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DYNAMIC COMMUNITIES: PLOTTING A NEW COURSE[1]

The single most powerful force in the universe is people helping people in community!

Janet Lampert, CEO of Dynamic Communities, Inc. looked out her office window watching the spring thaw in the snow-covered fields of Fargo, North Dakota. She had a serious dilemma. Dynamic Communities was only a 15-year-old company and she thought it might have already traversed a complete business cycle toward obsolescence. Could it be that technological and societal advancements had caught up so quickly that it threatened the company's critical revenue streams?

Dynamic Communities was founded as a simple software user group focused on information sharing across companies using Microsoft Axapta (an Enterprise Resource Planning (ERP) software product). Companies would join in membership, paying an annual membership fee, to allow its employees access to the programs and features of the community. Employees from member companies would leverage the group for increasing their competency in the software and, hopefully, increasing the return on the software investment for their company. In the beginning, the peer-to-peer sharing consisted of monthly unstructured conference calls. As time went on, the programs evolved to a wide range of features from online aspects, such as interactive discussion forums and downloadable content libraries, to in-person events, which included training courses, certifications, and large-scale conferences. The market responded favorably since these features were much more than the typical software user group. During the first 12 years, the company introduced more communities based on a central learning topic using the same model of charging members an annual fee to join.

Over the years, technology evolved, YouTube was introduced, and pervasiveness of Social Media and websites prevailed. It became easier and easier to replicate many of the original learning features that made membership in a Dynamic Communities User Group exclusive. Persons could find this type of highly specialized information just by working the search engines. No longer could Dynamic Communities simply put online content behind a firewall and expect members to pay to access it. This was eroding the revenue stream coming from membership fees.

Fees from membership made up about 19% of total annual revenue for the company. A portion of the pie that was once steadily increasing, had flattened over the past 2 years and was losing pace with the growth in the other revenue streams. Lampert thought out loud, "We have to make some decisions as a company on future pricing strategies and product mix. Things would have to change now, or the downhill slide will continue. That would make for a very cold Fargo winter next year!"

The Muddy Waters

There were several extenuating circumstances that were going through Lampert's head.

Microsoft Influence

As a partner to Microsoft, there was often pressure put on Dynamic Communities toward Microsoft's strategy. Lampert considered it a good problem to have and would take the occasional pressure that distracted her from her own strategy in exchange for the trusted partner status that Dynamic Communities enjoyed. Plus, she was skilled at the balancing act given that she had spent years as a Microsoft employee in a former career stop.

Microsoft was focused on market share growth with their software products. They saw the communities built by Dynamic Communities as a helpful enabler for their customers. They preferred to have as few barriers to engagement as possible for their customers and often saw membership fees in the User Group that might be an extra toll to their customers and influence adoption decisions. Particularly with the newer communities around the Microsoft Power Platform, there was pressure to avoid membership fees and gather as many members as possible. Microsoft offered some financing to overcome the loss of revenue, but it was not sufficient to replace all the revenue that would be circumvented. At the end of the day, everyone understood it was Dynamic Communities' decision and not Microsoft's but keeping harmony in the partnership was of paramount importance.

Private Equity Investors

Dynamic Communities had just brought on growth capital through a private equity (PE) investment partner one year ago. The PE bought 71% of the founder's stock and now had controlling interest in the company. The PE firm was largely chosen due to cultural alignment and Lampert enjoyed the value they brought to the company. Having said that, the fundamental role of a PE firm is to maximize return on investment. This was taking some getting used to for Lampert. The timeframes for results were compressed compared to the laissez-faire attitude of the entrepreneurial founder. She knew that any strategy needed to show positive financial results in a three-to-five-year timeframe.

Executive Team

Lampert's executive team had recently had some shuffling (See Exhibit 14). Much of the responsibility for developing the member benefits and features would have fallen on the Vice President of Membership. That role had responsibility for both the member benefits as well as driving membership. Lampert had made the decision a few months ago to split that role into two:

- The Vice President of Membership would take on all sales and business development tasks with the objective of driving membership growth.
- A new role would be introduced called the Vice President of Education to take all of the member benefits including all educational programs and content development.

However, both of those roles were currently vacant and looking to be filled. The prior Vice President of Membership role who had responsibility for both areas was occupied by Wallace Jefferies. He did a good job overseeing that division, but his true passion was systems and technology. During this shuffle, Lampert had moved Jefferies laterally into a new CIO role overseeing internal and external systems. She

empowered him to be ready to alter the corporate systems infrastructure to be ready for the new membership model(s) pending.

Additionally, Lampert had decided to concentrate growth in Europe by dedicating an executive there. The acknowledgement that the cultural differences across Europe needed a full-time staff and appointed an experienced Managing Director based there. She had hired an accomplished professional from Belgium who knew the industry well. He showed much promise but had only been with Dynamic Communities for 30 days and had yet to build out his European team.

To make matters worse, the new Private Equity partner had put pressure on Lampert to upgrade the CFO position. The prior CFO lacked some technical skills to sufficiently oversee the covenants put into place with the new equity and debt relationships and was asked to resign. The new CFO had been hired but had not started yet.

Retirement

Lampert had her eye on retirement. Although she was still full of professional energy, her career had been good to her and put retirement within financial reach at her young age. She had hoped to retire within 5 years when the decision was made to bring the PE investment on. The PE firm, having full faith in her, asked her to stay on as CEO. She agreed setting expectations for retirement that would probably coincide with the exit of the PE firm at a transaction somewhere in the 4-6 year timeframe. She didn't have a length of time contract; however, she was not the kind of person who would go back on her word.

Peer-to-Peer Learning Communities

The founder of Dynamic Communities coined the name "Peer-to-peer Learning Community." A peer-to-peer learning community (PPLC) is a broad category that describes groups of people who come together for a common purpose and bring value and learning to one and other. PPLC's are found everywhere and come in a lot of forms.

