its competitors were considered high end in accounting. Today it's considered mid-range.

Johnson: So, it was sort of broad based, covering all aspects of accounting.

Harpst: That's right—what we call a horizontal solution, with a price anywhere between $3,000 to $5,000 in the early 1980s. By the end of the decade it was probably more like $5,000 to $10,000.

Doug Jerger: I cofounded Fortex Data Systems in 1971. Our accounting software was aimed at the mainframe market.

Ben Dyer: I was the founding president of Peachtree Software in the late 1970s and I was succeeded by Bill Goodhew who is also here.

Bill Goodhew: When Ben left Peachtree and it had been acquired by MSA—I was an MSA employee—I became president of Peachtree and was there for about 12 years.

Mitch Russo: Along with Neil Ayer I co-founded Timeslips Corporation. Timeslips took an innovative, unique approach to the time billing market and created a time recording and accounts receivable system for people who bill by the hour and keep track of their expenses. A lot of our growth came with the help of the people in this room, particularly the folks at Solomon and Peachtree. We built partnerships early on, affiliations which helped us access their sales forces and their customer base.

Nathan Ensmenger: I'm a historian at the University of Pennsylvania. I'm currently working on a book on the software crisis and computer programs, and that's one of the issues I'm interested in. As Luanne mentioned, there doesn't seem to be the overlap that you might suspect between mainframe accounting companies, packages, personnel, and personal computer companies doing accounting software. One of the main issues I'm interested in is how you staffed your programming and marketing teams; where your staff came from and what kinds

of backgrounds they had. Also, having managed those projects, if that was different from what you perceived in other kinds of software history.

Jeff Yost: I am a historian, and the associate director of the Charles Babbage Institute at the University of Minnesota. For the past three years I ran a National Science Foundation project on the history of software.

Competitive Products and Pricing

Johnson: Before we get into some of the specific questions like how your particular businesses were run, do you remember what some of the other companies were that you were competing with? Who were some of the other people who were out there?

Dyer: Our competitor early on was BPI Systems in Austin, Texas. When the IBM PC came out, they were the other accounting package that ran on it. We at Peachtree ran into them more than anyone else. We were a couple of years ahead of Solomon. BPI was positioned a little differently from Solomon in the way we seemed to be competing for distribution or dealers or whatever. BPI was one of the first companies to go public, I think. They eventually just tanked.

Harpst: Yes, they did. Here we are and we certainly didn't know anything about the industry at that time. We did know about those giant companies like Peachtree and BPI—we were $10,000 in sales and they were 100 times our size. Another company was Accounting Plus. I think there was Accounting Dimensions or Software Dimensions or something like that and another was Open Systems. I'm not talking about 1980; I'm pushing on a little bit farther.

Russo: The markets that we participated in allowed us to have a lot of relationships with the accounting software industry. And we probably had other key significant relationships with DacEasy and other low-end accounting systems in the sub–$100 to $500 range. Then, in terms of time and billing, when we entered the market there were dozens of competitors, but they were all based on the compiled mainframe or compiled Basic programs that were really for back offices.

Dyer: Peachtree, as time went on, was getting more competitors. DacEasy was a particularly significant competitor because they competed on price, and they had a $69.95 product developed in Mexico. DAC in Spanish comes from digital automation computers, I believe. They were a competitor based in Dallas. Later on, the home-based accounting product, Quicken, became our competition. It turned out that a large number of Quicken's customers were running a business with it, so they developed a business type product. I didn't really consider it an accounting product because you could change the opening balance in your

checkbook and all your numbers would change, and all of a sudden you could have another $1 million which you didn't have before. There's no record of it; no audit trail, no nothing. But they ended up being superior marketing people, and now I think they have some 80 percent of the market.

Goodhew: Then there was Pacioli, which was developed by the original developer of DacEasy. When he split with DAC, he formed Pacioli Systems. Pacioli was supposedly the monk who developed double-entry bookkeeping during the Renaissance when gentlemen did not keep their own records.

Dyer: You could buy that for $35 or something, wasn't that it? It was amazingly inexpensive.

Goodhew: But, Pacioli's designer—and really DAC—never did believe in Windows. They said, "Look, a picture of a number and a number is the same thing. What do we need pictures for? We don't need to do Windows. Nobody's going to use that."

Russo: There's a story behind that. When my company was acquired in 1994 by Sage, Sage had already acquired DacEasy. So I became intimately familiar with the goings-on at DacEasy—in fact, I ran DacEasy for a short period of time. But, interestingly, there was a lawsuit with the Pacioli guys. Kevin Howell, DAC's founder, claimed that this guy stole the original DacEasy code, and that was the basis of the Pacioli product. Now, no one knows if that's true or not, but you're right—they were against going to Windows, and they were one of the last companies to move to Windows in the accounting space. When they finally did, it was too late. They're now part of Sage, and Peachtree is part of Sage, and DAC is part of Peachtree, but as far as I know they have not shipped a copy of a product to a new customer in several years.

Harpst: It may not be obvious from these conversations that we're really talking about very different markets. Peachtree in the 1980s started in the same space we were, which was $500 per module, or whatever the price was. They eventually repositioned themselves to be completely retail, at an under-$200 kind of price. Pacioli was really in another price point, which was a tenth of Peachtree's – $29 or so. It's confusing because we were competitors at some times but not at others.

Ensmenger: This might be a good time to clarify some of that and to talk about how you decided to enter certain markets or how you envisioned a market.

Harpst: One thing to remember is that products very often were the same in terms of accounting power although they sold at different prices. One sold for $750 per module, and

there might be eight modules. Another sold at $39 for all eight modules, yet it did a lot of the same things.

Ensmenger: The second part of my question is about pricing and marketing.

Dyer: Whenever you have a business where gross margins are 85 or 90 percent – gross profit after cost of goods is 95 percent-plus for Microsoft –why don't you make 90 percent profit at the bottom line? Well, there's a little thing called marketing cost, and that eats up most of the rest of it, so that's where it all went—also for support and administration.

Russo: Maybe we forgot about this—that Borland was the leader. They came out with a very low priced version of Pascal called Turbo Pascal, which changed the entire PC environment—because Pascal had been expensive, and then these guys came out with this very cheap version. I think it was $69 or maybe it was $39. It opened up programming to thousands of people who might not have otherwise been able to try it because the software wasn't cheap.

Johnson: Are you saying then that people used Turbo Pascal to develop products?

Starting Timeslips

Russo: Oh, absolutely. Timeslips originally was developed with Turbo Pascal. And, the reason that we entered the business at this price point—well, let me back up. Our product really didn't start out as time and billing software. It started out as a software product to keep track of the time for IRS records. The IRS said that you could not deduct a computer from your taxes unless you get contemporaneous records of their usage. And so, while I'd been personally looking to find a product that would keep track of my time so I could deduct this stupid $6,000 PC that I just bought for my taxes, there was no product out there. I mentioned that to my neighbor, Neil Ayer, and I said, "You know, I need this product and I can't find it. Maybe we could write it." That's how Timeslips began.

