PC Software Workshop: Marketing and Sales

Moderator:
Ed Bride

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PC Software: Marketing and Sales

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Abstract: Participants discuss how software products were initially marketed in the late 1970s and 1980s, including special programs for the marketing of VisiCalc, WordStar and Peachtree. They identify the differences between marketing a specific product and the need to sell customers on an overall product category. They talk about their use of PR in the trade journals and how they used the various trade shows, especially COMDEX, to promote their products. They also discuss why the initial software publishing model was not effective and how the distribution channels changed over time.

Participants:

Name	**Prior Affiliation**
Ed Bride	Moderator, Software Magazine
Eric Bender	Journalist
John Brackett	College of Engineering, Boston Univ., Softech
Barbara Brizdle	
Ben Dyer	Peachtree
Dan Fylstra	VisiCorp
Connie Galley	tsi
Bill Goodhew	MSA/Peachtree
Adam Green	Adam Green Consulting
David Grier	IEEE Annals
Michael Kolowich	Lotus, PC Computing magazine
Christopher Morgan	Lotus
Seymour Rubinstein	MicroPro
John Toole	Computer History Museum
Jeffrey Tarter	Softletter
Janet Abbate	Virginia Tech, historian
Michael Mahoney	Princeton University, historian

Ed Bride: Welcome. My name is Ed Bride, and I'm moderator of the session for this afternoon, but I'm thinking that the main work is going to be done by all of you pioneers and by the historians whose job it is to make sure that questions are probing and deep and interesting.

And since there are so many of us, I think it would be a good idea to go around the table and say who we are and who we used to be. I mean, it is history, right?

Introductions

Ed Bride: My background is that I was with *Software Magazine* for many years*.*

Chris Morgan: I used to be V.P. of Communications for Lotus. And, before that, I was Editor of *Byte Magazine*.

John Toole: I'm with the Computer History Museum. I'm here to just listen but I've also been in the industry, myself.

Seymour Rubinstein: I did the WordStar thing.

Jeff Tarter: I'm the Editor of Softletter, and I haven't had a promotion in 20 years. So I'm still doing the same thing, God help us.

Adam Green: I used to write books and teach seminars on dBase.

Bill Goodhew: I did Peachtree Software for many years.

David Grier: I'm the Editor of the IEEE Annals.

Dan Fylstra: I started VisiCorp and I had something to do with marketing a spreadsheet. [Laughter]

Barbara Brizdle: I worked in the time-sharing industry for many years.

Michael Mahoney: I'm a historian, currently at Princeton University.

Michael Kolowich: I was Corporate Vice President of Marketing at Lotus, and subsequently Founding Publisher of *PC Computing Magazine*.

John Brackett: In my first incarnation, I was one of the founders of a company called Softech, which was the first big software company in the business of producing software with the p-System of UCSD Pascal. After that, I went to InfoCom, which was a leader in computer games for a while, and I was involved with the first business product which learned a lot from Lotus' marketing effort.

Janet Abbate: I'm Janet Abbate. I'm a historian at Virginia Tech.

Eric Bender: I'm a journalist, and I used to write about the industry.

Bride: Let's get started. I was in the VisiCalc section this morning which was rather unstructured in one way, but well structured in another because there was a focus on a company, two companies in reality, and a product. So we were able to target in on the history of the creation and the marketing of one software product. This afternoon we're talking about the marketing and sales issues for many software products; we want to find out what things we have in common and what things we might have done differently. If either of the historians has a particular question that you'd like to address to this group, that would be a good way to start.

And since there are so many of you, I'm going to ask that you identify yourself at least the first couple of times you speak to aid the transcription. Janet, do you have a question?

Selling a Product vs. Selling a Product Category

Abbate: I'll toss this one out. When you were marketing your products, did you feel that you had to sell the category, or just your product in it?

Bride: I would like to suggest that Dan, Seymour, Chris and Michael address that, and then the others can participate because it really picks up on so much of what we did this morning.

Fylstra: I would say that we certainly had to sell the category. Spreadsheets were a completely new category. In a very real sense, I think we had to sell or help sell the whole idea of using a personal computer, and that with this software you could solve certain kinds of business problems. I talked a lot this morning about putting that all together – something we could not do by ourselves – creating a whole product solution, and delivering that whole product solution by creating alliances. And for us the alliances were with VisiCorp and Apple and ComputerLand.

Rubinstein: Well, to answer the question in terms of the way it was phrased, we were selling a category, even though the application was well developed, because it was not simply the first PC word processor, but it had to compete with the established word processing companies that were out there. So it was a known application, but it was simply not known that you could use a relatively inexpensive general purpose personal computer for that purpose. So that was a challenge. We did have help, though, in the sense that there was a built in distribution network.

Morgan: I think Dan raised an interesting point, and that was that you had to sell people

on buying a personal computer. At Lotus, in the beginning of the sales period for 1-2-3, we were selling people on the IBM platform at the same time we were trying to sell a product that maybe some of them had heard about, but a lot of people had never heard of a spreadsheet. After we started talking with the customers, we found that an awful lot of them said that they had bought an IBM PC just to use 1-2-3. You would think things are a lot different today, but now that I think about it, there are all kinds of new products that come along that sort of define their own market, like the iPod. It's the first MP3 player people ever bought, but they buy it because they want the software. So it's an old story. If you're at the early part of the cycle, you've got to be selling the hardware and software at the same time.

Hardware Considerations

Bride: So the application created the need for the hardware which is, I guess, what must have motivated Esther Dyson to come up with that term "killer app," which meant that the reason you'd buy the hardware was to use the application as opposed to just something you added to your existing system.