Origins

Etienne Wenger (Wegner, 1998) produced a seminal work when he wrote his book *Communities of Practice*. As pointed out in a review of Wegner's book by Graven and Lerman, "the primary unit of analysis is neither the individual nor social institutions but 'communities of practice'. A conceptual framework for analysing learning as social participation." (Graven and Lerman, 2003, pg. 187). Graven and Lerman go on to explain that Wenger's (1998, p. 4) work is based on four premises:

1. A central aspect of learning is that people are social beings;
2. Knowledge is about competence with respect to 'valued enterprises';
3. Knowing is about active engagement in the world;
4. Meaning is ultimately what learning produces.

Humans are social beings and that the gaining and sharing knowledge brings value to the members of the community. The knowledge leads to active engagement and meaning to oneself. The concept of learning from one's peers has been observed in many cases to have more positive results than a receiving traditional training from an expert. (Groff, 2018)

Amidst the debate of learning theories in the 1950s and 1960s, Albert Bandura (Bandura, 1977) developed the Social Learning Theory (Kretchmar, 2017, pg 1). Bandura believed learning could take place all at once, without any practice or reinforcement whatsoever, simply by observing other people (Crain, 2000).

PPLC 101

PPLCs are prevalent and can form organically without much influence. They also are proactively formed to achieve stated goals as well. Common examples of PPLCs include any setting where peers learn from each other: software user groups to book clubs; college honors dormitories to prison programs; "naval quartermasters to participants in Alcoholics Anonymous." (Groff, 2018, pg. 1)

To achieve an effective PPLC, first a community must be assembled. Regardless of the value of the learning to an individual, their sense of belonging to the community will make engaging easier. A community must have four elements: *Membership* - a feeling of belonging; *Influence* - a belief that you can make a difference to the group; *Fulfillment of Needs* – a trust that a members needs will be met by the group; and *Shared Experiences* – a history of events, time together, places, and other experiences that are common among the group. (McMillan and Chavis, 1986, pg. 9).

Although the type of PPLC will favor some features over another, they share some common ones. Each of these features should strive, either directly or indirectly, to achieve the four elements of community mentioned above. Common features include:

- Charter, definition, or statement of purpose – Why the group exists? What is the common interest that brings members together?
- Inter-member communication tool – A communication tool that allows *business of the group* messaging to reach members.
- Calendar – A schedule of events and happenings.
- Member Directory – a listing of contact information for members to find each other.
- Knowledge Base – a communication tool that allows members to exchange knowledge and, where appropriate, capture and document the knowledge.
- Meetings and Events – particularly important in PPLCs that tend to be virtual in nature, a much lauded feature is for people to get physically together occasionally to exchange knowledge and share experiences.
- Governance – Leadership representing the constituents that can guide the group and its programs.
- Feedback Mechanism – A method for input from members to be collected, collated, and acted upon to allow the group to evolve and improve to best meet its members' needs.

Discussing a Knowledge Base in a bit more depth, it is important that a few elements are designed into an online database application. Features such as rule-based expert systems, version indication and control, natural language interfaces, and search are among the elements that promote usage of a knowledge base among members of the PPLC. (Jarke, 1989).

Technology as an enabler of PPLCs

It is worth re-iterating that technology today makes it very easy to maintain PPLCs in a virtual setting. Web-based tools allow for the communication and knowledge sharing to occur without members ever being geographically in proximity to each other. Just because you can, does not mean it is optimal. In fact, relying solely on asynchronous, virtual communication has its drawbacks. Referring back to four

elements necessary to assemble a community (McMillan and Chavis, 1986), asynchronous, virtual-only groups risk missing the human elements. (Gunawardena, 1995). In fact, online, asynchronous communication scenarios can't assume that members will interact socially just because the online tool allows interaction. (Kreijns, 2003). Therefore, meetings and events play an important role in optimizing the PPLC through face-to-face and social interaction.

Through research and survey of a widespread sample of members across various PPLCs, it will be possible to suggest expanding on the common features. Orienting each feature against the four critical elements (Membership, Influence, Fulfillment of Needs, and Shared Experiences) will go further to optimize the effectiveness of the PPLC. (McMillan and Chavis, 1986, pg. 9).

Dynamic Communities as a Business

Background

Dynamic Communities, Inc. was officially founded in 2004. Its roots, however, started before that. In 2002, the founder of Dynamic Communities, Timothy Spratt, was the CIO of The Proud Company, Inc., a mid-sized manufacturing company based in St. Petersburg, Florida. The company was undergoing an ERP implementation and had chosen a software package that had recently been acquired by Microsoft called Axapta. Although a good fit for the functional requirements of The Proud Company, the software was new to the North American market and expertise on the software was scarce. In a typical ERP implementation, consulting firms would be readily available to bring expertise to the implementing company. In this case, The Proud Company was among the first to attempt an implementation project in North America, and there were no experts to be found. Spratt had to be very creative to piece together a lineup of consultants and Axapta veterans from far and wide to add to the implementation team. Interestingly, Axapta had been a popular software product in Iceland several years before it hit North America. One of the team members commuted all the way from Reykjavik!

Fast forward 9 months and Axapta was successfully implemented and live in The Proud Company (*under time and under budget!*). It was at that time, Microsoft, who had been following the implementation due to its early adopter status, invited Spratt to speak at an international conference to tell the Axapta Implementation story. At the conference, Spratt was among four American CIOs who accomplished similar results. Immediately after the session, the four CIOs began sharing more details of their experiences. A small crowd of other CIOs who were still amidst their implementation projects gathered around and listened in. The group (now 10 CIOs) agreed to meet the next morning for breakfast and continue the conversation. It was at that breakfast that each individual realized the power of peer-to-peer information sharing and the *Axapta User Group* was born.

Spratt had raised his hand to be chairman of the group and took on the duties of maintaining the roster of members and arrange for teleconference meetings for more sharing. For the rest of 2003 and the beginning of 2004, Spratt administered the group which grew meteorically to 100 member companies. It was in the spring of 2004 that Spratt, realizing he was gobbling up all his nights and weekends serving his volunteer role as Axapta User Group leader, made the decision to scratch his entrepreneurial itch and quit his day job as CIO to establish Axapta User Group as a real company.

