

Spotfire Case Solution



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Introduction

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While globalization forces are shaping up our lives ever faster and deeper, entrepreneurs often are the lead players of the new economic game. More and more entrepreneurial firms expand into international markets at early stage of their growth and many are born global firms. This broad phenomenon is labeled as internationalization of start-ups. This case presents an entrepreneurial software venture that was started in 1996 by Ahlberg in order to solve the data visualization problem of the companies. Initially the company had its office only in Sweden, but as the customer base expanded, company established another head office in United States. Most of the customer base of the company was located in U.S and were the ones who were using the software at small scale. The case basically discusses the problems that the company faced while going from the status of a national company to a multinational company. Other than this, the case also discusses the need of the company to manage its early stage of growth and develop new customers and products.

The company's creation



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- During his studies at Chalmers, Ahlberg participated in an entrepreneurship program in which he gave a brief presentation of the visualization technology he was developing.
- Innovations Kapital (Swedish VC firm) saw the presentation and expressed interest.
- Ahlberg was the president of the Spotfire, which he founded as an independent company in 1996.
- By the time Ahlberg earned his Ph.D., he had written a basic business plan and planned to turn his technology into a venture.
- In April 1996, with seed financing from Innovations Kapital, Ahlberg, Truvé and Wistrand formed IVEE Development AB, later renamed Spotfire after the Company's core product.

Chris Ahlberg biography

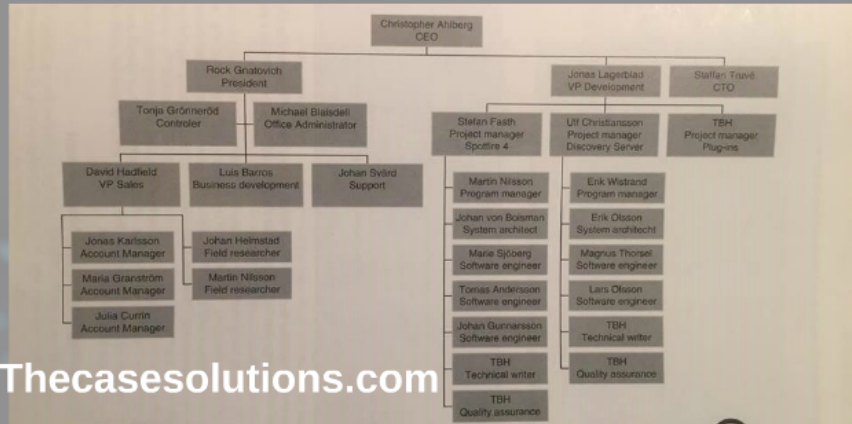


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- Ahlberg received his M.Sc. in Computer Science in 1992.
- He received a Ph.D. in 1996 from Chalmers University of Technology in Sweden.
- Spotfire's core products were based on Ahlberg's doctoral research
- Ahlberg earned his doctorate from Chalmers University of Technology and has worked as a visiting researcher at the University of Maryland.
- By the time Ahlberg earned his Ph.D., he had written a basic business plan and planned to turn his technology into a venture.
- He is very young entrepreneur.