Fylstra: Yes. I always like to say that you can't have one without the other. I think it's just kind of pointless to talk about which came first. Ben Rosen wrote this famous piece about VisiCalc being the tail that wagged the personal computer dog. And I guess he had a point in the sense that a $200 software package was driving a $2,000 sale. But I still feel that without the Apple II there wouldn't have been a VisiCalc, and without VisiCalc, the Apple II wouldn't have been as big, although it certainly would have still been a pretty successful product.

Bride: You don't think that VisiCalc would have been written for a different computer?

Fylstra: I think that's true. But imagine a world where VisiCalc was written for the DEC PDP, because that was the original target, and Apple went off and did its thing without VisiCalc. In the beginning, they had ads that showed the Apple II sitting in the kitchen in the home; that was their target. But we sort of found each other. It was like the invisible hand working in an exquisite way; and we kind of established the synergy. I think you needed all those pieces together in order for the thing to ignite. There probably could have been some other combination that would have worked, too, but that one did work.

Kolowich: To go back to the original question, I think by 1985 what we were selling was substantially different from 1982 and 1983. We were selling the fact that 1-2-3 had become a standard. We were selling the add-in market, and selling the cluster of companies and capabilities that had built up around it. We essentially were planting in people's minds the momentum of the standard and also accentuating the costs of switching away. Those were all very, very important things that we felt were essential for Lotus to buy time to keep going to the next version and to successfully make that upgrade after having made a bit of a misstep in going to Symphony as essentially the second version of 1-2-3 as opposed to subsequent

releases of 1-2-3 itself.

Bride: John, do you want to add anything?

Brackett: I think the only thing I want to add, is the fact that I think Lotus changed the whole game in marketing PC business products by the type of campaign, the dollar value of the campaign, the way of working with dealers. And at some point I want to come back to that because when I was at Infocom in the entertainment software business, the rules were basically set by Infocom's marketing which had something like five of the top games on the Softsel hit list in 1984. But in business products, I recall that Lotus set the standard. For entertainment products, no one had to sell the category because a lot of people bought PCs in the early days to run games on since they weren't very useful for a lot of other things at that time.

Rubinstein: I take exception to some of this because WordStar is really what built the Intel platform. VisiCalc was on the Apple platform and WordStar was on the Intel platform, and that really was a reason to buy that platform. And it became much more popular, actually, than the spreadsheet platform. I mean, word processing is a much more fundamental application. I'm not saying that the spreadsheet isn't important. It's extremely important, but it's not what the secretaries of the world use. The secretaries of the world use word processing. And because it operated at such a high level, WordStar provided a way for the dealers to sell something that was complete; it was a complete system.

The Apple II system wasn't that fast a machine. It wasn't seen as a general purpose office computer. VisiCalc was great, no question about it. But I think word processing played a much larger role and also provided the platform that Lotus eventually chose to implement. They didn't put it on Apple. They put it on the PC platform, on the Intel platform, and that's because there was an established base out there. It made sense to do it that way.

Brackett: Well, my point was that as far as marketing business products, I think Lotus changed the rules of the game.

Rubinstein: They did a wonderful job in marketing, but there's a time difference there. There was almost a two year time difference between the time VisiCalc first appeared on the scene and Lotus appeared on the scene. And in the meantime, WordStar was laying the foundation for that Intel platform.

Green: I was in retail at that time, and you're right. For word processing, it was largely lawyers who had to get large numbers of secretaries to replace their existing word processing systems, and they were buying CP/M machines to run WordStar. But the new buyers were financial types who had never bought a computer and didn't even want to call it a computer. They were buying Apple with VisiCalc. So there were two separate markets.

Just to address your question directly, how you sold it depended on the time and also the channel. At first we sold solutions in the case of dBase at least, or databases. People didn't even know the word database. They would come in saying, "I want to do my inventory. I want to do my billing." But once the products became established, we sold based on position where they knew they wanted a database now and they knew what it meant; and then we'd sell at a high end for power or low end for simplicity. So once a market became aware, we didn't have to do as much explanation.

It also depended on the channel. In retail it was much more a solution-oriented sale because the customers knew very little. In mail order, it was purely position. They knew what they wanted, besides price as well, but you had to point them towards the products that they needed.

Early Marketing Efforts of Lotus

Bride: Was there a fundamental difference in the early Lotus years and the later Lotus years once you had established that position of envy in terms of proportion of budget used for marketing, trade shows, PR, whatever? It seems like you must have had a much different mix early while you were establishing that position.

Morgan: Yes. In the beginning we tried a number of unconventional things, plus we threw an awful lot of money at the roll out. We spent $1 million in three months in the first quarter of 1983 which was a lot of money. And I'll never forget Joyce Bartlett and me going into Mitch Kapor's office, and he asked, "How much do we put in the budget for advertising?" We said, "We don't know. How much do you think we should?" And he said, "I don't know," and he just said, "Pick a number." And I said, "Could we have $1 million?" And he said, "Okay." And that's how we did it.

And so we took out a full page in *The Wall Street Journal*; which was the first full page ad in the *Journal* for a piece of software, as far as I know. And we advertised on its benefits only, with nothing about the features. All the first set of ads included a little cartoon of a man with a blanket, and it was implying that the spreadsheet was very easy to use. I forget the exact headline, but it was something like, "Don't worry, don't be anxious, you'll find this is an easy-to-use piece of software." So that was kind of an unusual way to introduce new software.