As in most startups, finances were lean for the first year. Spratt tightened his family's belt and poured all resources back into the company. Programs expanded well beyond the monthly teleconference. By 2005,

member benefits now included a website, online discussion forum, weekly training webinars, governance committees, local group meetings, and a major annual conference coming up in October. Representatives from over 100 companies gathered at that annual conference (now called *Summit*). It was there that an executive from Microsoft, observing the success of the knowledge sharing underway, pulled Spratt aside and said, "This is amazing. Do you think you could do this for our other products?" Spratt promptly responded, "Well yes I can!"

Spratt went home and began work on expanding the same model to more software user communities. Given that these new communities would be based on software products other than Axapta, the company was re-incorporated as *Dynamic Communities, Inc*. emphasizing the dynamic and ever rewarding nature of the communities it administered. Over the course of the next 13 years, 10 new communities were introduced (See Exhibit 7) and membership grew to over 240,000 people world-wide (See Exhibit 8).

The Market

The market projections for Dynamic Communities, Inc. largely follows the market growth potential of the technologies from around which a user group is built. Tracking the projections of Microsoft Business Applications product portfolios, it is easy to see that Dynamic Communities has an optimistic horizon on which to grow.

Satya Nadella, CEO of Microsoft, stated in their annual report from 2018, "Commercial cloud business delivered more than $23 billion in revenue, exceeding the ambitious goal set to achieve $20 billion in annualized commercial cloud revenue by the end of fiscal 2018, nine months ahead of schedule. In addition, we expanded our commercial cloud gross margin to 57 percent, up 7 points year-over-year." (Microsoft, 2018)

Since the specific Microsoft data is not publicly available, Dynamic Communities does an annual calculation internally to do an educated guess and extrapolate the growth projections of Microsoft Business Applications which includes flagship lines of ERP, CRM, and Business Analytics products deployed in user groups. By the end of 2019, Dynamic Communities projects Microsoft's revenue attributable to Dynamics to be greater than $4.3 billion with over 290,000 companies using the software worldwide. Lampert says, "We are currently at about 7% of all companies using Dynamics being members of one of our user groups. We believe this translates into a market opportunity of $1.3 billion with plenty of tailwinds. This means all we have to do is execute. There is plenty of market share there to capture." (See Exhibit 5). Lampert continues, "The industry positioning according to Gartner of Microsoft's Power BI gives me even more optimism for our new user groups around the Power Platforms." (See Exhibit 6).

Programs

The features of membership programs were constantly being tweaked but mostly fell into five categories. They included: Discussion Forums; Strategic Content; Networking; Conferences; and Virtual Meetings (See Exhibit 9).

Discussion Forums

Discussion forums are the heart of where peer-to-peer interaction happens. Each group hosts an **Online Portal** for members to ask technical and business questions, share knowledge and experiences, and solve problems for each other. Additionally, face-to-face **Chapter** meetings happen in locales where a critical

mass of members can gather occasionally (often monthly or quarterly) in each other's places of business to carry out similar peer-to-peer knowledge sharing. When a critical mass of members become interested in a unique topic and wish to dive deeper, **Special Interest Groups (SIGs)** get formed. SIGs meet virtually in web meeting formats or face-to-face.

Strategic Content

Information that is specially proctored and aggregated for consumption by the members falls into a category called Strategic Content. Instructor-led **training courses** offered in a classroom or via a distance learning platform are branded the "Academy." Often successful completion of these courses result in certificates or industry-recognized **credentialing**. In addition, the software publishers such as Microsoft often funnel much of their process improvement and feedback (called "**Conduits**") through the user groups. These proctored sessions are invaluable to the publisher and efficient for the user as they can influence the forward direction of their mission critical software. Some of the groups publish quarterly **magazines** to deliver strategic content.

Networking

Often the most value gained by individuals is just by building relationships with other peers. Through online membership directories, interaction in any sub-group, or via social media, individuals find each other. Knowing *who to call about what* is a powerful outcome of active participation in the user groups.

Conferences

Large, medium, and small conferences are organized each year to give members an opportunity to gather and learn in centralized settings. Conferences usually have a registration fee associated with them. They also allow sponsorship to be present at these gatherings. Larger conferences usually happen in convention centers that have room for break-out sessions and large general sessions. "Summit" is the brand of the annual conference that is the largest in each geography with one being held in North America, Europe, and Australia each year. Smaller conferences with more specific content occur several times per year across all regions and topics.

Virtual Meetings

Online educational content is available live and on-demand via webinars, computer-based training, and content libraries. These cover a wide variety of topics.

Revenue Streams

Dynamic Communities Inc. receives revenue from four distinct streams across two B-to-B audiences – *Companies* and *Community Sponsors*. The four revenue streams are: Membership Dues, Event Registration, Training/Credentialing, and Community Sponsorship. The revenue stemming from each B-to-B audience is about 50%/50%. Dynamic Communities derives approximately 50% of revenue from *Companies* seeking to train and educate their employees and the other 50% from *Community Sponsors* who pay for access to these unique community members (See Exhibit 10).

The revenue stream derived from membership fees was the most obviously challenged area. Fees from membership made up about 19% of total annual revenue for the company and was losing pace with the growth in the other revenue streams. One of the new communities (See Exhibit 1), the PowerBI User Group

(PUG), was made up mostly of technical members relative to the typical proportions of job roles in a group (See Exhibit 2). The more technical the audience, the more comfortable they were with performing online research to find information from outside sources. Because of this, PUG had chosen to not charge membership fees and was no cost to join. PUG hoped to make its revenue solely on other common revenue streams: Event Registration; Sponsorship; and Training Academy courses (See Exhibit 4).

Not all the communities were as technical as PUG. Some of the other ones were mostly made up of accountants and other business roles (See Exhibit 2). These populations tended to see value in the aggregation of content. They would pay a membership fee for it being much easier than having to go hunt this information down themselves. But how much? And what membership features would they consider valuable?