Management team

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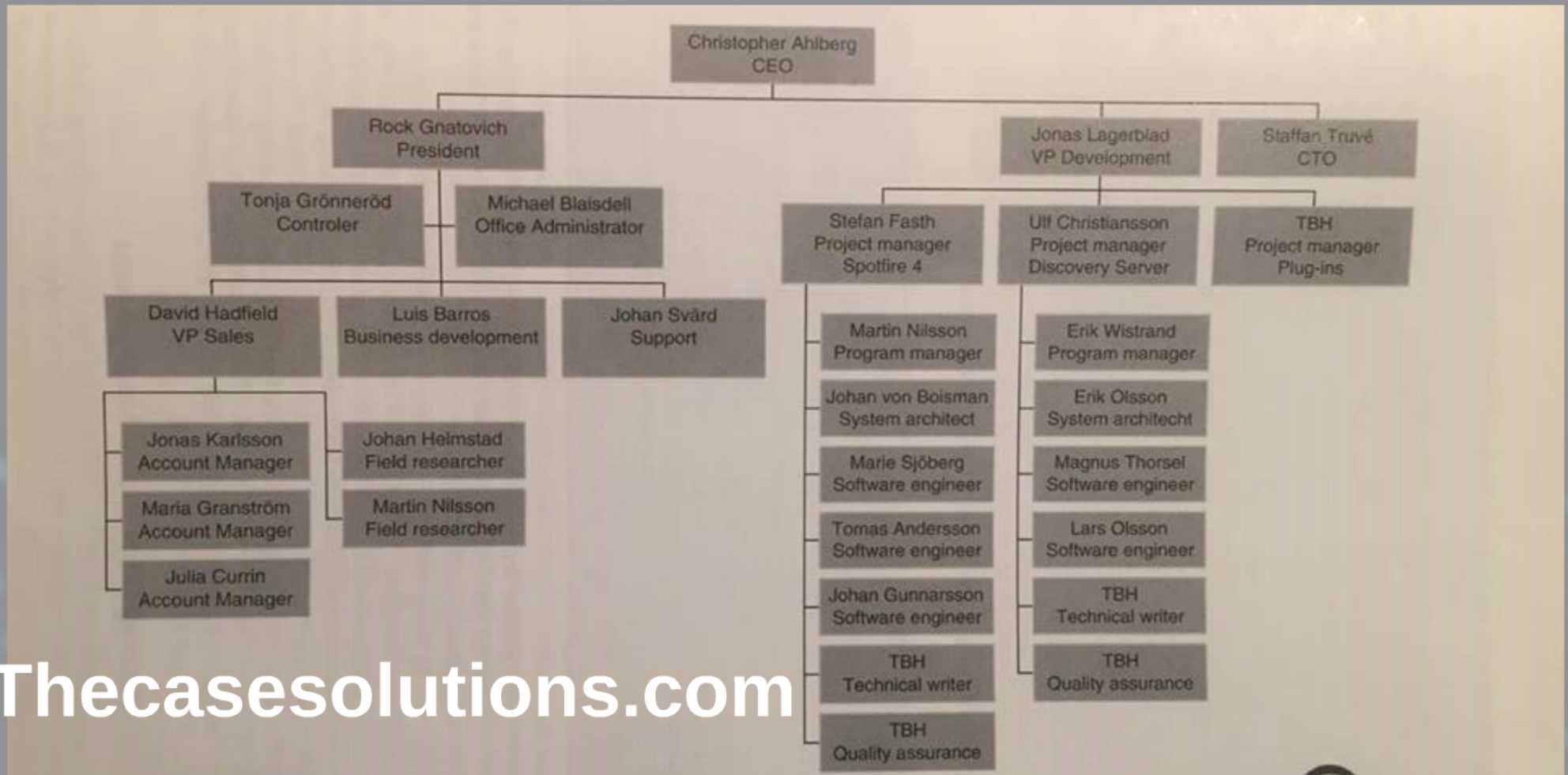
Spotfire organizational chart

Christopher Ahlberg, President
 1966
 1993-94
 1993-97
 1997-1999
 1999
 1996
Education:
 • Bachelor's degree in Mechanical Engineering, Chalmers University of Technology
 • Master's degree in Mechanical Engineering, Chalmers University of Technology
 • Ph.D. degree in Mechanical Engineering, Chalmers University of Technology
Work Experience:
 • Chief Engineer, Volvo Cars, Volvo Technology Center, Volvo Technology Center, Volvo Technology Center
 • Chief Engineer, Volvo Cars, Volvo Technology Center, Volvo Technology Center, Volvo Technology Center
Publications:
 • "A new method for the design of mechanical systems", *Journal of Mechanical Design*, Vol. 118, No. 1, pp. 1-10, 1996
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Awards:
 • Volvo Technology Center, Volvo Technology Center, Volvo Technology Center, Volvo Technology Center
 • Volvo Technology Center, Volvo Technology Center, Volvo Technology Center, Volvo Technology Center