We both quit our jobs and launched this company only to find out weeks later that the IRS had relaxed their ruling for recordkeeping. Amazingly, it had only taken us a few hours to come up with the product. So we started brainstorming to see what else we could use it for, because the code we developed worked great. And Neil said he had once written a billing system for a hairdresser. I asked, "What's that got to do with us?" He said, "Well, if you put a billing system alongside of this thing and add a client field to this popup…" It was memory-resident. Being memory-resident in a program was very innovative because our goal was to get people on the front line to use it as opposed to use in the back office. That was really our claim to fame—our

entry point into this whole world was that we simply created a new twist on how to enter your time.

Johnson: What was your pricing on it?

Russo: $99.95. Now remember, at that time we tried to do what Turbo Pascal, Peachtree, and DacEasy had done. We went into a marketplace where the average price of software was $2,500. We came out with a $99 product and no one believed it worked. For us there was no such thing as investors with venture capital. My partner and I put $5,000 each into an account. We ran out of that money. Then we took a $50,000 loan on which we had to pay $75,000 back. The bottom line was that we spent a lot of that money putting two ads in *PC Magazine*—because we thought it was a general-purpose product—and we didn't sell any. I think we sold five or six copies of the software after spending something like $12,000 or $15,000 for ads.

Johnson: And so you sold five copies at $99.

Russo: Right. So I picked up the phone and cancelled the ads. Four or five weeks later, the sales rep from *PC Magazine* came by and said, "I'm sorry. I know the advertising didn't work, but here are the bingo cards. They're pretty much useless, but I have to give them to you." I saw that there were maybe 500 of these bingo cards—you know, reader inquiry cards that you circle numbers on and mail in. I just picked up the phone and called every single one of them. That was my very first market research project. What I found out was that the most interest in our product came from lawyers. I decided we should be positioning the whole company around selling time and billing solutions only to lawyers. The fact that Timeslips was memory resident was extremely significant because that meant you could work, say, doing research on your computer, hit one key, and start recording your hours. Next time you hit the key, the data was stored. That made the product useful because it was so easy to keep up with your hours. Borland's Side Kick was created the same way.

Peachtree

Johnson: Tell us about how Peachtree got started and how you came up with your initial pricing and all those decisions.

Dyer: It's a complex story. I have offering circular #1, dated November 29, 1978, from the first financing we did for this company which was called Retail Sciences. The third computer store in the country had recently opened in Atlanta, opened by four Georgia Tech graduate computer science students: Ron Roberts, Steve Mann, Jim Dunham and Rich Stafford. I was introduced to them by a friend of mine who was a law student at Emory University, and at the

time I—with an industrial engineering degree—was running a chain of hardware stores. I sold out of the hardware business just to do a little bit of consulting and start working with these guys.

Somewhere along the way they'd begun developing a general ledger package. Ron Roberts had worked at Honeywell, had experience writing general ledger products. I really viewed him as the father of the software there. He wrote it in Microsoft Basic. We made a number of trips out to Albuquerque—Bill Gates and Paul Allen were out there, just cranking away on their software. And some of them were pretty close. With them, it's all running on a CP/M operating system. Nothing was very reliable—not the hardware nor any of the operating systems nor other software. But fortunately we had a number of adventurous customers who were willing to try some of this stuff.

Johnson: How did you find those customers?

Dyer: We had a retail store in Atlanta. People came in to buy the early Xerox Alto or machines using 8080s and 6800s and so forth. There appeared to be a real need for low-end accounting computers—everything running on the DRI CP/M platform was pretty darn flaky. So we started up a business, using a Perkin-Elmer minicomputer. We had the software converted into COBOL and we were able to get a very low price point on that. We had a system we called the Clerk 700. We marketed this product, around the middle of 1978, I think. We had a guy in Columbia, South Carolina, building the boxes for us, assembling and integrating all the pieces. We sold this as a turnkey product and started setting up dealers for it around the country.

Johnson: So they were buying the hardware as well as the software?

Dyer: Right. I think we charged $10,000 or $12,000 or something like that.

Johnson: And selling it to the accounting department?

Dyer: We were selling it through dealers who sold it to small to medium-sized businesses.

Johnson: As opposed to selling it into the data processing departments as we were.

Dyer: As it happened, in 1978 there was a falling-out among the original founders of the store. Some of them wanted to have more stores because that was a good business, and some of the others wanted to do software. The end result was that we got together on Labor Day in 1978 with a roomful of attorneys in Atlanta.

What happened was that Ron Roberts, who had begun writing the software, and Steve Mann, who was our super technical guy—he was writing the file handlers and so forth—joined forces with me and we obtained rights to all the software. We came up with the name Peachtree Software and started raising money. We had a dealer in Chicago, and at the time of this offering he'd invested a little money in the company. Next we raised some venture capital from Philips Petroleum Fund out in Bartlesville, Oklahoma, and a fund called the Paris Corporation in Melbourne, Florida. There was literally no venture capital in Atlanta at that point. We raised $500,000. Meanwhile, the other guys went off and opened more retail stores. They had one in Memphis—I don't know what else they did. They eventually tanked—the retail store was not a good strategy; there were just too many uncontrollable risk factors. Before the IBM PC came out, you had maybe 100 different microcomputer vendors, and while they were all somewhat commonized by the CP/M operating system and Microsoft Basic, they were all still pretty unreliable. So, that proved not to be a good business model.

Meanwhile, we were working, selling these Clerk systems. We bundled the Peachtree products—we sold products at $1,000 per module, and we had about five at that time, so you'd have to buy approximately $5,000 worth of software to get a complete suite. We set up the dealer program—for $3,500 you could become a dealer—and we'd give you one complete set of software to use as your demo set and the dealer would sell it at our price. I forget what the margins were. Our sales method was to invite prospective dealers to fly into Atlanta; they would arrive and sign up with us. We probably added 100 or 200 dealers that way; I can remember only one who didn't buy. Once we got prospects to Atlanta, that was a great qualifier. We always sold them there. Ron Roberts was very good at doing that, convincing them about the product. So, we began proliferating Peachtree software through our dealership network that way.

Then we started doing bundled deals with manufacturers. We did several of those. The most memorable one was with a company called Vector Graphic which was run by Lori Harp. It happened later that when IBM decided to build a PC, they bought the Vector Graphic machine, reverse engineered it, and there was our software. I remember vividly being at Comdex in Las Vegas in 1980 when Ron Roberts came out and said he had a message from on high. He said, "IBM called. They want our software. They got it out of this Vector Graphic machine." My reaction was, "You've got to be kidding!" At any rate, that was our first inkling of the IBM PC project. After we got back to Atlanta we immediately went down to Boca Raton and went through all the security screens and all that. We had a contract with them shortly after that and set up a secret room in our facility with shredders and whatnot and all kinds of nondisclosures and began developing a version of our software for the IBM PC announcement in 1981.