Competitive Advantage

CEO Lampert often quips that the biggest competitor to Dynamic Communities is "apathy." What she is alluding to is that Dynamic Communities had no natural competitors, however, an obvious constrictor to growth is a prospective member company culture's hesitance to change, disinterest in learning, and indifference to optimizing their business processes and systems. In a word, "apathy." The price points to join were a tiny percentage of most company's IT budgets (See Exhibit 11). So there were very few barriers to entry and participation.

Microsoft looked to Dynamic Communities as their go-to partner for developing software communities. However, there were others that tried to get in the game. Every now and then a small user group would pop up, but it was usually a marketing tactic by a value-added reseller or consulting company disguised to sell their services to participants. They never lasted long.

Although Dynamic Communities was formed as a for-profit company, it took great care to run the communities in such a way that it felt like an association to those who were members. All governance was done by members. Committees were formed to allow members to volunteer for everything from strategic direction to writing articles for the magazine. "For Users by Users" was the moniker which manifested itself in content and proceedings that were always introduced and executed by members. This peer-to-peer knowledge sharing was pervasive in everything the group does. Because of this, the educational quality was deemed as very strong. It was coming from in-the-trenches practitioners and not from text book instructors. This is the hallmark of the Dynamic Communities advantage.

The competitive advantage for paid membership was eroding. Revenue growth from membership fees had been flat over the last two years. This was due to the advancements in technology and social media. Dynamic Communities educational content was highly curated and put behind a membership firewall which was accessible only by paid members. Given the ease of discovering similar content on Youtube and other sites, the competitive advantage of this aspect was going away.

Technology Primer

Dynamic Communities builds their PPLC's around technology. The company focuses on business software applications, specifically Enterprise Resource Planning (ERP), Constituent Relationship Management (CRM), Human Capital Management (HCM) and Business Intelligence/Analytics (BI). Although these four software categories were distinct and instrumental in the growth of Dynamic Communities, the definition of software categories - or more accurately, what business functions are

included in each software category – are evolving. Functions like accounting, ordering, purchasing, manufacturing, and distribution used to be the prime modules in an ERP system. Functions that were more customer facing such as customer communication tracking and sales forecasting were categorized in a CRM system. Human resources was addressed in a limited way by most ERP systems, but over the last decade or so, the HCM category of software emerged to include all aspects of HR such as recruiting, retention, evaluation, training, benefits, and payroll.

The evolution of systems and how a business desires to look at their data holistically has caused all these categories to merge. In fact, Microsoft has adjusted their marketing and naming convention to a single brand (Microsoft Dynamics 365) to include all business functions in their software portfolio. Dynamic Communities has adjusted too adding a layer on top of the old ERP and CRM communities for companies who think of the systems holistically. The older groups specifically for ERP and CRM are still maintained given that some companies are still using only the specific technology associated with one of those categories. It is not clear what naming convention for the myriad of software categories will emerge or if it even matters. Most businesses now think about systems holistically even though their processes may be delivered disparately. Given that, the industry is moving toward software that provides automation for a specific part of the business, then integrates each part and rolls them up into a broad portfolio.

With this philosophy of specialized applications that all work together, it became very important to businesses to be able to glean information out of the disparate types of data that was being collected from each process. The advent of the *Business Intelligence* (BI) or *Business Analytics* category of software emerged.

Enterprise Resource Planning (ERP)

In 2004, when Dynamic Communities was founded, the ERP class of software was central to the industry. Greatly influenced by the Y2K dilemma, corporations around the world had been replacing their older systems to modern versions. The market was dominated by a few major players including SAP, J.D. Edwards, Oracle, and PeopleSoft. There were many, many more. Although they all attempted to differentiate themselves greatly, they all essentially served the same purpose. That was to automate the "back office" portions of a business including:

- Accounting
    - General Ledger
    - Accounts Payable
    - Accounts Receivable
- Budgeting and Forecasting
- Sales Order Entry
- Purchasing
- Manufacturing
- Distribution
- Warehousing
- Human Resources

Constituent Relationship Management (CRM)

Sometimes called *Customer Relationship Management*, CRM was a class of software focused outside of the organization (Customers, Suppliers, etc.). Microsoft developed its CRM product called *Microsoft*

CRM and then rebranded to *Microsoft Dynamics CRM*. It was originally developed to be an on-premise software deployment, meaning the software was purchased and installed on a customer's own servers. *Microsoft Dynamic CRM* was being outpaced in the marketplace by *Salesforce*, a fierce competitor. *Salesforce's* deployment method was in the cloud, meaning the software resided with the publisher and customers purchased subscriptions for use of the software. Microsoft pivoted to push *Microsoft Dynamics CRM* to the cloud and, at the time of the writing of this case, was finally catching up with *Saleforce's* market share. CRM software is basically designed to boost communication and tracking of a company's external constituents, especially customers. It does that broadly by automating:

- Sales
- Marketing
- Customer Service/Call Center
- Field Service

Business Intelligence (BI)/Business Analytics

The BI category of software basically provides tools to turn loads of digital data into information that can be easily consumed by humans. The BI tools provide help for:

- Retrieving data from one or more databases
- Collating the data and finding relationships
- Categorizing and reporting the summarized data
- Pushing the data in easy to understand forms to personnel who can make decisions based on the information

Microsoft Technology User Groups

The vast majority of Dynamic Community's success has been centered around Microsoft's business application software packages (Microsoft, 2019). Although constantly evolving, the communities created and administered typically have a focus area that allows professionals from various parts of the business to find value.

Dynamic Communities originally built and/or administered user group communities around four Microsoft ERP and one CRM software products. Each of these software products were acquired or built by Microsoft and had their distinction within the ERP and CRM categories. The communities evolved to match the evolving technology and member demographics. Later, Microsoft encouraged Dynamic Communities to establish communities around their Business Intelligence (BI)/Business Analytics platforms. Details of each of the User Groups are included in an exhibit below (See Exhibit 12).

Non-Microsoft Communities

Dynamic Communities uses the best-practice principals for forming and supporting communities for purposes outside of Microsoft technologies. And in some cases, outside of technology completely. Details of each of the non-Microsoft User Groups are included in an exhibit below (See Exhibit 13).