And we also spent $100,000 making a music video for COMDEX to be shown in the booth; it was an MTV-style thing. Again, that was unusual. We got a lot of attention because of that video. And a lot of the advertisements were benefit-type advertising, and then we got into the features about how it was fast or easy to use until we got it established. But we had the benefit of an awful lot of good press right from the beginning. Ben Rosen was generating a lot of talk. So we came out of the gate going at a tremendous rate of speed, and just the momentum carried us into the mid-1980s and on through.

Bride: Michael?

Kolowich: Well, I think by the mid-1980s much of the investment was going into support of a large and very rapidly growing professional sales force and corporate sales force. In addition, we had a lot of money going into co-op funds for the channel. I think it was 4 percent of sales that was going back into co-op funds.

Most of the advertising that was happening at that point, other than around product launches, was kind of supporting the notion of 1-2-3 as a standard, but it was actually done in media that could do the double lifting of supporting both the market and the stock price. So it tended to be in large financial publications, and we were buying junior pages at $80,000 a crack every other week in *The Wall Street Journal* and the like. But then increasingly in 1985, we were launching a lot of new products and a lot of new initiatives. By early 1986, much of the advertising was not going into 1-2-3, but was going into ancillary products.

Bride: There are several companies around the table here who eventually became publicly owned. I'm wondering, Michael, when you mention so much money being spent in *The Wall Street Journal*, was there always a secondary motivation to condition the market for an IPO, or was that in fact a primary purpose and was sales the secondary motivation? Well, there were two or three others that were public companies at about that time.

Morgan: When we started advertising in the *Journal*, we hadn't gone public. But we didn't pick the *Journal* because we wanted to look like a company that was about to go public. We picked it because that's where we thought our audience base was (the "number crunchers"). It was that simple.

It was later on that we started to get more attention. When we went public, Dan Rather did a three minute piece on the CBS Evening News, which was really unusual. That kind of thing started happening, and it just went on from there.

Bride: Seymour?

MicroPro's Marketing Program

Rubinstein: MicroPro's sales were originally done strictly through telemarketing, and we were selling to established computer dealers, beginning in 1979. And in 1981, I put in the field sales force. We started out the first year with a half million dollars in revenue; the second year $1.8 million. The next year was $5.2 million, and then I put in the field sales force and it went from $5.2 to $25 million in one year, and then doubled again the following year.

Bride: Were you still selling to dealers or were you going direct to the enterprises?

Rubinstein: Well, the big difference was the field sales force. It made a phenomenal difference to simply go in on a personal basis, one on one, press the flesh and ask for the order; that made a fantastic difference. And then, of course, we did step up the advertising and promotion. However, WordStar passed its peak by the time Lotus launched its plans. MicroPro went public in 1984, and at the same time I stopped running the company. And then it kind of went to sleep.   So the contrast is that when it wasn't asleep, it moved like crazy. And when it went to sleep, it died.

Abbate: I was just wondering if I could follow up on this from a general point. There were many relationships between the software creators, distributors, retailers and hardware companies. I'm wondering how the marketing responsibilities were divided up. Did you do co-marketing with hardware companies? Did you add a particular platform? Did the retailers do a lot of this sort of direct-to-consumer marketing; how did you split that up?

Changes in the Distribution Channel

Goodhew: Peachtree was announced at the same time the IBM PC was, and in the announcement, IBM identified the available word processing and spreadsheet and accounting software. When it looked like IBM was going to be co-logoing the product and distributing it, we thought the channel might be hardware vendors who would distribute software. So Peachtree immediately got big porting contracts with the hardware vendors – Texas Instruments and Seiko and companies like that…we forgot there ever was a Seiko personal computer, right? They said, "We want a million copies, and we want a license to make a million copies." And sometimes we produced a million copies and they put it in a warehouse, and it's still there as far as I know. [laughter]

But while we can see changes in distribution of software, in the very early days when IBM first came out, nobody knew how software was going to be distributed, whether it was going to be like books where, heaven forbid, you tear the cover off and send it back if you don't sell it. I mean, that was a horrible thought. And I remember Macy's had a software department in Atlanta ... in a department store. Who knew how software was going to be distributed. We were pushing through every available orifice in the wall to see what might accept the product. The distributors became critical; if you didn't get a deal with Softsel, you weren't in business. All those kinds of things were key at one time, and look at how different it is now. Things have just changed so rapidly in this industry for different kinds of products; everything just changed.

Fylstra: I think that the overall pattern that we've seen here is kind of a classic pattern. It just happened unusually fast with PC software. But the overall category went from having people who were very unfamiliar and very unsure; it was a very high risk kind of purchase so they needed lots of assistance. And the computer stores sprang up to provide that assistance. The only other outlets that were successful at that time were other outlets that could provide that level of assistance; some were business equipment dealers and some weren't. And then,

pretty rapidly, people learned enough that they became less dependent on computer stores, and people came back for their second computers.

A big phenomenon that we haven't talked about yet but that I thought has really been a big factor in the diffusion of personal computers is the informal training that went on within a company, within the work group: one person teaching another, the local guru teaching the next person.

But the overall pattern went from a high risk, unfamiliar, need-lots-of support kind of a purchase to one that was more of a commodity. There came a time when, first of all, the conventional computer store's margins went down, down, down because it was being competed away and because in the overall economics, people were looking out for the best price, not for the most assistance. And then you had the mass merchandisers moving in because the conditions were right for them. And now we've seen it go all the way to a different model. The Internet has changed this a whole lot. And so I think except for a handful of key applications, the major productivity applications, most of the software doesn't go through retail anymore. Egghead came in and became big, and went away. And now the software is pretty much downloaded; it's direct to the consumer. It's very efficient.

