

# **New Dot Spot**

## **4 Cost Factors of 4 Different Software Projects**

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This is a free excerpt from the book, “What’s Next? Everything I wish startup founders knew about the software development lifecycle” by Michael Borthwick

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# The 4 Cost Factors of Software Projects

The biggest cost factor to account for when building software is to determine the type of project you're building. There are 4 different types of software projects and 3 other factors to consider when trying to determine the cost of your startup. Let's take a look at a summary of the 4 factors first and then show how they are all connected.

## The 4 Factors

### 1. Type of Project

- a. Prototype
- b. Minimum Viable Product
- c. Internal Production Software (IPS)
- d. Scalable Commodity Software (aka SaaS)

### 2. Clarity

- a. How much experience do you have?
- b. How well do you understand your customer needs?
- c. Is the technology capable?

### 3. Change

- a. How often are you going to change existing functionality?
- b. How often are you going to add new functionality?
- c. How fast are you growing?

### 4. Risk

- a. Is this a brand new solution? (Disruption)
- b. Are users prepared for your product?
- c. Have you tested it with real users?
- d. How many assumptions are you making / have proven?

## 1. Prototypes

<p><b>Cost Range:</b> \$5,000 - \$99,000</p> <p><b>Clarity:</b> Low</p> <p><b>Change:</b> Chaotic and constant</p> <p><b>Risk:</b> Very High</p>	<p>Prototypes have a specific purpose and it's not to make money. If you're considering a prototype it's because you've gone through the discovery process with New Dot Spot or you've done it on your own and you have identified a technical uncertainty. Basically, if you don't know if the technology can do what you want it to do, you should build a prototype and find out.</p> <p>I said prototypes aren't about making money, but they do have a very high value. Nothing protects investment quite like a prototype. Prototypes are purpose built to defend investment where high levels of uncertainty exist. This is why investors always ask about a prototype. Have you done your utmost to mitigate risk? Here at New Dot Spot, we love to battle risk. We've done it for so long, we can usually answer your questions in our initial meeting. We can identify the technical uncertainty in our discovery process and work quickly to produce a prototype that proves if it can (or can't) be done. We love the challenge.</p>
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## 2. Minimum Viable Products

<p><b>Cost Range:</b> \$25,000 to \$500,000</p> <p><b>Clarity:</b> Medium</p> <p><b>Change:</b> Planned, managed</p> <p><b>Risk:</b> High to Medium</p>	<p>Prototypes test hardware and software. MVP's test business models and customers. If you have an idea and you want to find out if people will actually buy it, use it, adopt it, or like it - you should build an MVP. An MVP can be built rather quickly and for low cost, but it doesn't last out there very long.</p> <p>At some point you will need to build your full IPS (Internal Production Software) and scale up. <b>New Dot Spot specializes in this area</b> and focuses on usability, testability and employs a highly specialized software development lifecycle to help you develop the healthy problem of not being able to scale fast enough. The kind of problem investors are looking to solve.</p>
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### 3. Internal Production Software (IPS)

<p><b>Cost Range:</b> \$100,000 - \$1,000,000</p> <p><b>Clarity:</b> High</p> <p><b>Change:</b> Slow, well planned and executed</p> <p><b>Risk:</b> Medium to Low</p>	<p>Internal production software is software that is custom built to handle the needs of staff internal to a company. This may also include client access to some degree, but the focus is on service to “internal clients”.</p> <p>IPS is custom built to scale to the size of the organization and their capacity for growth over 5 years. This software is constantly under development and commonly built by a team internal to the company.</p>
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### 4. Scalable Commodity Software (SCS)

<p>Cost Range: \$500,000 - \$500,000,000+</p> <p>Clarity: Extremely High</p> <p>Change: Very slow</p> <p>Risk: Low.</p>	<p>Scalable commodity software is a service offered to the Internet at large. It is intended to handle billions of users. MVP's will be (hopefully) replaced by SCS once the business gains traction and scaling begins.</p> <p>SCS is under slow and constant development by large teams of highly specialized developers. You'll often see companies refer to this as their version 2.0.</p>
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