Plotting the New Course

Lampert always relied on customer input and planned on surveying the membership over these issues as well. But what were the questions to pose in the survey? She could not just leave open-ended questions on a comprehensive survey. She had to structure the survey in such a way to return actionable feedback from the masses. At the same time, she also had to be careful not to sound too vague and damage consumer confidence.

Whichever path was to be taken, Lampert knew the company had the ability to pilot new programs in one or two communities to gauge results before rolling it out to the entire company. Which communities would be best representative of the entire story? She knew she would need to tailor the plan to the unique personalities and demographics per community.

Lampert needed to assemble the decision makers and the creative thinkers to ponder the best route to take. She organized her thoughts into these directional buckets:

- #1. Use current mode with better features. *Should the company replicate the current model with just more and better features?* Perhaps this was really a Product Mix case. She could equip the survey with the ability for the responder to prioritize a list of features and benefits of membership. Who would come up with the universe of new features to vote on? She also knew that did not address pricing. In a highly subjective situation where people are ranking where they find value, the price to pay for access to their favorites still needed to be solved.

- #2. Change membership fee strategy. *Should membership fees be dropped making it be free to join and then just try to upsell once members are in?* "Freemium" – Is a term she used for this decision path. What exactly does that mean? Can other revenue streams make up for the loss in membership revenue? And what were the other premium features in which members would invest? If it were free or near free, she pondered what greater numbers of would join. Perhaps this would have an impact on boosting sponsorship with way more eyeballs in the communities.

- #3. Combination strategy. *Could a combination of product mix change with pricing strategy change be the right way to go?* Could new membership features justify the charging of a membership fee in some groups but not in others?

- #4. Consider other group models. *What other models for joining a group are out there?* Dynamic Communities had no direct competitive groups. Maybe there were other groups that could give examples of other models. What is she not thinking of? What novel approaches have other associations and communities taken?

Lampert knew the future of the company was largely riding on this decision. Regardless of the direction, significant change needed to be made from the current situation.

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Biography

Andy Hafer has spent his career in technology. The first part of his career was in corporate IT. He has been a serial entrepreneur for latter half. He founded and currently serves as Executive Chairman on the Board of Directors of DCE Productions, a full-service virtual and in-place event services company. DCE brings high-quality event production, videography, and other digital features to corporate, social, and philanthropic events. He is also Co-founder of Synapse, a 501(c)(3) nonprofit organization that guides Florida's innovation communities to help accelerate success and drive economic growth. He helped establish Inclusion Lives Here program - the organization's commitment to diversity and inclusion. He continues to serve in an advisory capacity and on their board. He received his Doctor of Business Administration degree from the University of South Florida.

Exhibit 1: Logo Listing of Communities as of 2019

Source: Dynamic Communities Inc. Internal Documents

Exhibit 2: Job Roles as a Percentage of Total Membership

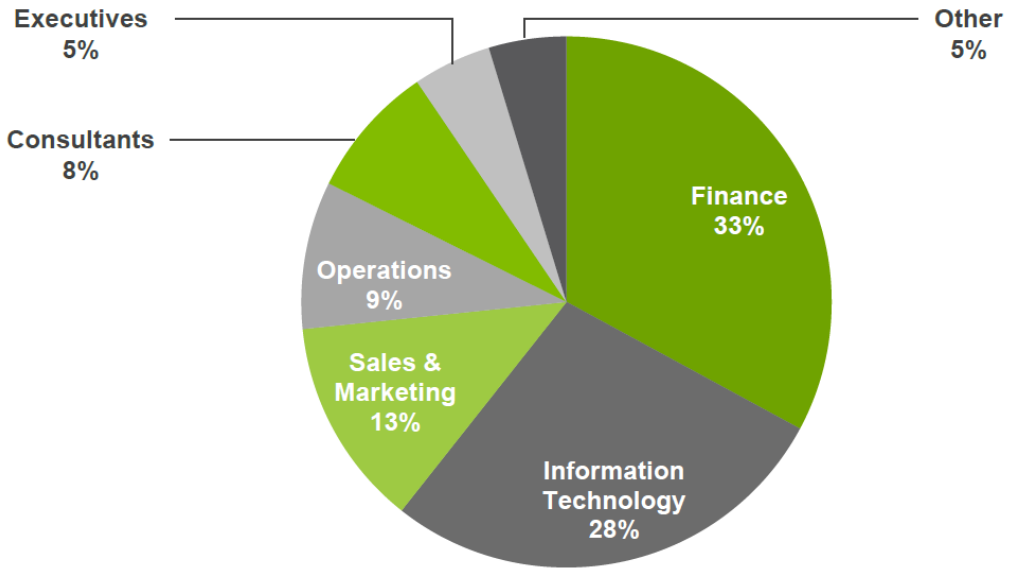
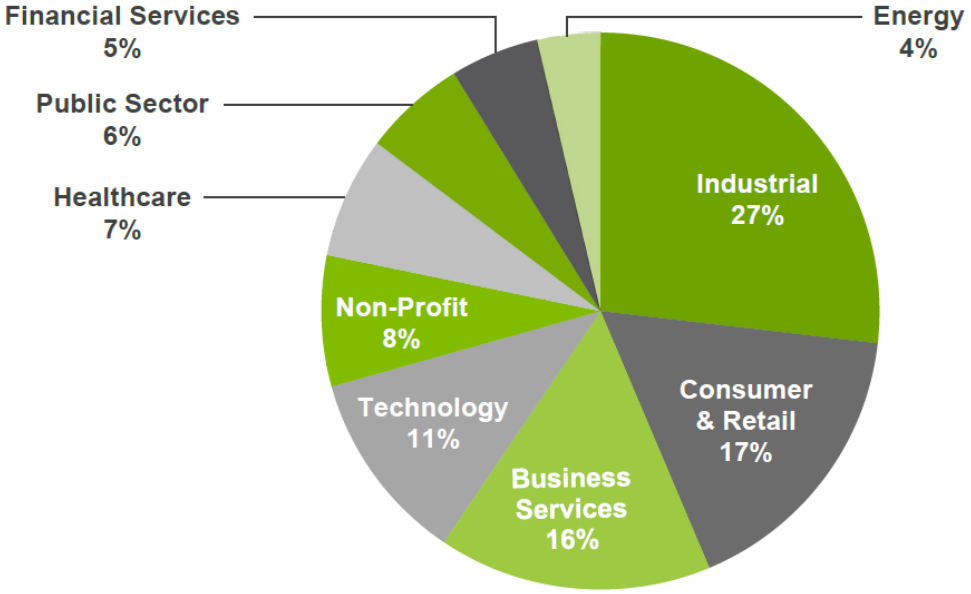
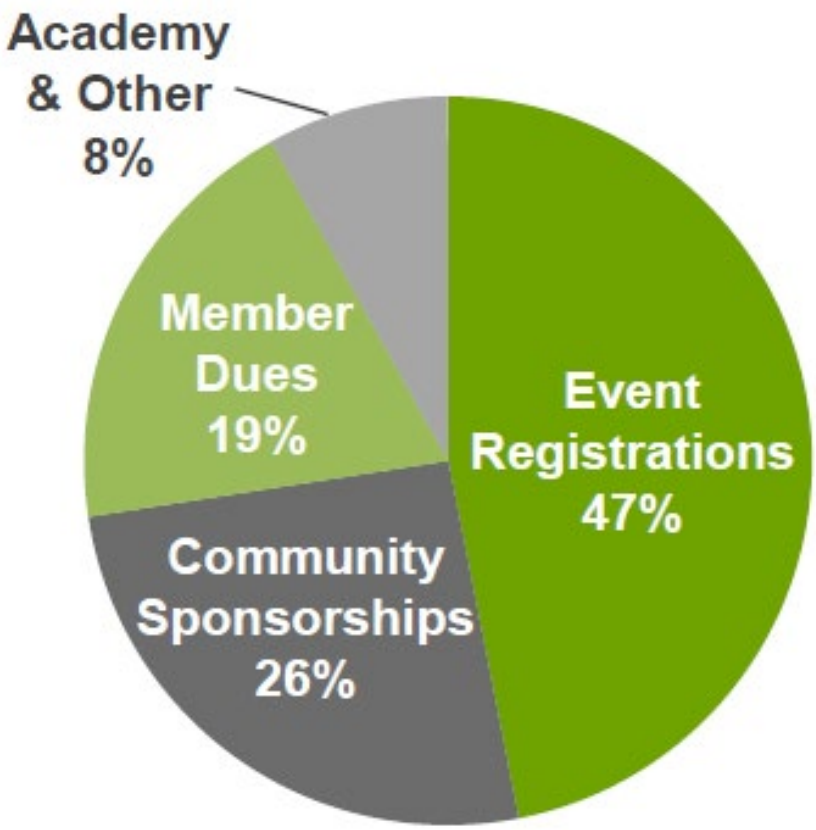