Rock Gnatovitch, President
 1966
 1993-94
 1993-97
 1997-1999
 1999
 1996
Education:
 • Bachelor's degree in Mechanical Engineering, Chalmers University of Technology
 • Master's degree in Mechanical Engineering, Chalmers University of Technology
 • Ph.D. degree in Mechanical Engineering, Chalmers University of Technology
Work Experience:
 • Chief Engineer, Volvo Cars, Volvo Technology Center, Volvo Technology Center, Volvo Technology Center
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Publications:
 • "A new method for the design of mechanical systems", *Journal of Mechanical Design*, Vol. 118, No. 1, pp. 1-10, 1996
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Senior managers resume

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Spotfire organizational chart

The company growth

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- Spotfire sold its software to clients in packaged goods for consumers, manufacturing, banking, telecommunications and a range of other industries.
- In early 1997, Atlas Ventures provided Spotfire's with \$3 million first round financing under certain terms: adopt a “vertical” strategy (focus on one specific market where it could provide real solutions software)
- Spotfire decided to focus on the related fields of chemistry and biology (in general) and the pharmaceutical industry (in particular).
- In November 1997, Ahlberg flew to the United States with Jonas Karlsson (a sales representative) for a sales trip.
- They convinced 8/12 companies to become customers.
- Within the first two months of selling:
 - generated \$100,000 in revenues
 - positive response from many of their customers.
 -  base of external credibility for further sales efforts and for raising capital.

Historic and projected financial statements

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000s of \$	1997					1998E Year	1999E Year	2000E Year
	Q1	Q2	Q3	Q4	Year			
Sales	80	126	224	328	758	3,050	7,800	20,000
Cost of Sales	(2)	(4)	(7)	(10)	(23)	(153)	(390)	(1,000)
Gross Margin	78	122	217	318	735	2,897	7,410	19,000
Gross Margin (%)	98%	97%	97%	97%	97%	95%	95%	95%
Development Expense	(97)	(104)	(118)	(138)	(457)	(809)	(1,079)	(1,798)
Direct Customer Service	0	(14)	(14)	(19)	(47)	(186)	(247)	(495)
Marketing	(51)	(42)	(51)	(70)	(214)	(1,869)	(3,092)	(6,784)
SG&A	(76)	(121)	(152)	(209)	(558)	(2,014)	(3,457)	(5,683)
Operating Income	(146)	(158)	(118)	(118)	(539)	(1,981)	(465)	4,240
Interest Income/(Expense)	1	0	(1)	(1)	(0)	(79)	(19)	170
Net Income	(145)	(158)	(118)	(118)	(539)	(2,059)	(484)	4,410

Spotfire historic and projected profit and loss statement

000s of \$	1997					1998E Year	1999E Year	2000E Year
	Q1	Q2	Q3	Q4	Year			
Opening Balance	255	128	3,257	3,091	255	2,984	3,034	2,376
Net Income	(145)	(158)	(118)	(118)	(539)	(2,059)	(484)	4,409
Depreciation	9	11	12	12	44	72	85	123
Cash from Operations	(136)	(147)	(106)	(106)	(495)	(1,987)	(399)	4,532
Change in Working Capital	9	43	(60)	13	4	131	(146)	(443)
Purchase of Fixed Assets	—	(28)	—	(14)	(42)	(72)	(91)	(182)
Change in Borrowings	—	261	—	—	261	(22)	(22)	(22)
Other Sources/Uses	—	3,000	—	—	3,000	2,000	—	—
Closing Balance	128	3,257	3,091	2,984	2,984	3,034	2,376	6,261

Spotfire historic and projected statement of cash flows