One of the things that struck me is that the PC industry hardware and software channel has become an incredibly efficient channel. It operates on really thin margins. It's very efficient. And then, Dell found a way to bypass it completely and become even more efficient. And all of this has happened much faster in this industry than it happened in other industries.

Grier: And now there's a very fascinating new model that has evolved: the open source model where there are hardly any margins. They're just support margins for people. But then, the Internet has become the new user group, and that's where you go for a lot of your support. It's really fascinating to me to see that model emerge in sort of a morphed version of what you're talking about in the software.

Brackett: But there are a few old time players that managed to hang in there using a model, like Adobe for example. It uses the add-in model, but it also sells over the counter and sells it online.

The Software Publishing Model

Bride: What has happened to the software publishing model, and why? I mean, when VisiCalc first came out, wasn't part of the vision that there would be one company that would purchase the goods of authors, as in book publishing, and a different company would be responsible for packaging, manufacturing, and marketing? Whatever happened to that idea?

Rubinstein: Well, there were a lot of things that happened. I agree very much with what Dan said, but the cost of developing software in this country has only gone up, and it requires teams of people because it's not like someone in a garage can write a great program anymore because they're too complex. It requires groups of people, sophisticated testing techniques, beta programs and so on. The days of just a small group of people coming up with something really innovative is just not here. And even if they could, there's no place for them to sell it.

Green: Well, something happened in between, though. What happened was largely a result of the issue that Dan pointed out which is the idea of a software star. The first generation of authors became stars and became very hard to manage and received very high salaries and held companies ransom, as companies learned. And they learned that lesson very well. In the mid to late 1980s, they decided to get rid of the stars, and they brought development in-house. It wasn't just the scale. It was control and intellectual property. The Ashton-Tates, the Lotuses, said, "We're going to do things with our own staff and own the product completely, and we don't even want the world to know who wrote the product because we don't want to make them into a star." It's like the CNN model where they rotate their anchors so you don't have an anchor that everyone knows who can hold them ransom; I think that you have a similar issue with software.

Rubinstein: Well, I had a star and I knew that to make him a star was dangerous. But in the end he wound up basically committing hara kiri. He has never done anything since. It's just one of those things.

Fylstra: I think the author-publisher model got a lot of attention in the business software world at first, and then became a big deal in the entertainment software world. But I do think that it was in some sense more appropriate there because the games and entertainment programs require a lot of creativity and not such a huge team development effort. Now I'd say that even that business has moved to the point where it's much more of a team effort, large scale effort, more in-house. There are more companies developing game software as a result.

Rubinstein: But that goes over very well in the retail stores because these companies have a lot of titles, and they like that because the ones that don't sell, they just send them back. They no longer buy for inventory; they only buy what sells.

Bride: All right. Jeff, you've made a career of watching this and writing about it. What thoughts do you have?

Tarter: I think one of the issues that made the book publishing model not work is that when a book is finished, the author sends off the manuscript. It's printed. It's sent out, and that's the end of it. If there's a typo in it, there's not much you're going to do about it. With software, it's never done. As soon as Lotus 1.0 comes out, you start working on 1a. And that is a terrible relationship when you're talking about having an author on royalties. If the royalties aren't enough, then the author just bails, and there goes the publisher's asset. It's all of a

sudden an obsolete, unsupported product. And that's the end of the discussion.

Bride: You're suggesting that what changed the publishing model was more the business needs than the market?

Tarter: Yes. I think the book publishing model was probably a mistake from the beginning, except perhaps in entertainment software where a title is put out and that's the end of it.

Fylstra: One thing I wrote for this conference is that I don't think the software publishing model works. I would not recommend it to anybody if the product is too important to either side. The hazards are just too great; I've seen this in lots of other cases. If it's a company's only product, or their main product, and it's important enough to both sides, then it's pretty hard for the structure to hold up. I think that in most book publishing situations the publisher has a large portfolio of books, with many individual authors. In the ideal world, it's a labor of love for the author. The author will be the product manager, the promoter and so on for the book, and the publisher concentrates on distribution. But then, for the publisher, no single book is super important, and that makes the arrangement viable.

Brackett: And in fact, I've seen sort of a complementary view of that. Even to this day, I see people coming around talking about becoming publishers, and they're going to get four or five titles. Inevitably what happens is one of those titles does really well. As a result, they're almost forced to take all of their marketing efforts, all of their dollars, and pile it on that one successful title. And the other four or five just go away. Book publishers, I guess, are spread out enough so that that is not the case.

Morgan: Well, it's interesting that where I saw it work most effectively at Lotus was with Notes, but Notes was not perceived to be that important a product during much of its development. But as soon as it became important enough, Lotus acquired IRIS [Ray Ozzie's company] and it was back in the fold.

Bride: Do you think that could work today – could a product of Notes' significance be developed in a garage, or do you think that's just not going to happen.

Rubinstein: I still think two to three people can build a product; it doesn't take a huge number of people. And if it does take a huge number of people, it's the wrong kind of product.

Grier: But what about Windows or Microsoft Office?

Rubinstein: Well, Windows is not a product. It's a platform. It's a unique situation. Microsoft has built a system that needs thousands of programmers. They're structured around that. I

don't think that is still necessary. But one point that's changed dramatically about publishers, from the time that this conference is supposed to be about to now, is in those days there was a channel, and the channel was critical. The fact that there were wholesalers and retailers meant that a publisher model could work because it was predictable. If you put "x" amount of dollars into marketing, you were assured fairly well of getting Softsel to carry it, which meant that you would then be able to push 20,000 or 30,000 units into the channel. And most of it would stick when it got out there, so you could make back your initial investment. It didn't mean there would be a blockbuster, but the channel would absorb and hold enough so that the publisher model was successful. You had a clear investment and a clear return.