Exhibit 3: Industries Represented across Communities



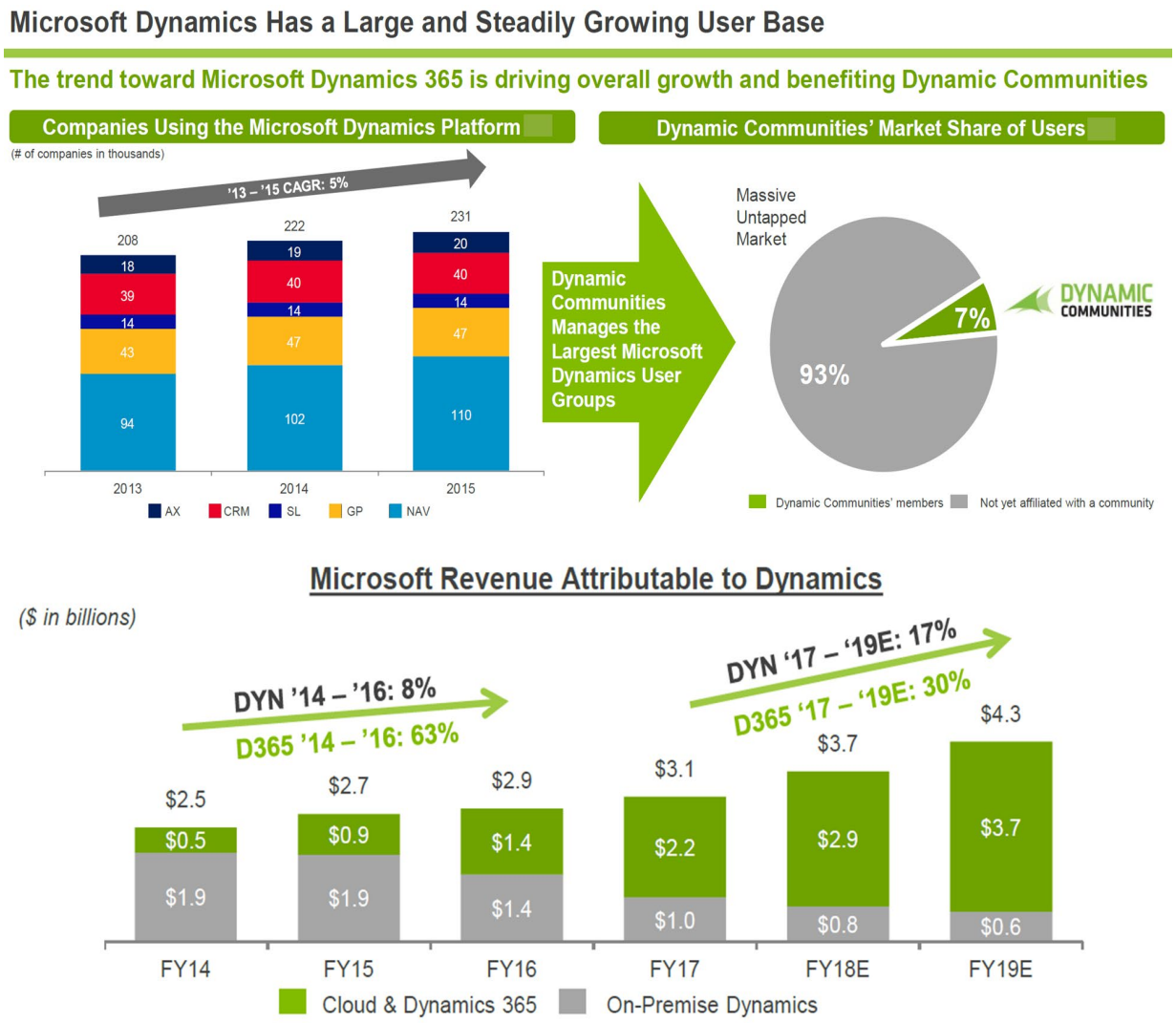
Source: Dynamic Communities Inc. Internal Data

