



FEATURE



Don't Forget Your Free Lunch

[By Art Pennington]

Horizontal-market software includes several packages that your company already uses. Software such as Microsoft Office or some other office productivity suite offer great advantages compared to the cost of the software. This type of software is produced for a huge horizontal market comprised of almost every company in the world.

Microsoft can spend billions of dollars on development and sell the software, very profitably, for only a few hundred dollars per user. This creates quite a win/win situation for both Microsoft and the business customer. There are many examples of this kind of software. Each successful horizontal product performs a very limited but valuable function that almost every company needs performed.

Software is unique as a creative commodity. It can be created, sometimes at tremendous expense, but it can be duplicated or cloned at virtually no cost and distributed to any number of other users. This situation has enabled horizontal-market software to introduce phenomenal productivity improvements to virtually every company in the world.

Purchasing separate horizontal software products can satisfy many limited horizontal functions. In addition to the office suite products mentioned above, many other functions such as accounting with QuickBooks and contact management with Goldmine or ACT! can be supported with horizontal software.

Computer operating systems such as Windows, Internet browsers such as Internet Explorer and Firefox, and even search

engines such as Google and Yahoo are some other great examples of the power of software applied to a large horizontal market. Some of these software products are even provided free, due to their advertising and additional marketing potential. Perhaps the ultimate in horizontal software is the Internet itself.

Horizontal-market software is the closest thing to a free lunch for any corporation. You get the advantage of billions of dollars spent on development for the price of a few hundred dollars per user. These packages offer tremendous targeted functionality, which enables some very complex tasks to be performed with ease.

In addition, horizontal-market software has almost no associated support and maintenance costs. Customers never modify this type of software, and the vendors regularly release fully tested upgrades with enhanced functionality. There is also a huge user base, which quickly discovers and reports any problems found to the vendor. The vendor then creates fixes or "patches" for any problems found.

Horizontal-market software is clearly a star when it comes to price and performance. If all software were like this, terms like Legacy Software, Maintenance Programming,

and IT Backlog would be non-existent. However, horizontal-market software has its limitations. There are many situations where it just cannot provide the functionality and robustness required.

First of all, horizontal-market software only contains functionalities which would be valuable to millions of companies, so it is one-size-fits-all in nature. Also, it is usually limited to only a few simultaneous users and sometimes even to just one user at a time. The data handling inherent in most horizontal-market packages is also limited. Any high-volume processing requirements would exceed the level of support provided by this type of software.

So, when volume gets large enough or more employees get involved or you need to integrate the information from multiple pieces of software, then the horizontal approach becomes insufficient. Finally, because the software is so generic, the many functions that are unique to your company cannot be automated using horizontal software.

Custom-developed software is created for a market of one, your company. You have a unique list of information, business rules, calculations, workflow, and other requirements that make your company what



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it is, and, ideally, any software created would match your company's unique requirements.

Historically, however, the cost of custom-developed software has been excruciatingly high. Business systems, business paperwork, and workflow processes have been very difficult, time-consuming, and expensive to automate. Creating and supporting these systems has been a very complex and expensive undertaking. However, there is an option which can dramatically ease the cost, complexity, and timeframe required for creating custom software.

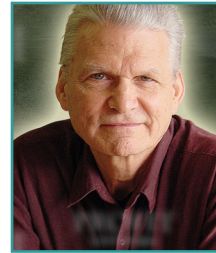
Horizontal software creates some opportunities for custom software to be created with tremendous cost savings and much-improved functionality: any part of a custom software solution which requires functionality used by every other company in the world should be implemented using horizontal software. (Software products such as Microsoft Office, Adobe Acrobat, XML parsers, messaging engines, and many open-source products offer a tremendous value here.)

Furthermore, almost every horizontal software product available today has well-defined interface methods and tools for controlling its functionality from external software. But if horizontal software is to be integrated into your system, then you must be careful to acquire a package and configure it in such a way that it will scale as your volume increases.

Fortunately, that is doable in almost every case. Even in the case of Microsoft Office, compatible office suites are available in Java implementations (e.g., Open Office) that are re-entrant, and thus scaleable and hardware independent at the same time. So, for functionality that is unique to your company, create the software yourself. But for functionality that every company needs, buy it as a horizontal package and integrate it into your system. Doing this will save a lot of time and cost, and give you improved functionality at the same time.

I have used this technique as one of my competitive advantages in creating custom software solutions for decades. It is extremely effective at providing valuable

business software functionality at almost no cost compared to the cost of duplicating it in custom software. It has always been my "free lunch."



About the Author

With over four decades of experience, Art Pennington is president of the Profit Research Institute, founder of four successful software companies, author, keynote speaker, consultant, holder of multiple patents, and creator of the "Profit Method" of business success. Read Art's free book *PROFIT*, available at profitmethod.com.

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