Now that there is no channel, you either can try for a blockbuster, and I don't know how many people try that anymore, or you have to try to go under the radar and do Internet sales. There is no guaranteed way to get product out. That's why a lot of shareware seems to be a better model for authors now; they take much less risk and they just sort of drop it on the market, see what happens and let it grow. Or, you're a company like Adobe or Microsoft, where you can afford to sell huge quantities.

Word of Mouth Marketing

Toole: I would just say that in answer to your question of can good software still come out of someone's garage today, I would say absolutely. And the Internet makes it easier – look at Google. Google started out with two students at Stanford with not much money, but they had the idea with no marketing – just pure word of mouth. And it grew and grew and grew. But every good piece of software starts out in the garage of someone's mind, and then it comes out. It starts at a single point and then it grows.

Grier: And Google was even introduced into a place where it was perceived that the category was all over. It was well established with big players with big, big budgets and big money and public companies and all that, and here they drop right in the middle of it out of nowhere.

Rubinstein: I'm curious whether Google deliberately did their underselling at first. Their site could not have been simpler. And as we said, it was word of mouth. Whether that was a strategy to get developers and users to identify with it as one of them, and whether it was sort of a deliberate undersell rather than trying to have big TV ads is not clear. It seems a little suspicious to me how quickly it took off just through word of mouth and I wonder whether they were very, very savvy and planted some guerrilla marketing strategy.

Toole: It was Internet word of mouth.

Rubinstein: Well, was it word out of mouth, or were they carefully planting? Was it guerilla

marketing? Because it was a group of cool developers who had this really cool thing with like $10 million of venture capital behind it, though. They never talk about that part.

Bride: Well, in the timeframe that we're supposed to be concentrating on, there was no Internet to speak of. We had COMDEX which was maybe the closest thing.

Marketing and the Press

Abbate: I actually have a question along those lines. Marketing is partly paid advertisement, but there's also some key unpaid coverage. Chris has talked about it for Lotus – Dan Rather and some other free but significant news coverage. And I'm wondering what your relationship was with the press, either the trade media or the mainstream press, regarding these strategies for getting coverage. Did they seem to have a bias? How did that seem to you?

Tarter: Eric, should you and I leave the room? [laughter]

Abbate: Or, if you're in the press, what were you doing? What was your thinking?

Morgan: It's certainly true that most of us have made a serious investment in public relations, both in terms of executive time and money, and you really try to cultivate the press. You try to cultivate relationships and so on. And Regis McKenna is one of the first few to turn this into a fine art, and many other people have tried. I know from lots of contact people in the press that an awful lot of public relations is just noise that's not terribly efficient. But it's a real deliberate process, I'd say, and people work at it very hard.

Kolowich: I came out of the press, and actually it was an awkward transition when I joined Lotus because I was jumping the fence from being an editor to being on the software side...

Tarter: On the dark side.

Kolowich: Yes. And some people were criticizing me for doing it because they thought somehow I was going to get all kinds of free coverage, but in fact, the press came after us in droves. I could have been a truck driver by background and we would have gotten the same amount of press. But what I did discover was that after a few years it turned around, after we were on top of the heap. And when we fell off the top of the heap, they started to criticize us, sometimes for very good reasons. But I think the best thing to do in PR is to try to make an effort to make a connection with the press and give them what they need. It's the old story. It's a very simple process that I think a lot of companies around that time didn't know how to do or didn't think to do. So we spent a lot of our time talking to the press and going to trade shows and talking to the dealers. Not to change the topic, but we also really tried to take care of the dealers. We spent an awful lot of time doing PR on both of those fronts.

Bender: As a journalist, there are just hundreds of companies that are trying to get your attention. The ones that cut through were good.

Bride: No company here that I can think of sent smokers to editors. I once got a great big red kettle that was a hickory meat smoker when I was editor of *Software News.* You probably got one, too, Jeff.

Tarter: I think I still have it somewhere.

Bride: Yes, I have it someplace, too. [laughter] That company no longer exists, if I've got the right company, but as you say, there's a lot of noise. There's also a straightforward approach. I say this as both a victim and a perpetrator because I've worked both sides of the fence also. One of my first recollections of VisiCalc was having Dan Fylstra climb up the stairs on the second floor of the editorial headquarters of *Software Magazine,* lugging a Compaq. And in those years Compaq wasn't four pounds; it was more than 20 pounds. But as I think Eric said, they gave us what we wanted, which was information, and that's what I remember much more than the red cooker. There was a salesman that *Software Magazine* had in Atlanta, and in Atlanta at the time there was MSA and the others. There was a very effective PR woman down there at the time, and our salesmen used to tell us that the woman wouldn't recommend advertising to her clients. She'd say, "Why pay? PR is free."

But short of whether you're paying $5,000 or $15,000 a month to your agency, it's certainly an order of magnitude less than you'd be paying to do significant advertising. And what could I say? I was the editor. I liked the advertising salesmen, but I wanted the information and I wanted to talk to the vendors; I wanted the visits. That was important to me.

Goodhew: The interesting thing is that in those days the PR, once it turned into publicity, really did seem to have an impact on sales. The products had gotten reviewed and that made a difference. If someone like John Dvorak wrote an article recommending something, then the product would really take off. But it was just a handful of people who could do that.

I think that has really changed now. And I think they have much less impact now. There was no question in those days that this was the way to reach that core audience. It made sense to do all the foolish things that people were doing.