Exhibit 4: Revenue Streams – Percentage by Type



Source: Dynamic Communities Inc. Internal Data

Exhibit 5: Market Projections – Microsoft Dynamics



Source: Dynamic Communities Inc. company documents 2017-2018

Source

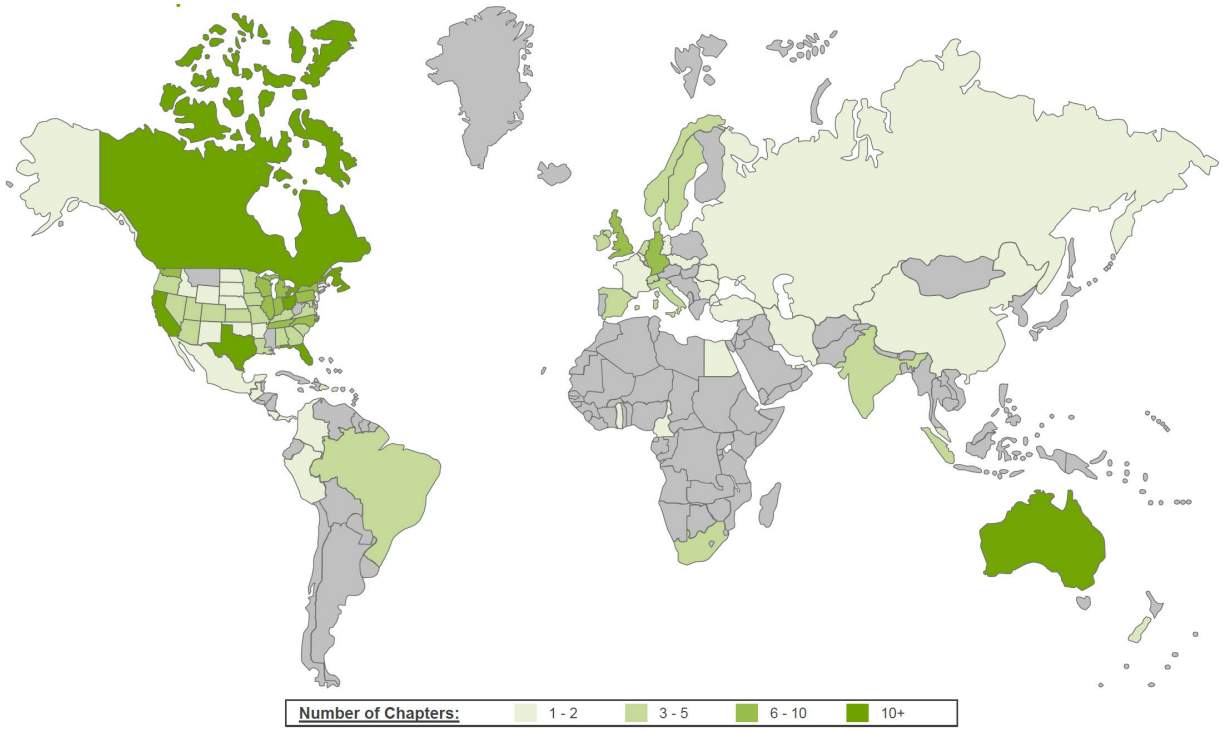
Exhibit 6: Gartner's Magic Quadrants for Business Intelligence and Analytics

Source: Gartner. (2018). Gartner Magic Quadrants Business Analytics. Retrieved 07/01/2018 from https://www.gartner.com/en

Exhibit 7: Community Growth Timeline (Through 2018)

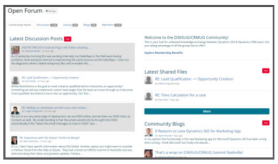
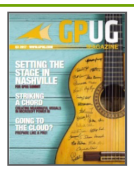
Source: Dynamic Communities Inc. Internal Documents

Exhibit 8: Worldwide Presence



Source: Dynamic Communities Inc. Internal Data

Exhibit 9: Features of Membership

Type	Overview	Examples
Discussion Forums	▪ Members share knowledge / ideas, post questions and get responses from peers in the community ▪ Over 80,000 discussions since inception ▪ Previous discussions are saved in the library for future reference ▪ 31,259 discussion posts and 96,495 open forum participants from June 2016 to June 2017 across the AXUG, CRMUG, GPUG and NAVUG communities	
Content Blogs and Articles	▪ Member blogs are short online articles for company members and Community Sponsors to share ideas, tips and tricks as well as announce and recap events ▪ Product blogs are used to post product updates and related topics ▪ Users are able to search by keyword and title or browse by date, rating and popularity of post ▪ Members have the ability to comment on posts and further engage on the topic with the writer and other users	
Magazines	▪ Published 3-4 times per year for AXUG, CRMUG, GPUG and NAVUG – Hard copies distributed to Premium Members at no additional cost; electronic versions available to General Members on the website ▪ Issues focus on new features of Microsoft Dynamics, tips and tricks and issues that impact members and their firms ▪ Premium and General Members volunteer to write articles, tips and tricks, or volunteer testimonials	 
Webinars	▪ Free webinars were added as an additional platform to increase knowledge, competency and confidence of members with their technology systems and business applications ▪ All live training webinars are recorded and saved to the On-Demand site, giving members access to hundreds of recordings – General Members have access to ~20% of recorded webinars ▪ Premium Members can browse webinar recordings by job role, topic, industry, product / environment and difficulty level	