Johnson: What language was that written in?

Dyer: It was in Microsoft Basic. The Clerk software we developed was originally in COBOL, but somewhere along the way, about 1980, we realized that the packaged software opportunity apart from hardware was going to be the better way to go. So, we eventually phased this out and just converted everybody to Peachtree Software.

We also had a lot of problems with our vendors here. Perkin-Elmer had a great product, but we weren't a big enough revenue stream to them so that relationship soon ended. Fortunately, the packaged software business was taking off. There had been a lot of work done with Ed Roberts in terms of forming the Altair software distribution company which originally was an outgrowth of a computer store in Atlanta. John Hayes worked on that too. It eventually got moved out to Albuquerque. So there'd been some model for shrink-wrapped, packaged software going on in parallel with this which helped in what we were doing, and which.

Goodhew: Incidentally, I think Ed Roberts is one of the names that has unbelievably become lost in the business. I really believe he is the man who invented the microcomputer. Right?

Dyer: Oh, very much so. He was a country doctor in Cochran, Georgia, and he's a member of the Georgia Technology Hall of Fame, as are Bill and myself.

Goodhew: Getting him to come to the Hall of Fame ceremony was incredibly difficult. For years we tried to get him to come, and he said, "No, with what money I made out of that, I went back to medical, and I have a very nice practice down here and I'm not interested." But he put together the machine that Gates and others built their software around, the Altair. And, yet, if somebody said, "Who is the inventor of this thing?" He'd say, "Well, I'm more proud of how many babies I delivered last week."

Yost: How did you distribute your software then? Did you distribute it on punch paper tape or on cassettes?

Dyer: No, it was on eight-inch floppy disks.

Johnson: This is when you were selling shrink-wrapped software on the IBM platform, right?

Dyer: No, on pre-IBM platforms. Somewhere along the way, during this 1978 Labor Day agreement, we had a clock ticking; I think it was a year or something. The other guys—the store guys, which I will call TCS—had parallel ownership in the code as it existed at that moment in history. Then we divided the intellectual property going forward. Over the next year

or so, we made enormous progress with the software. We had put a lot more into it, maybe taken a lot more out of it. Anyhow, it didn't look much like it had when we split from them and we had quite a bit of money invested in developing it while they'd just had it sitting on the shelf. When their computer store business went under and their right to market Peachtree really ended, they started running ads saying that you could buy the complete Peachtree library with source code for $500. We tried to get an injunction against that just because they used our name, but we failed. They sold some number of copies, and we were very concerned about it at the time. But, as far as we could tell, it had no negative impact on our business because of the fact that we had much-improved software; we were supporting it; we had distribution; we had marketing. We had all the other things you needed. We had credibility with customers, which they didn't have.

Yost: What impact did the IBM deal have on your business?

Dyer: The IBM deal had a major impact because MSA had gone public somewhere in late 1980.

Goodhew: Sometime in early 1981 I got a message to go see Ben Dyer. Ben and I and John Imlay had all known each other through the Georgia Tech "mafia"—everybody knows everybody in Atlanta through Tech. And so I went to see Ben.

Johnson: What was your position at MSA?

Goodhew: I was running a development organization within MSA. At one time I was going to be in charge of acquisitions, but we didn't have any money to do that. MSA was privately held and we certainly weren't going to give away any stock. I was running what was called the cash management division—accounts receivable, accounts payable, and so on. I went a few blocks away to see a demo of the Peachtree product and sign all these nondisclosures, and I came back and I said, "You know, they've got this $750 product that does about 90% of what our $75,000 product does." And, actually, it was a lot easier to use, but it ran on this toy computer— the TRS80, their demo machine. It wasn't a competitor, but I figured we really ought to do something with them because what they'd done with toys was fascinating. So, I went back and related all this, and John said, "Well, that's interesting, but we're doing this IPO thing and we can't talk to anybody while we're doing that; if we do anything else we would have to disclose it." So MSA went public in April 1981, and we bought Peachtree in July 1981.

In 1980, Peachtree had done about $1.4 million in revenue, I think, and one of the earlier names you mentioned was the "KGB" project. We were talking about some sort of business relationship where we would pay for some equity, not necessarily buying the company but making an investment in it. We didn't want to know that it was IBM, and you couldn't say it was IBM. So,

you said KGB. And, of course, we knew. We said, "Well, what's the real name?" He said, "I can't tell you, but it's three letters. That's why we call it KGB." I knew it was IBM, but I didn't want to say so because then we'd have to pay a lot more. So I said, "Oh, NCR, right? NCR." They said, "No, no, not NCR."

Dyer:　　　　Anyway, that got MSA really interested in us since they had just gone public and were working hand in glove with IBM on everything. So, we were an important opportunity for them. And there were my venture capital investors who were still trying to figure out if this was a toy business or a real business and so forth. I began to think it might be a good time to sell the company. The investors said maybe we should consider that. We started negotiating and worked out a deal to sell the company on Memorial Day in 1981. I remember that because I had a child born in January of that year and her nanny had the day off. My wife at that time was in medical school and she was in the hospital working, so I took the baby to the meeting. So there I was, negotiating with Emily (???) and Ruth (???) and had my baby in my arm, and I was drawing all this out on the white board there. And the kid was pretty well behaved— just graduated from the University of Texas last year.

Harpst:　　　　One of the things that's probably hard to imagine is how this looks from the other side. We had around $30,000 in revenue that year. And here you guys have the IBM deal. Of course, we didn't know that in 1981. It scared us to death and we knew you were lots, lots bigger.

Goodhew:　　Yes, IBM announced the PC in about August or so.

Harpst:　　　　And then the acquisition by MSA.

Johnson:　　So, when did you actually start? When did your product come out?

TLB/Solomon Software

Harpst:　　　　We shipped in 1981. We bought a copy of TCS's source code, looked at the designs and then designed a new product and built it from the ground up, kind of like Russo's innovation was the memory-resident idea. We decided we'd integrate these more tightly than they had ever been and put it around a single database. It was really the beginning of client-server, because all of our processing took place in this one box.

Johnson:　　What was it written in?

Harpst: PL/1. Digital Research had some really nice languages back then and we used that one because we had used it in a mainframe world. And you could compile it. There's a technical reason for this – it allowed you to have a piece of code in memory that was shared by all the modules, and then you compiled these small chunks in overlays. Every menu selection was maybe 4K, and you were driving yourself nuts trying to fit in a 64K space back then. Here we had this huge accounting system and our goal was to fit all the programs on one floppy and all the data on another.

Johnson: You were writing on the PC with the two floppies?

Harpst: There were no hard drives. But, to come back to this setting, observing what had happened here from the other side. MSA buys Peachtree. They're a big company, a public company. And, over and over you find yourself in this industry having to separate the truth from perception.