Kolowich: I think we had an interesting challenge at Lotus because we had a CEO [after Mitch Kapor] who had been a reporter and was married to a reporter, but was openly resentful of the press and made no secret of it. We spent a lot of time soothing things over.

But we did spend a lot of time on the product issues really, actively campaigning, if you will, to the extent that you can campaign for the various "editors choice" designations. We would do

anything that we could to get awards like the *PC Magazine* Editor's Choice and the *PC World* medallions. Those things were absolute gold. So we spent an awful lot of time on that type of work because if you could land one of those, it made a huge difference in sales.

Morgan: Well, one thing that I will never forget was when I was at *Byte* in the late 1970s. Bill Gates personally came around to all the magazines to show all his new stuff, and he would bring two or three assistants. This would happen a couple of times a year or more. He would go the extra mile, make the effort to come and see the magazines and just present the dog and pony show. And it made a difference. It really made a difference, and this was right from the top down. That's how you get good PR.

Bender: Small companies that do that today still do get editors' attention, and some small companies actually do that. Microsoft at that time might have been 500 or 1,000 employees, which was a monster for its time, but it was still relatively small and they made the effort and it made a difference.

Kolowich: I should say that's not how you get good PR. That's how you get coverage.

Bride: And sometimes the message helps, but the presence helps and the quality of the product gets the attention.

Attitude of the Trade Press

Grier: I'd like to de-construct the power of the press over here because you weren't news media. You were software magazines. You had to be in a symbiotic relationship with this industry. If this industry didn't survive, you weren't going to survive. What role did you see in helping to market?

Bride: Boy, that's a good question. From my standpoint, I think that's very well put. The presumption is accurate because I always felt that the health of the industry was important because we were a trade magazine; we weren't the *New York Times*. We weren't interested in the Pentagon papers. We were interested in the software choices that our leaders would have – what works, what doesn't work. But you're right. That doesn't mean there couldn't be an antagonistic attitude. I mean, I grew up in *Computerworld* where the attitude was that all vendors are probably liars. That was the attitude that was instilled in us.

There was a very firm separation between advertising and news. The advertising department was on the other side of the staircase. And if the advertising manager ever came in the newsroom, I don't know if he was ever bodily thrown out, but it was almost not allowed. There was never a thought at *Computerworld*, at least, that we cared a damn about the business. And sometimes vendors would come up to me when they would be giving a pitch, and they'd say,

"Of course we're going to advertise," and I would say, "Well, I'll try not to hold that against you," so that they would understood that we really were separate. I don't know if *Computerworld* was alone in that attitude in its day. I think there's still a clean attitude. But I think that they were exceptional in their hostility in the 1975 to 1985 time period.

Morgan: Was *Computerworld* already an established publication?

Bride: Yes.

Morgan: Because it established itself in the mainframe world?

Bride: That's right.

Kolowich: They were an established trade journal that would look upon the microcomputer, the PC market, as a newcomer. You had your secure base. You had a guaranteed readership that you were offering. But *Byte*, *PC Computing* and other such magazines were trade publications for that particular market. I should think their well being was intimately tied up with the well being of the PC.

Green: I guess things haven't really changed that much. Any time you look at the niche publication area – the magazines about photography or magazines about ... you name it – you're going to have a different set of issues than the general purpose magazines have because general purpose magazines have a mixture of ads. When you're in this niche market, there is, unfortunately, a cozy relationship. But part of quite a few of the magazines was given to the vendors because then the vendors could give them early access to prototypes and that kind of thing. And so you ended up with this relaxed coverage of the market, and it was all watered down to a very few bad reviews. But I find that those kinds of magazines eventually get found out by the readers. The good magazines are the ones that still can maintain some distance. And that really was the case back then. If you look at what was written in the old computer magazines, there was quite a bit of negative stuff written.

Bride: Yes.

Tarter: I think we were very sensitive about being honest and professional, and creating that distance. I think Michael can talk about this because when you look at the European computer press, they were whores.

Kolowich: Oh, totally.

Tarter: It was really very interesting when the American and French and British press started being handled by the same publishing companies, there were radically different

expectations. I remember Philippe Kahn from Borland got into a lot of trouble because he was used to the French press where you basically bought them; you paid them off for coverage. And he treated the American press at first like that, and they were ready to kill him. He was talking about buying drugs for them and women and holding parties and so forth. And that was the end of Philippe's relationship with the American press for quite a while. He got a lot of coverage, but the hostility during that period was quite extreme.

Kolowich: But what he got coverage for was the fodder of the American press – change and controversy. Philippe stood for change and controversy. He liked to stir things up, and that made good press.

Rubinstein: Well, it makes good press in terms of the traditional journal press, but I don't think the technical press really thrives on that. They were always looking for the newest product.

Tarter: Philippe had the additional merit of having pretty decent products, too, behind him. He stood that test by and large.

Kolowich: Yes, but the idea of controversy ... I agree. The press had another motivation. I think it seemed that if you were covered in *InfoWorld* or *PC Week*, you had to advertise with them. They weren't afraid of advertisers leaving them. What they wanted to do was promote wars, and there was a series of wars, and that's traditional journalism. They were more concerned about good stories that people would read, so we had spreadsheet wars and we had database wars. We had integrated product wars. We had windowing wars. We had browser wars later on. I think that's just traditional journalism.

Trade Shows

Abbate: How important were trade shows, and what was your specific marketing aim when you went to them?

Rubinstein: I love that question because there's definitely been a great deal of waxing and waning regarding trade shows. MicroPro went to the very first COMDEX, and we thought it was perfect because just the right people who would buy our product were there.

