

# THE GENDREAU GROUP REVENUE STRATEGISTS

Delivering revenues, not just strategies, to companies worldwide since 1989.



## CASE STUDY SITUATION

- 26 year old privately-held software company
- Highly regarded technologists
- Operated as "life-style" business

## ENGAGEMENT GOAL

- To maximize the value of the business in advance of exit

## APPROACH TAKEN

- Helped Apunix clearly define its markets to improve focus
- Productized technology assets
- Developed distribution strategy
- Opened doors with strategic partners
- Initiated conversations with potential buyers

## The Leader in Self-Service Software Benefits from New Revenue Strategy, New Distribution Channels and Improved Management

Apunix is a twenty-six year old software company founded by Drs. Silvia and Peter Berens, husband and wife PhDs from the University of California San Diego. When the Berens approached Timothy Gendreau for assistance in the fall of 2004, they had been in business 23 years and had established themselves as thought leaders in the kiosk and self-service software industry – but it was still considered a life-style business.

As a result of their reputation and market potential, the Berens began receiving inquiries from potential acquirers, which, while exciting, also raised concerns. First, the Berens realized they had no idea what their company might be worth. They also felt that potential acquirers were not likely to understand the true value of their technology, and they doubted that few, if any, shared their passion for creating elegant low cost solutions that could truly meet end-user needs. Finally, they readily admitted that, as technologists and "serial entrepreneurs", they did not know how to proactively attract investors or evaluate potential buyers.

Our goal therefore became that of helping the Berens understand and maximize the value of their business. Work focused in three areas: (1) understanding the market and revenue potential for kiosk software and self-service solutions, (2) instituting a number of marketing, sales and other improvements needed to maximize valuation, and (3) pursuing strategic business relationships in order to improve distribution and find investors or potential buyers.

To increase valuation, Apunix would have to shift its business model from a services focus to product focus. This would require three things: (1) clear target market definition, (2) productizing technology assets, and (3) developing sales and distribution channels appropriate to a software product company.

After completing the market research, four self-service solutions vertical were identified as having the greatest potential for Apunix: credit pre-authorization; food and beverage self-ordering; hospitality, loyalty, travel and entertainment services; and retail point-of-purchase. In addition to making it possible to more clearly understand the problems that the Apunix software would solve, clear segmentation would also make it possible to more effectively identify and pursue strategic partners.

The Apunix technology was packaged into three levels of product: (1) the Linux-based platform required for every solution, (2) a series of pre-packaged JAVA-based modules that could be quickly but selectively deployed to meet individual client needs, and (3) a rapid development toolkit that could be used by Apunix or clients alike to quickly and cost effectively tailor and customize solutions.

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## **RESULTS: Stronger Value Proposition for Clients**

- Apunix is able to articulate a more compelling value proposition.

## **RESULTS: Increased Revenue Potential**

- Apunix is able to distribute and generate revenues more efficiently.

## **RESULTS: Higher Margins and Valuation**

- Demonstrably higher margins enhance valuation.

With this product structure in place, Apunix quickly expand its initial set of pre-packaged modules from 12 to 32, thus giving the product greater deployment and pricing flexibility across market segments. And, because the developer toolkit makes it possible to for people with relatively little technical training to create robust solutions, the toolkit quickly became recognized as one of the most valuable components of the Apunix product set.

With clearly defined target markets and a better defined product, Apunix was now able to articulate a more compelling value proposition to prospective customers and potential partners. The next step therefore was to look at distribution. Prior to working with The Gendreau Group, Apunix software was sold solely on the basis of the reputation of the owners, and for a while, the Berens had been reasonably successful attracting sales just based on their reputation as award-winning technologists and thought leaders.

Apunix very obviously needed a new sales model and revenue strategy, and one that would support both the company culture and the owner's goals. For a small firm like Apunix, an indirect distribution approach would give the company greater market reach and more "feet on the street" without the need to have an expensive direct sales force.

To define Apunix's distribution strategy, we identified the top suppliers (by revenues or market share) who were already actively selling to companies in the four target verticals. Though the company will still sell directly to companies looking for turnkey solutions, today the company focuses on building software and selling through partners, such as VeriFone. By making Apunix products available through partners who are thereby able to enhance their own product lines, the Apunix products can generate more revenues and greater return on investment to Apunix's owners.

Because Apunix uses open source components and does not pay outside license fees to build its products, the company is able to sell its products at a price point well below their competitors. With its new product-focused model, Apunix is also able to achieve higher margins while still providing end users of its product with the lowest total cost of ownership available in the marketplace today.

By helping Apunix focus on its core competencies – software and feature/function development delivered rapidly through its toolkit – we have enable Apunix to decrease time to market and time to deployment to approximately 50% of Apunix's nearest competitor. By improving Apunix's business model, revenue strategy, and operational effectiveness, as of 1Q07, Apunix is generating higher than industry standard margins and now has the ability to defend a valuation increase of more than three fold.

Today, the Apunix solution can be delivered on a variety of hardware platforms and the company is well positioned to be acquired, most likely by one of its strategic partners.

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