Johnson: What was the financing when you got started?

Harpst: In the state of Ohio you could do private offers. You could do offerings very quickly and easily, as long as you kept it within the state. In no time, we just put together this offering and sold it to local investors. We never did go to venture capitalists because of the constraints attached to them. We did a joint venture, a class B stock offering, a class A stock offering, two limited partnerships and two R&D partnerships in 10 years. We managed to keep hold of all the equity by doing all that.

Johnson: How much money did you raise?

Harpst: Probably about $2 million over a 10-year period—maybe $3 million.

Goodhew: Peachtree got a lot more financing by virtue of being part of MSA, obviously. We had a genius marketing guy we'd been using named Julian Puckett who's still in Atlanta, and he really helped a lot in dressing up our image. He came up with a more realistic-looking Peach logo and the caliber of artwork that was done was way ahead of what everybody else was doing at the time—way ahead.

Harpst: I'm not sure it was good business from MSA's standpoint because I think MSA probably spent about $10 million building this brand name. But it eventually paid great dividends for the subsequent owners of Peachtree Software.

Goodhew: From a market valuation standpoint of MSA, this did enormous things for the stock. Although for the bottom line, it maybe didn't do anything. But at the same time we brought Peachtree, our market value went up much more than what we paid for it.

Dyer: It's a good point. It was a huge multiple there for MSA.

Goodhew: From the stock shareholders' standpoint—which is all that counts, right?—it was a good deal. Interestingly enough, when we sold Peachtree, the market cap for MSA went up again.

Ensmenger: What were the terms of the acquisition?

Goodhew: It was about $5.5 million in stock, and the stock immediately went up quite a bit and continued, fortunately, over the next couple of years. It seems like peanuts now, but that turned out to be a good deal relative to that era.

Ensmenger: What was your IBM deal like?

Goodhew: We got about a quarter million dollars up front and then it was based on royalties from a certain number of units. We got a lot of royalties from that; I forget the total revenue. I think Peachtree probably did about $3 million in 1981, about $10 million in 1982. We grew pretty fast, and we were also involved in a word processing product called Magic Wand out of Houston which became Peach Text 5000. We sold a lot of that, too, and I think we may have missed a greater opportunity by not really focusing on that product. It was a very good product—much better than WordStar. I'm sorry Seymour Rubinstein is not here in this room, but I think we had a technological advantage at the time, although we also really put marketing muscle behind that product.

Johnson: Gary, you were saying earlier that you were looking at this deal from the outside. So, what did you do? You saw this big company. What was the pricing compared to where you were and how did you compete against that?

Harpst: With some of the subsequent events that took place, Solomon really couldn't compete. We were just forming our product, and we had no concept of marketing or channel development; we were all developers. And, I kid you not, we literally finished the code in April 1981, turned to each other, and said, "Now what?" I mean, we had no idea.

Ensmenger: You all came out of an IT department?

Harpst: We were developers. We were technologists.

Ensmenger: Engineers, right.

Harpst: We had two clients who paid us—I'll never forget the very first client. We told him our idea for this business, and we agreed to develop an accounting system from scratch for him. He had racehorses, believe it or not. We agreed for $15,000 to build a whole eight-module system, and he gave us half of the money up front —didn't know us from Adam. It was amazing to me that a guy would do that. So, we took a copy of the TCS code, looked at it from a design point of view, and said, "Okay. What should our accounts payable do; what should accounts receivable do?"— just basic design checks. We put together a design literally in 30 days and then two developers wrote 40,000 lines of PL/1 for it in six months. We installed it for the first time the next April and it had a little horse module in it so we could test it.

Later, we got in the car and drove to Boston. There was a company called CSSN. Has anybody ever heard of that? They were on the square in Boston. I remember going up there but I have no idea what happened to it. On the way back, we stopped at Life Boat, a mail-order group in New York—I mean, we were clueless. And we drove back from New York. We threw all our stuff in the trunk of a car and we happened to have an S100 bus. Anyway, we knew that S100 was in Ithaca, New York, so we said, "Well, why don't we drive by there on the way home?" And we literally just drove up, knocked on the door and Otis Page—anybody remember him? He was a big guy in the hard-drive business in a prior life—said, "Well, if you're flakey enough to drive out here, I'm flakey enough to talk to you." I remember him saying that. We had lunch and talked about a distribution deal with hardware, which never did anything.

And then the IBM PC came out a year later. And because we were developers we thought, boy, all this memory constraint has been lifted, this is great! So we started building a whole brand-new system from scratch in C because we know how to develop—we didn't know how to market. We built the first C-based accounting system, and it was a little bit Lotus-like in the sense that we didn't invent accounting, but we did build the first system that was totally optimized for 640K. We used up all that space and truly had a next-generation kind of product in the accounting space, and that became the anchor of our business.

Retail Channels and Marketing

One of the things I want to talk about was the power of PR. In 1984, *PC Magazine*, which was very widely read, started a series of articles on accounting software. They were published once a month at the time. And they did 10 articles.

Goodhew: Price Waterhouse was doing the articles.

Harpst: Yes, Price Waterhouse, a credible name in accounting, did 10 product reviews, which had started the previous April or March. We happened to be the last one done just as we finished this totally optimized accounting product for the PC. The headline of that article, which came out around January 1985, said something about how our product was the most advanced or most powerful accounting PC-based software. Well, we couldn't have written it better ourselves. And, our sales—from January to March—went from $150,000 to $500,000 a month.

Johnson: We had the same effect with PR.

Harpst: It's amazing. You know, the advertising was a waste of money, and $50,000 brochures were a waste of money. At least it was for us.

Johnson: And you were selling through retail channels?

Harpst: There was a group called IMS America that did retail channel research. It was about the only quantitative true research there was at the time. They would survey retail stores and see what the inventory flow was. In one year in their survey we made amazing gains because of that *PC Magazine* article. And Peachtree in 1984 was the leader in that space but they dropped to half. When did MSA sell Peachtree?

Goodhew: In 1985.

Harpst: So in 1985, all of that turmoil was happening. Your presence in retail space was dropping, according to this measure.

Goodhew: That was definitely true.

Harpst: Fifty percent of our business was through retail stores then, and I don't remember the timing exactly, but then came BusinessLand, ComputerLand, and MicroAge. And, *PC Magazine* really fit into that retail mentality. People didn't know what to buy. There were probably 40 accounting software vendors and people would just walk in and make a retail purchase on accounting, but that gradually changed. By the end of the decade there were almost no retail sales of accounting. Then it was VAR-based – at our price point not theirs – absolutely.

Goodhew: Price points really define a different channel because at $5,000 for a suite of applications, dealers could afford to deal with it. But at $99 or $199—a dealer didn't really want that unless he just had the software; storing it and people picking it up off the shelf were possible, but not consultative-type sales at that price. The channels diverged and Peachtree

was in the retail channel. These other guys went through VARs, which is like retail but really not.