Abbate: When was that?

Rubinstein: That was in 1979, around November.

Abate: Did you know that the people who would buy the product would be there, and how did you identify them?

Rubinstein: We didn't know in advance. But, we identified them by virtue of the business cards we collected. That was pretty easy since there were only about 13,000 attendees. It was a relatively small show.

Bride: The concept of the show was primarily resellers.

Rubinstein: Yes, that's correct. However, with each succeeding year, it grew geometrically, and so did the booth of MicroPro grow geometrically, It got to the point where I think we had a booth that you could measure in fractions of an acre; it was just gigantic. And up until, I guess, the year 2000, it just got bigger and bigger and more expensive. Sheldon Adelson, who founded COMDEX along with that other partner who died of a heart attack, finally sold out – it was a brilliant sellout, brilliant. I don't know what possessed that man to be so brilliant about that sale. But he sold out the year before the dot com collapse. I can tell you I didn't go to COMDEX this past year, but the year before that it was basically desolate. It went from very little to something almost overwhelming with hundreds of thousands of attendees, to where it just became nothing again. It got so big that Adelson was able to buy the Sands Hotel – the entire property – and build his own convention center on it, which is now not used for anything.

Morgan: Regarding trade shows, I was surfing the web the other day, and I went to www.atarimagazines.com. They had put out all the *Creative Computing* magazines with full text, and about four or five other magazines. And I found a report by Will Fastie on COMDEX of April 1983; it's 15 or 20 pages long. He said there were very few things that he saw that pushed technology or represented breakthroughs. That's not to say that nothing was interesting or that nothing was learned, but the simple fact is nothing he saw made his eyeballs pop out. The biggest products were those involving software. There were some interesting products, but the crowd seemed to converge on VisiCorp, MicroPro, and Ashton-Tate. Anyway, it just was a really interesting time window. They just put the articles up last week or so; there's just a wealth of historical information on early PCs. But it's very interesting to read this and to see what he thought was important; it just puts things in a whole different perspective.

Goodhew: There was another interesting show in this time period – I think it was 1984 – SoftCon. It was a software vendors only show basically looking to recruit dealers. One of the interesting problems back then is that without real distributors in the middle – and actually Seymour would know this better than I – you really had a hard time finding dealers. Every vendor had its own list of dealers and was mostly dealing directly with them. So you actually had to go to a show to sign up dealers. But it changed very quickly. The first SoftCon was packed. The second one was a total bomb because basically the distributors had started to come in, and there was no longer much need for it.

Rubinstein: Also, COMDEX changed the date of their show at the last minute to be the week before SoftCon so nobody could get their booths from one place to the other.

Goodhew: There are two other benefits from trade shows, not just seeing dealers. One was generating buzz; it served the purpose of a true industry convention. By the end of a COMDEX, especially Fall COMDEX, everyone agreed on what the buzz was, what the key three or four points were, what the industry would do for the next year. And that collective consciousness was very, very important.

The other thing that developed, more in the mid-1980s, and I think also happened with Lotus, was the evaluation cycle when corporations would send their evaluators out. Fall COMDEX was very important to that process.

I do know that there was a point in the mid-1980s where a company with a new product, especially an established company, would give out or promise at least 5,000 or 6,000 evaluation copies into the corporate market, and that became a very important feature.

Morgan: It was frankly a great way of forcing schedules, too, because there's nothing like a big public event with everybody on the hook for it to stop the excuses of why you won't work all night for two weeks.

Goodhew: This was especially true with the Fall COMDEX. If you missed that, then you'd have to worry about slipping through Christmas. So you made sure in November you were going to have something to show.

Pre-announcing Software

Tarter: One thing that's really changed since the early days of PCs – you don't see much vaporware anymore. You don't see many really badly slipped product versions compared to back then. Just anecdotally, I don't seem to hear about as many slippages now as I did ten years ago.

Fylstra: I will put in a rueful comment here that VisiOn was pre-announced, which in retrospect was a marketing mistake. VisiOn was preannounced around the end of 1982 or beginning of 1983 with a promise for shipment in the spring or early summer of 1983, and it actually shipped in September of 1983. So by our own calculations it was four months late, but someone external might say it was six months late. That's when Esther Dyson started to use the term vaporware, and the reaction was really negative. But then, when Windows 1.0 was two years late, the reaction was much more muted. People got used to products being delayed.

Rubinstein: But there was a reason for that, and it was political.

Fylstra: In January of 1983, Lotus made its date. Lotus shipped on time – the very first version of 1-2-3.

Morgan: But you're missing some of the relationship aspects because Esther Dyson had a personal relationship both with Ben Rosen and with Bill Gates. So they got greater leeway. At her conferences, Esther made no secret of the fact of who her personal preferences were. It had nothing to do with her consensus of the industry; it had to do with her personal opinion. This is not meant as a criticism but it's just a simple fact that the political relationships had much more to do with how people were criticized or not criticized than an impartial jury would have done.

Bride: So you talked about the vaporware. In your handouts today there's a ten year look at the software business from 1981 to 1991. I'm looking at 1983. Remember Ovation Technologies? It was the product of the year in *InfoWorld* that year, and yet it never shipped.

Goodhew: I went to their booth at that conference. It was late afternoon and the salespeople had sort of wandered off. I talked to a developer and I asked him to explain it to me, particularly how it was integrated. And he said, "Well, you've got to realize these are just sort of like mock up slides. We haven't designed the integration yet."

