



mindtouch

**Case presentation:**  
**MindTouch, Inc. and the panel's suggestions for attracting  
larger value decision makers**

By Michael Van Loy,  
Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, P.C.

Sponsored by:  
[McDermott Will & Emery LLP](#)

On September 23, 2009, the MIT Enterprise Forum of San Diego, a chapter of the MIT Enterprise Forum, Inc. based at the Massachusetts Institute of Technology in Cambridge, Massachusetts, hosted a case presentation at the Salk Institute with co-founder and CEO Aaron Fulkerson of San Diego-based software company MindTouch, Inc. (MindTouch) and a panel of experts. MindTouch is a bootstrapped company that was founded in 2005 and launched its first product in 2006. That product, an open source, enterprise-scale collaboration and community platform that enables users to connect and remix enterprise systems, social tools, and web services, is now ranked as the #1 open source collaboration product (as reported at Sourceforge.net) on the market. MindTouch software is also ranked in the top 20 of open source projects worldwide. Currently, the company has over 16 million users of approximately half a million active installations. About 1000 customers, including Microsoft, Fujitsu, Siemens, Gannett, The Washington Post, Intel, Mozilla, the U.S. Army and Department of Defense, and others pay for upgraded versions of the software with added, proprietary functionality installed on top of the company's freely downloadable open source core product.

The presentation and ensuing panel discussion was moderated by Ted Alexander, Managing Partner at Mission Ventures. The panelists were Christine Benton, Technology Practice Director at Burson-Marsteller; Craig MacDonald, Senior Vice President and Chief Marketing Officer at Covario, and Robert Pryor, CEO of InnerTalent Corporation. Christine

leads social media initiatives for her client, SAP AG, a fortune 500 company in the enterprise software space. Craig directs strategy, development, and marketing of Covario's portfolio of solutions which are targeted at optimizing the performance of search and other interactive marketing programs. Robert has over 25 years of experience in marketing, sales, and general management in technology industries and has spent the last 15 years helping business owners to maximize the value of their companies.

According to Aaron, MindTouch's growth to this point has been fueled largely through a viral marketing strategy enhanced with roughly \$5000 per month of Google keyword purchases. The company allows any interested user to download and install its core product for free. This "just giving it away" strategy has created a huge worldwide community of users and "MindTouch evangelists" as Aaron described them during his presentation. These users are highly enthusiastic about the product and tend to be very eager advocates for its broader acceptance within their companies or organizations. The MindTouch revenue model is typical of second generation open source companies: a percentage of users of the free version of the software eventually pay for upgrades to the proprietary version. Revenue is therefore the product of the total number of users who have downloaded the free version, the conversion rate of those free version users to purchasers of a proprietary package, and the average sale price per purchase of a proprietary package.

While MindTouch's growth so far has been very impressive, the company faces a decision point on how best to accelerate sales going forward. Options that Aaron and the rest of the MindTouch executive team have considered include re-positioning the product line to attract decision makers with greater authority in target customer organizations and developing sales channels to leverage downstream development partners and resellers to expand into additional geographic markets, such as Europe. After Aaron's presentation, Ted led the panel in a discussion of these issues.

MindTouch's goal of re-positioning the product line is at least partly aimed at accelerating the timeline over which a potential customer moves from installing and using a number of installations of the free product, perhaps at a workgroup level, to higher value purchases of the proprietary product, for example at the department, division, or enterprise level. Aaron hypothesized that one impediment to accelerating deal flow might be a lack of brand

awareness regarding MindTouch by upper level decision makers. As Aaron put it, product acceptance at a larger organizational level slows when a higher level decision maker reacts with “Who is MindTouch?” when a MindTouch evangelist or other user inside the organization suggests implementing the product as a broader solution.

Craig offered the view that higher level decision makers are typically much more difficult to access, so leveraging of resources such as marketing firms, ratings agencies, testimonials from customers at a similar decision maker level, and even social media can be very valuable in building brand awareness. Christine further suggested marketing strategies including pitching directly to analysts, offering discounts or other incentives to customers to talk to the media about the product, and working on distilling the value proposition to a well-focused message that facilitates demonstrating appreciable and necessary value at each stage of product implementation in an organization. Robert reiterated this last suggestion by noting that “C-level executives don’t buy features. They buy solutions.” He elaborated: “While MindTouch’s evangelists are likely to be innovators and early adopters, the target customer at a higher organizational level -- for example a CIO -- has a completely different outlook. He or she is likely to be much more risk averse and unlikely to embrace a discontinuous change.” Christine outlined a potential strategy of “story invasion” or otherwise working to insert MindTouch into the conversation as a legitimate and well-accepted alternative to more familiar names like IBM, Microsoft, SAP, Oracle, etc. This strategy could involve building sufficient rapport and familiarity in the technical media and analyst community to become a default part of the discussion in any article discussing a competitor with a more established name and thereby build brand recognition by association and improve how the company and its products are perceived among higher level decision makers.

Regarding the question of geographical expansion, Aaron noted that while over 60% of MindTouch’s downloads occur to users in the European Union, only about 10% of the company’s revenue currently comes from Europe. His question to the panel was how to best build and leverage regional partners and resellers who could improve deal flow in this market that appears ripe for greater acceptance of the proprietary versions of the MindTouch product. In response to questions from the panel, Aaron observed that Europe’s perception of open source software products appears to lag that in the United States by about 5 years. The prevailing attitude among potential customers has not yet progressed past the barrier of “why pay for it

when it's free?" All of the panelists noted that changing this outlook might be beyond MindTouch's current resources and cautioned the company against stretching itself too thin. Robert's observation was that pushing EU expansion at this point might be akin to "pushing on a rope." Craig added that it was more important at this stage of the company's development to dominate one market with one or maybe a few killer products than to devote resources where they might not yet have the desired impact.

Both Aaron's presentation and the panel discussion that followed were well received by an audience of almost 200. Harley Orion of Orion Creative Group, Inc. opined that "Marketers are always seeking 'viral growth,' but it's important to remember that it begins with having a killer product that people want to share!" Mike Doerr expressed appreciation for the efforts of the moderator and panelists in eliciting "great and insightful responses that provided useful information both for MindTouch and the audience." Mike Diliberto, Sales Engineer at MindTouch, noted afterward that the members of MindTouch's executive team in attendance all expressed great enthusiasm for the program's outcome and the exposure and thoughtful feedback that the company had received.

*The [MIT Enterprise Forum](#) is a non-profit educational organization with 25 chapters worldwide. The San Diego chapter seeks to educate entrepreneurs in an informative and entertaining environment in front of a diverse audience of San Diego business leaders and technologists, as well as capital and service providers. The local programs are managed by [CONNECT](#).*