Harpst: We worked in a lot of bundling deals all through that time. Right after IBM we did bundling deals with Hewlett-Packard and a number of other companies.

Goodhew: And made another deal with Epson.

Harpst: Oh, we had a great deal with Epson. It was just that there were a lot of channels—we seemed to thrive on the confusion of the channels, and we weren't too concerned about trying to get it organized because it was working, and we just took whatever was available.

Well, right about that time—after this *PC Magazine* article when IBM came calling on us—and we remembered your great success—we thought we finally hit the big time – now IBM wants to talk to us. They made us install locks on our back room and put screens around the computer and so on. They were developing a brand-new computer that was a RISC-based machine, the IBM RT. It was a Unix-based solution and we were written in C. That's the reason we switched to C from PL/1, by the way. We wanted it to be portable to other operating systems—there were 80 clones at the time. So we diverted very valuable resources—we jumped through every hoop IBM asked for so we could crash-code this thing for the RT announcement. After all that, we only shipped a total of 11 systems.

Timeslips

Russo: I wanted to make a point about something Gary said which was so significant that it changed our business; that was the effect of PR. We were relatively unknown. We were selling maybe seven or eight copies of Timeslips a week—we were still in the PC market and just venturing into the legal market. We never told the general market that we were not a general-purpose product; we simply focused our attention on the legal market because it was cheaper to market there.

We sent review copies off to all the magazines, and there was a product at the time I think called Software Carousel. *InfoWorld* at the time was into checkmarks of products in a big way. They'd come down with their blessing via checkmarks and ratings—if they blessed you, you lived; if they didn't, you died. *InfoWorld* took the Software Carousel company and totally destroyed it with something like a 4.1 rating. And we liked the product; we thought it was really cool. So when we found out that *InfoWorld* was reviewing Timeslips, we were terrified. In fact, we tried at one point to get it back from them. But when the review came out, in February 1986, we were rated 9.3 by *InfoWorld*, which was the highest they had ever rated any other software

product. We were blown away. And our sales went from 6 or 7 packages a week to 1,500 copies in about 6 weeks.

All of a sudden we were getting calls from people we'd never heard of, like DistributePro; all of the big distributors all over the country were now looking to carry the product. The biggest thing that happened was that a woman who said she was responsible for purchasing this type of software program for a new chain of software stores called Egghead Discount Software called about six months later and said, "We'd like to carry your product. How much is it?" And—it was $99 at the time—I said, "It's $199.95." And she said, "Well, great, because I just want to let you know that we must have a 50 percent discount." I said, "I might be able to work that out for you." So, at that moment in time, the new price of Timeslips became $199.95. Egghead placed an order for 500 copies. We had never seen anything that big at the time; it was staggering to our whole company.

And I was afraid that my partner was going to leave the business because we both had different objectives. My partner Neil – his family is very wealthy, which I didn't know about him when he became my partner – was just my next-door neighbor at the time. Yet, when we sat down and talked about our objectives for this business, he said, "My objective is to show the world that I am worth something, that I can do something important." But Neil not only continued with Timeslips but worked harder than I did. He stayed with the company right through to the end when we sold it to Sage, and then right through to the last day of the buyout, when he retired.

But the fact is, if it were not for that first article, which started a floodgate of very positive PR— articles and awards—the success wouldn't have happened.

Johnson: From the perspective of somebody who was in the mainframe market selling to data processing people, was the situation with trade magazines and PR customary? Customers had their ways of doing an analysis; they had their standards for how they would look at software they were looking for, and the criteria for deciding how they were going to buy a particular product.

Russo: Analysis paralysis.

Johnson: Exactly. But it sounds like in the case where you're selling to end users, they don't know what to do. So, they're very dependent on a source like *InfoWorld* or *PC Magazine*.

Russo: Yes, but I'm assuming that certainly Gary and Bill and you guys knew about accounting software. We didn't. We didn't know anything about time and billing software; we just created a little tracking tool. One of the things we did is that we went to the Boston Computer Society, which then had a program of loaning software out. So we borrowed a dozen of these

high-end billing systems, and found that literally they were all written either in COBOL or Basic. What I did is I Scotch-taped six pages of 8 1/2 by 11-inch sheets together, and I built a feature matrix of these products. Then I asked people on a CompuServe legal forum what features would be important to them if they were buying a time and billing system. That's how we came up with the original features of Timeslips. So, original market research really was a result of having things like CompuServe available.

Changes in the Distribution Channels

Johnson: Talk a little bit about the whole image of the industry—for example, MSA bought a PC accounting product and had no idea what to do with it. Tell us a little bit about the inside scoop there.

Russo: At the same time, I remember that IBM now had shipped its PC. And, when IBM says this is a business, then this was a business. There was a question before, I think, as to whether this was the case because there were no killer apps. Until VisiCalc came along, there was no real reason to use a computer other than for its being a sort of effective playback. But when IBM said that there is a microcomputer business and we're in it, then that validated the whole thing. And when MSA was the key player in mainframe accounting software, that meant that accounting software is here for real. With Peachtree, that made a software business.

Dyer: As Bill said, putting IBM, Peachtree, and MSA together made all the difference in the world. A year or two earlier, say 1981, some of the machines geared for Peachtree software were Altos, Archive, CPT, Cromemco, and SST Athena.

Goodhew: It's kind of funny to go back and look at the companies that came and went out of business, and you realize how dramatically the industry changed once IBM came along and legitimized it.

Dyer: But at the time it was very unclear as to how retail computer software was going to be distributed. Macy's had a software department at one time at its Atlanta store, called Rich's. We thought maybe we should sell through a department store. At the beginning we thought, well, if IBM is going to distribute software, then everybody's going go through the hardware vendors. Peachtree was even doing conversions to run on other machines – the Texas Instruments machine and others – which all had slightly different versions of MS/DOS, just like they had very different versions of CP/M. So you really couldn't have one SKU in a store that was Peachtree. You had to have one for this machine, one for that machine, and one for the other machine. There was a real shelf space problem, but the price points were strong enough. We didn't know how it would turn out. We thought maybe it would end up being like book stores—when books don't sell, the covers are torn off and sent back. Well, we don't do

returns. MSA was horrified by the chance of something that was sold becoming unsold because they never had that happen. All these factors were manufacturer threats. And then the distributors became, in effect, lords of the manor. Whatever Softsell said was what everybody did. Another distribution company came out of the book publishing business and had enormous financial resources.

It became clear how software was going to be sold because all the distributors were not much of a factor anymore. It's very different now, but then it was a big quandary. We spent a lot of money on ports for people who bought $1 million worth of software and put it in a warehouse. And we manufactured it – documentation, slip cases, everything – and never sold one, never shipped one, never bundled them up. And, that's what they did. It turned out that they were irritating the channel if they bundled the software. So, they left it in the warehouse until later on when they wanted to send it back to us.