Kolowich: Wasn't that the one where there was actually a wire going to a little mini-computer behind the curtain? [laughter] I think it really was. Yes, they were actually running the demo with a mini-computer.

Esther Dyson's PC Forum

Bride: You were asking about the importance of trade shows, but another factor is what we talked about, Esther Dyson's PC Forum. A lot of agenda setting and product announcements and opinion leader influence was actually happening at those leadership conferences as well. I always felt that they became important milestones in the battle for the hearts and minds of the industry agenda.

Green: The failure rate of those leadership conferences in terms of picking products was much higher, I think, than just accidental choice. I think the typical VC win rate is less than one in ten. And I think the reason – I'm speculating here – but I suspect the reason was that the companies that took part in this kind of event were focused mostly on raising venture capital and impressing everybody except customers.   Companies at weekly shows that had customers probably had a better handle on doing the right products that were successful. But even with Esther's conference, which wasn't as product oriented, her pick of technologies was never very good.

Bride: I was always curious if that was clearly intended to be a vaporware conference. She made no bones about that, which is okay. It's what's coming later.

We've got about five minutes left. If there are any burning questions that we should bring up, now is the time to ask them. If you haven't answered one, then now is your time to speak up. Adam, do you have any comments or questions?

Use of Discounting

Green: Well, I have one for Seymour about marketing and distribution. I was in mail order in the early 1980s, and one of the things that was very interesting about WordStar is you had very heavy discounting. You had master distributor discounts, with as much as 90 percent as I remember. It was a very high number. I remember that there was the concept of having a master disk and being able to make copies as long as you duplicated the disk and bought the serial numbers.

Rubinstein: Yes. We had OEM arrangements where there was heavy discounting, but then you had to do the printing.

Green: Right. I'm not talking about the gross margin. I'm talking about the margins to you. But the margins to us were fantastic.

Rubinstein: For a program that was copied regularly, for us to get paid any money was a miracle. [laughter]

Green: What I'm interested in, though, is whether that was purely a sales strategy of raising your gross margin, or whether it was a conscious plan for gaining visibility. One of the things that the discounting did for our mail order company was that we could afford to run WordStar ads because our margins were so high in those products. And people don't recognize how much advertising mail order did for the software companies.

Rubinstein: Well, I can tell you that it was principally a visibility strategy which really worked because a lot of people would see it, and they wouldn't want to buy mail order because they wanted the support that went with it, so they paid the extra price. The visibility that we gained in this country had a bigger payoff when we sold overseas because there the margins we got were fantastic. Even after WordStar died an unnatural death in this country, it continued on for five years in Europe. The Germans loved it, for example. They couldn't imagine life without WordStar. It really was amazing.

Goodhew: We have not talked much about selling and the differences between selling in the PC industry versus selling in the mainframe software industry. That was a very big difference. In a short time you went from an enterprise sale, long sale cycle, team selling, committee buying and so on, to a very short cycle, transaction oriented to a single decision maker or one or two person decision maker and that sort of thing. And there are any number of cases, but it's kind

of a classic in sales that somebody whose career has been built in long cycle selling is just not good in the short cycle selling, and vice versa. There were any number of cases where that played out in the PC industry. People with fantastic resumes who came from the mainframe software world or the mini-computer world would go to PC software companies, get into senior executive positions and just fall flat because it was a very different selling model. It was all short cycle selling. Even when you had a sales force that sold to computer stores, it was relationship building to them, but it was still a short cycle – what do we do this month and what do we do next month.

Kolowich: I think there were a lot of people that came into the software industry from that older model and couldn't make the transition.

Rubinstein: Well, I still think it's an undiscussed issue about the political aspects; I think there's more that happened in this regard that might still be discovered. You were vilified in a way that was not appropriate because it didn't match what happened to others in the same situation.

VisiOn

Fylstra: As a company, yes, that was true. But my explanation of that is the following, for whatever it's worth. VisiOn was one of, or the first, graphic user interface mouse-driven systems. It came out just before the Macintosh, and it came out before Microsoft had done anything. And it came out before Digital Research could do anything. Essentially what we did was we threatened everybody. We threatened everybody who was a big player. And essentially we gave everybody a reason to turn against us.

My own assessment of VisiOn is that it was a discontinuous innovation introduced at the time when the market was rushing to adopt the proven technology. We're not talking about early adopters now. We're talking about moving into the mainstream. Those people were all buying conventional word processors and spreadsheets and so on, and the big change for them was going from VisiCalc to Lotus 1-2-3, not going from character based applications to GUI applications. It was at the wrong time, plus the hardware was not there yet. They finally all got there, but it took ten more years.

Goodhew: I think one of the points that I learned the hard way is that if you didn't get it sold within the period, you sold to the add-on market and their hardware was definitely less capable than the new machines. I think that was partially a VisiOn issue. It didn't work well, even at the top of the line. But certainly if you already had a machine installed, it would hardly work at all. So therefore, I think the problem VisiOn had was that people would expect that their word processors or spreadsheets would work just as well in the VisiOn environment as standalone, and it was going to take another five to eight years before you could put all of this nice interface around your application. So my theory is that whether people were against it or not, the

average buyer who was going to add VisiOn was adding it to a system they had that was older than the system that was used for the demo. In actuality, you really had to wait for your application to show up and get ready to do anything for you. The first demo of Windows version 1.0 at COMDEX crashed two or three times and could barely do anything. I mean, these are great ideas but they weren't really there yet.

Bride:　　　We're out of time, although there's another marketing session in this room in about ten minutes. Some of this I think would be relevant for the next one as well. I thank you all for very interesting participation – good questions, good answers. Thanks for being here.