Now, it seems obvious: When you know where the needle is in the haystack, that's where you should have looked to begin with. Why did you waste time looking all over? That's where the niche was, but we didn't know it. So while we were busy doing ports and big deals, other people were improving their products like Gary talked about. And pretty soon, after Ben left in fall 1983 to start another company – which is a story in itself – MSA was left to try to decide what they were supposed to do with this thing. MCA was losing a lot of money and decided to sell it, which they did in early 1985. By then I was the general manager within MSA so I got sold along with it to Intelligent Systems – which is still a public company – for $1.1 million. This was a company that just recently had been losing money and then it made all the money because of the sale.

We had an English guy who was brought in and was not successful there—John Hale. I had a very attractive saleswoman who was managing all the national accounts. The first thing John Hale said to her when he was brought in was, "Why are you working? You have a husband." She didn't stay too long after that; it had a major impact on the company sales when she left. It just could not have been a worse move, and I was in the wrong coach at the wrong time, I guess, before Bill came into the picture.

Goodhew: So when we got sold, we went to Talcott Systems, which was a very low overhead kind of operation. We moved out of our fancy Lenox Square, $20-a-foot space, down to the $1.85-a-foot space out in Norcross in a warehouse with no windows—you'd call somebody to ask if it was raining and all. But our overhead went down, and we got very competitive costwise, although our sales had really dropped off and we weren't getting national deals anymore. The hardware vendors realized they couldn't sell software, so they stopped buying it from us. We had a plan that we sold to Intelligent Systems on why they should buy this and which involved a product called Back to Basics, a software system we bought from a couple of guys in California. It was written in Forth, a language for games. It wasn't very good at file

handling, but it would run on many computers. Nobody wanted to stock five different versions of Peachtree; they would rather have one that ran on a lot of different computers. We came up with a lowest-common-denominator package that would run on the Commodore. We had a version for the Commodore 64, the Atari 800, the Apple II, the Apple III, the Lisa, the Macintosh.

Competition with DacEasy

To address the SKU problem, we went to Back to Basics. At about the time we got going with Back to Basics, we had a royalty deal which was very much like the one that Dan Fylstra has described. We had a bad, unworkable royalty deal. But about the time we were ready to go with Back to Basics – we had four modules – DAC came out with DacEasy; they had eight modules and they were selling the whole thing for $79.95. This was not inconsequential software—it was very adequate accounting. That threw us all into a tailspin and the board at Intelligent Systems said, "We've made a bad deal buying this company. Let's try to give it back to MSA; there must be a loophole in there somewhere." But by the time they realized how bad it was, we had another plan. The plan was that the Achilles heel for DacEasy was that it was a $79 product. So in people's minds, it was a cheap price and cheap software. We had a product that theoretically was about $795 per module, or $6,400 for eight modules—of course nobody ever bought it all for this price. So we reduced the price to $200, and that was a value, because we'd said we had sold tens of thousands of copies at $6,400, and now people could buy exactly the same product all in one box, with all these disks and all these manuals for only $200.

And that was where advertising did work. I learned the hard way that you don't advertise until you can ship. I've heard so many people announce that their product is ready and they run an ad in a magazine for many months in advance. But for whatever reason the product is actually not available, and the advertising's all wasted. So I made sure I waited until I had the product in my hands—turned out the only advertising we could really buy quickly was in a newspaper. *The Wall Street Journal* had these special sections, and one of them was on computing in the home. The section had a shelf life of about a week, whereas a regular newspaper lasted only a day and you could buy the ad just a few days in advance. So that's what we did—we paid $10,800 for a full-page ad, which was kind of scary.

The next morning I came into the office and all the lights were lit up on the phone. We started answering the phone and by noon we'd paid for the ad. And the ball just kept rolling. It turned out that $200 was a very attractive price point. We sold support contracts—we could afford the support—and got to where the SKU costs came down. We got it all on a few disks and combined the documentation. We successfully outmaneuvered DAC because we had a credible bargain value offering. There's room for about two vendors at a new price point. After that you become number three and number four. So we got in at number two, just like many others have

gotten in at number two and slipped their way up to number one, and it was a great turnaround for us. Then, Quicken came over the horizon with their huge marketing power.

Timeslips' Explosive Growth

Russo: At about the same time, just as Bill was measuring the price point, we really started to get into gear. We had a little different experience. We were well-known in the PC market but we didn't have as much presence in the legal market as we thought we had. So we took out a full-page ad in the *APA Journal*. The salesman had told us in advance, "Don't expect anything from the first two ads, but the third ad is going to be the big one." We spent around $15,000 for those three. We figured if we didn't sell enough software, we would just have to tell them and say, "Sorry, the advertising didn't work." What happened was that our first ad did okay, and the second ad did a little bit more, but nothing significant. The third ad ran. We were waiting and when the issue came out, basically it did very little and we were very disappointed. We called the editor and we said, "Sorry, but it didn't work and we're going to pull it out of the magazine." And the editor said, "What do you mean, pull it out? The fourth ad is already printed." I said, "What do you mean? We just got the third magazine." He said, "No, the fourth issue has already gone to press, and your ad is in there."

We were in a panic because we couldn't even pay for the first three. But unbeknownst to us, there was one individual who stood up in front of the APA convention, held up that fourth ad and said, "This is the future of software and computing." At that moment in time he saw the future as we did, saying "Lawyers, you're all going to have computers on your desks," and everyone said, "No, no, we don't touch keyboards. Those are for secretaries."

Dyer: Real men don't key.

Russo: Exactly. And, yet, this man was saying, "The future will be attorneys working interactively on their own cases." We didn't know this when that fourth ad ran. The fourth ad hit and we were inundated. Here's how that happened: We had two fax machines for people to fax in their orders for upgrades. We almost never published the fax number—the lady who sold us our fax machine had brought a roll of paper and when we asked, "Where do we buy the paper?" she said, "You don't need it. Don't worry. You'll never even finish the roll." That was mainly because the fax machine cost $2,000 at the time and nobody was typically faxing. Well, after that fourth ad ran—it must have been 8:30 in the morning when we arrived at the office and both fax machines were out of paper and there were all these orders scattered on the floor. Next thing you know, just like Bill described, the phones lit up. The mail sacks started coming three days later—just *sacks* of orders from lawyers.

That was when we realized the power of advertising. But we went one step further. Richard Rabins, who was the founder and president of Alpha Software, had done a lot of direct mail, and we followed suit. We started doing direct mail at a level that no other software company had ever done except Alpha. We were dropping a few hundred thousand direct mail letters a month and getting amazing results. We just kept doing it and the results kept getting better. Recipients were seeing the ads which we referred to in the direct mail. On top of that, the PR was still rolling in. All of a sudden people seemed to think we were like the biggest company in the world. People actually thought Timeslips was a $100 million company or something. At the time we were maybe a $3.5 million company. What was exciting was seeing everything happen at once—watching the changes, first in the industry and eventually in accounting where people began to use computers on their desk instead of relegating them to the back room.

Managing the Development Staff

Johnson: Nathan had a question earlier that deals with his special area of interest about the staffing.

Ensmenger: Well, Gary mentioned that he was a developer, but the problem of finding good developers is persistent throughout the software industry. I was curious about where you found developers. Were they programmers with experience in other industries? Were they hobbyists? How did you deal with that? Most of you sound as if you're not coming from the mainframe industry, with one exception. How did you deal with the management problems as software development got to be larger and larger? If it were just the four of you, that would be one thing, but when it's 50 developers it's quite a different thing. How did you address that? Or, maybe it wasn't the problem that it is in the mainframe area.

Harpst: On our side, in the early years there weren't any experts. There were people who knew about mainframe software development but, in a way, that was almost a liability. So as Bill mentioned, until the PC came out and became a real business, there was probably a three- or four-year period when if you were working with microcomputers you did it just because you were interested, like the person you mentioned. You just had this passion for it; you weren't really in a business. That changed by the mid-1980s at the professional level—people wanted to make a profession in that space. We were growing so fast right in the mid-1980s that our development team got so big we didn't feel like we knew how to manage it. One of the many bone-headed decisions I made in my life was to bring Coopers and Lybrand in around then to help us get our development organization act together. We spent a quarter of a million dollars with these guys— to us that was a fortune. What we learned by the end of that period was that they didn't know any more about managing an organization than we did, and we'd burned up all that money. I would characterize the 1980s as a time of reacting to technology. Then, as we got into the

1990s, you really had to know the business processes, and we began to go much deeper into product functionality, which was a big change.

Dyer: We had programmers fresh out of MIS programs at Georgia Tech and Georgia State in Atlanta, and we had people who had some background with minicomputers, and we brought in a real strong development manager. You tend to forget how difficult it was, now looking back on it, but at the time, development was fairly perilous because you were dependent on every individual doing his or her job, and they were all kind of learning it on the fly. Some of them worked out and some didn't. It's a difficult process to manage.

Goodhew: The industry developed rapidly because computing became so ubiquitous. Machines were all over. A lot of development tools came along and made things easier. Pretty soon a PC programmer was much more productive than a mainframe programmer. But, at the same time, development was harder to coordinate because programmers could do an awful lot by themselves, so you'd have all these versions of the code base scattered around. And when it came time to put it all together and test it, it was hard because it was like assembling a moving train.

Russo: Our experience was in keeping with Bill's experience. Neil, my partner at Timeslips, wrote the entire product for the first two and a half years, and he refused to let go of it. The problem was that I was afraid that I was not adequately trained. The company was tripling in size, and people were telling me, "You know, you've got to find somebody to sit next to him."

We hired a young man out of technical school—a DeVry Tech type of a school. And we got lucky. He turned out to produce millions in profit even though socially he was like many programmers at the time. You know—trying to have a regular conversation with him could be tricky—but he was an amazing programmer. By the time we sold the company, there were 11 people working on Timeslips software. And Neil had never managed a software project before that. Even though originally it was his job to run the development department, at one point he came to me and said, "Look, I'm in over my head. We probably need a full-time professional manager." I was unsure what to do and didn't know about finance.

We wrote an ad and put it in the *Boston Globe* and got a number of people who applied for the position. One in particular was a program manager for AT&T with 15 years of professional program management skill under his belt. He came in and turned the whole thing around. At first it really slowed things down because everybody was complaining—they now had to check modules in and out before they could work on them, and that was a pain. But he really brought a sense of systems to the company. I can't tell you how many times we'd had an individual programmer's hard drive crash and we'd lose weeks of work because he just never backed it

up. So now we had our first backup regimen and enforced rules about how to back up our hard drives using tape systems and having a specific place to take the tapes. It was enlightening and helped form the company's development to have that person there.

Providing Software Support

Johnson: Talk about how you supported the software at the price point. In mainframe software that support was not only crucial to selling it in the first place, but for most mainframe software companies, support became the major revenue stream. Maintenance contracts just went on and on. How did you deal with customer support at lower prices?

Russo: We started support contracts in about 1984, I think, and it turned out to be just as you'd described—it was the most steady revenue source we had. In the first ten years, I think we installed about 50,000 sites. So, if we could get a couple hundred dollars per site per year, it became a very dependable stream. Managing a support center presented us with a significant logistics issue with a different set of challenges that required systematic approaches and so on. Eventually, we outgrew the unstructured approach. It was a pretty big challenge for us at certain times. We'd do a version release, like Bill says, and all of a sudden we'd get, well, in your case, probably hundreds of thousands of people using it. In our case, maybe 10,000 people upgraded in a 90-day period, and if there was a bug in one of those disks we sent out, we'd get flooded in support. And, there were always bugs.

Johnson: How did you cover all those loopholes?

Goodhew: We learned early on that we had to have a different set of people doing support versus developers.

Johnson: When you experienced the flood of calls that came in after a release went out, how did you keep that staffing level? How did you deal with these peaks and valleys?

Goodhew: At Peachtree we developed a system called authorized support centers, and we had dealers who were like Gary's dealers in that they really understood the product—they did a consultative sale. Or, if somebody was buying in a retail store, then they would go to one of these guys who would come out and help solve the problem. We called around 150 of these dealers into Atlanta, and about 85 of them agreed to become authorized support centers. What that meant was we gave them some special data as fast as we got it when we fixed bugs. And, whenever we had too many customer calls, we started diverting them to the support center person who charged the customers directly at maybe $60 an hour or something. The support person was right in town and could go to the customer's office. We had two in the downtown

Boston area and one on Route 128, and we had local support everywhere in the country. These guys came to Atlanta every year for a three-day conference and training programs.

John Landry had a comment, which was frequently quoted, about great products coming from a great programmer sitting in a garage somewhere. At that time Landry was talking about, great products were developed when a person—a programmer—could understand an application and then, with just himself and maybe one or two other people, develop a really great product for that application. But the environment got to where you couldn't do that anymore. Things were getting too complicated, and customers expected a much higher level of feature content in a product. And then you had other great products that came about through the interface of technical people who knew what could be done with a computer, and application people who knew – or thought they knew – what customers needed.

So the whole process of how software was developed evolved. Landry was right at the time, but things changed. We got to the point where Microsoft and Intuit and others really exploited the belief that companies needed to do market research to find out what people wanted because somebody once said, "Listen to your customers and they'll tell you what they need." That is baloney. Customers don't know exactly what they need—and Landry said this, too. He said, "Customers are incrementalists. They don't tell you what you really need to do to improve your product; it's 'well, add this; add that.'"

Customers are so caught up in the middle of doing their jobs that they can't tell you how to make a product or improve your product. So you look at what they're doing and then talk to them. You go out and look at the field. Microsoft raised that approach to a whole new level. The whole product development business became very different. It happened almost like it did with hardware. Bill Gates said once, "Who would ever need more than 64K? You can do anything in the world that anybody ever wants with 64K." Well, the hardware got more powerful, so the software caught up with it quickly, and then people began utilizing all that capability. Same thing in programs and application software – we began doing more and more things with it. And now, coming out with a new product—you can't, in effect, give birth to babies anymore. To keep that analogy: New products have got to be about 21 years old—extremely robust—and that's a whole different process. Fortunately, the tools keep up, too. We can crank out code now in a much shorter length of time, and it's much easier to document and much easier to work with.

Russo: When we did support, probably like all of you guys did, we charged for it. At one point we developed a support crisis because we were unable to support the number of users we had. And we tried to get some of our customers enrolled to do support for us. That was a terrible failure, by the way, because they had no business supporting software—they were too busy doing their job.

What eventually happened was one day I basically said to my staff, "Why don't we get them to pay us to do support for us?" My idea was that if we create a test and make the test really, really hard, everybody would probably fail at first but eventually pass, and we'd call it the "Certified Consultants Program." So in 1987 we did that, and over the course of a year, we enrolled 350 people into this program. We had symposiums every year, and the upshot was we had all these certified consultants come down, and at the end of four years, the certified consultant channel for us had taken 20 percent of our support calls away from us and had increased the sales by about 18 to 25 percent. On top of that, they were paying us maybe $1,000 a year to be in the program and become certified on the product. Later, that same program was started at many of the other companies. It was the most successful support we ever had.

Marketing Changes

Dyer:	Before we wrap up, there was one topic we didn't get to yet, and I just wanted to touch on it. In the sales channel in the 1980s, the father of one of our marketing people was in pharmaceuticals, and he made the analogy that as the price points in software went up, influencers on the product's sale became more important than the channel it was sold through. He used that analogy for accountants and pharmaceutical sales saying, in effect, "You don't go to your pharmacist to decide what medicine to buy; you go to your doctor." That began a major push in the mid-1980s to focus on the CPA channel as recommenders and key influencers. Instead of going to the retail store and asking a high school student what they should buy for accounting, customers began asking their CPAs, "What do you know about the accounting program and what have you heard of?" It was like the guy standing up at the lawyers' association. People wanted the equivalent of that going on in the CPA community. That frankly launched a whole series of marketing programs in the last half of the nineteen eighties.

Johnson:	We were marketing to the influencers.

Dyer:	Absolutely. I just wanted to mention that.

Goodhew:	With the mainframe, you'd market to the Gartner Group and all those guys who knew the industry. But with microcomputers, we had all these magazine people who in some cases were paid, say, $300 to do an evaluation, although they didn't do much. In a way, it was just terrible. I mean, they hardly skimmed it. Accounting wasn't like a word processor where you can just sit down and write something with it and see how it works. You've got to build a database and do something with it and understand what you're doing. So, some of the reviews were meaningless unless the review was done for *PC Magazine*. That was very high-quality stuff, and they got paid well for it, I guess. Anyhow, that's how the feature wars got going: "I'll match your two features and raise you two more features" type of thing.

Dyer: You know, we're in here—Softletter—where people reported their sales.

Harpst: We're not on the list. I remember very distinctly having this conversation with Jeff Tarter and I said, "Well, this is a bunch of lies. These numbers are not right." And, my choice was to tell the truth and be fourteenth on the list, or lie like everybody else. We chose not to be in it. I said, "I just won't participate. I'm not going to give you false numbers, and I know for a fact that some of the players that have given you numbers here are not anywhere near what they told you."

Russo: When it came to Timeslips, we were invisible to most of the world, and when we showed up on that list, all of a sudden we were going to be targeted as a competitor. We tried to stay off certain types of these lists because I never wanted anyone to know how big we were.

Yost: An interesting question for all of you is why in the 1980s there were no $100 million accounting software companies created. There were several $100 million other kinds of companies created in the microcomputer industry, but not for accounting software. Accounting software companies all seemed to be around the $20 million or $25 million size by the end of the 1980s. But there were several hundred-million-dollar word processing and spreadsheet companies.

Dyer: They were horizontal.

Harpst: Have you considered personal finance stuff like in Continental Software?

Dyer: Continental, yes, that was the first one.

Goodhew: We considered personal finance, but by then Intuit was a very strong player. And, Computer Associates—they had just done this program where they gave away 100,000 copies because they had an upgrade coming out—but anyway it turned out to be a disaster.

We thought we would be entering the market with a much stronger player, but that turned out to be a mistake because a lot of Intuit's customers for their accounting products really began with a personal software product. Customers might use the personal software themselves, and in every package there was an ad for the accounting product. So Intuit got instant distribution, instant credibility. They did a great marketing job coming from personal software, and we should have done the same. We should have gotten out there and competed. And, we could have; there were some products we could have bought. But, like Dan said, although eventually we would have gotten killed by Microsoft, going into word processing would have been a much better place for Peachtree even though it wasn't WYSIWYG, which was the big deal. With the

original word processing products, on the screen if you wanted to put something in italics, you put in code: open parenthesis, 781, and close parenthesis in front of a phrase, and then the same thing with 782 at the end. The computer knew when it printed it out that that was supposed to be in italics, but you didn't see it. A person who was doing documents just knew all of these things and didn't even think about it; he just keyed it all in.

WYSIWYG totally changed the world because everybody now could see what they were getting, and you had to have a whole different program to work that way because now your printing on the screen was very different, and that might have killed us in word processing. But, word processing, because it's a horizontal market, would have been much better than accounting.

Dyer: But, accounting is stable, and you'd hardly ever lose a customer because it's so much trouble to get installed and get going. Unless you really have a big problem, you don't change vendors. And the support revenue was really good.

Goodhew: Support revenue can be very good although the right way to sell software is an annual license to use the product. We didn't ever do that because we thought that if people didn't have to pay a lot of money up front, they would quit using it; it would be easy for someone to steal them away. And we had all these development costs. We needed some $1 million payments in the mainframe because we had $100 million in development here. It would have been better if public financing was available and we charged an annual license fee. Then we'd have had lots of motivation to keep the product the coolest ever because we would lose the customer if we didn't. In accounting, the difficulty of implementation would have made a difference.

Johnson: It's one of the most fascinating subjects. Accounting is one of the most boring topics, but if you look at the session on accounting that we did at that ADAPSO Reunion in May 2002, the amount of time, effort, and intellectual energy that software executives had to put in to understand accounting was amazing, because the accounting systems were just not structured to deal with this kind of product. That's one of the areas that a trade association like ADAPSO really contributed to.

Goodhew: One of the good reasons for joining ADAPSO was that you received this manual of contract documents—sample contracts that you could use, like how you'd contract with a developer who was doing work for hire or royalty kinds of things, and all that. It was well worth the price of admission. So trade associations played a big part in the industry.

Johnson: Thank you so much.