Source: Dynamic Communities Inc. Internal Documents

Exhibit 10: Dynamic Communities Revenue Stream Discussion

The Company derives 50% of revenue from companies seeking to train and educate employees and 50% from Community Sponsors who pay for access to these unique communities / users

Companies

Who
- Companies pay for employees to attend events, to have access to premium community content and to attend training / credentialing courses

Why
- Highly cost-effective training and education for employees
- Employees leverage peer expertise to develop technical skills related to software optimization and implementation

Revenue Streams

	2017E Revenue	% of Total
Event Registration Fees	$6.4M	32%
Premium Membership Dues	$2.4M	12%
Training Courses & Credentialing	$1.3M	6%

Community Sponsors

Who
- Vendors of software and services including VARs, ISVs and Consulting Firms

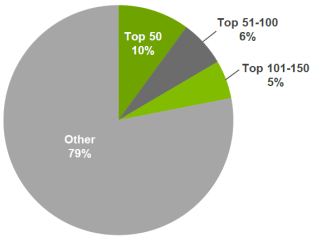
Why
- High density marketing opportunities with potential customers
- Wealth of market and product intelligence

Revenue Streams

	2017E Revenue	% of Total
Community Sponsorship Fees	$5.1M	26%
Event Registration Fees	$3.0M	15%
Premium Membership Dues	$1.4M	7%
Training Courses & Credentialing	$0.4M	2%

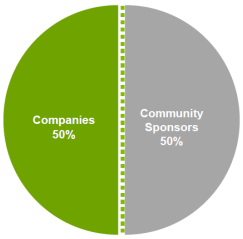
2017E Revenue by Companies

Top 50 Companies: 10%



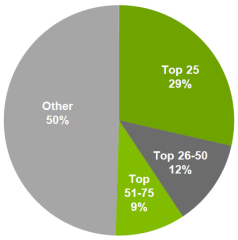
Revenue Contribution

2017E Revenue: $20.0M



2017E Revenue by Community Sponsors

Top 25 Community Sponsors: 29%



Source: Dynamic Communities Inc. Internal Data

Exhibit 11: Membership Pricing

Premium Annual Membership fees represent ~19% of 2017E revenue

Type		Overview	Pricing
Premium Members	Company Members	▪ Unlimited access to discussion forums, virtual trainings, strategic content and professional networking ▪ Discounted conference registrations ▪ Pricing varies by number of Microsoft Dynamics licenses owned by the member: – Small Business – 1 to 9 licenses – Middle Market – 10 to 99 licenses – Large Enterprise – 100+ licenses	$400 - $1,500 Annually
	Community Sponsor Members	▪ Build skills, strengthen their brand, uncover revenue opportunities and increase customer satisfaction by being an engaged member ▪ Community Sponsor Members receive discounts on exhibitor booths and community sponsorships	$2,500 – $5,000 Annually
Microsoft Members		▪ Enjoy all the benefits of the community, including a vast array of opportunities to network and engage with users of each product	FREE
General Members		▪ Receive e-newsletter with product information and community updates ▪ Receive introductory access to limited discussion forums and trainings	FREE

Source: Dynamic Communities Inc. Internal Documents

Exhibit 12: Microsoft User Groups

AXUG

AXUG was focused on companies using *Axapta*, a product purchased by Microsoft in 2002 through an acquisition of Navision Software who had acquired Axapta earlier through a Danish company called Damgaard. Microsoft positioned *Axapta* to focus on larger clients in the Enterprise space. It also had significant functionality for manufacturing and distribution so was heavily marketed to those industries. *Axapta* was rebranded to *Microsoft Dynamics AX* and eventually to *Microsoft Dynamics 365 for Finance and Operations.*

NAVUG

NAVUG was focused on companies using *Navision*. *Navision* become part of Microsoft's ERP portfolio along with *Axapta* in 2002 through the acquisition of Navision Software. Navision was positioned to the small and medium size business (SMB) segment of the market. It also touted high fitness for international company due to its many localization modules. *Navision* was rebranded to *Microsoft Dynamics NAV*.

GPUG

GPUG was the community for companies using *Great Plains Software* which was acquired by Microsoft in 2001. *Great Plains Software* was quickly rebranded to *Microsoft Dynamics GP* after acquisition and is commonly referred to as simply "GP." GP was the market leader in the U.S. SMB accounting software space. It's hallmarks were that it was relatively simple to use and implement and focused on domestic accounting in the U.S. Although it had modules outside of accounting, the vast majority of its customers were using it simply for GL, AP, and AR. Because of that GPUG was largely made up of accounting professionals in the community.

DSLUG

DSLUG served companies using *Solomon*. *Solomon* became part of Microsoft when they acquired Great Plains software in 2001 who had acquired Solomon Software just one year prior. *Solomon* was rebranded as *Microsoft Dynamics SL* and was focused on the SMB market. It had had strong accounting functionality that was unique to the professional services industry or companies that typically billed by the hour. Because of that, the DSLUG community members largely came from accounting departments of companies in the professional services industry.

CRMUG

CRMUG was formed to cater to the customers using Microsoft Dynamic CRM. The types of personnel who tended to become members of CRMUG are Sales, Marketing, Customer Service, and the IT people who administered the system. *Microsoft Dynamics CRM* is marketed across all businesses included SMB and Enterprise. It was rebranded as *Microsoft Dynamics 365 for Customer Engagement.*

D365UG

D365UG was formed when Dynamics AX and Dynamics CRM were rebranded and merged to become *Microsoft Dynamics 365*. The predecessor groups, AXUG and CRMUG still exist to accommodate companies who still run the earlier versions of software in their companies. Although the group co-mingles personnel across the business, you can still see the distinct

disciplines that they come from. Therefore, content deployed for members of D365UG still gets delivered catering to distinct job roles such as accounting, manufacturing, sales, marketing, etc.

BCUG

BCUG was formed when Microsoft introduced a new software into the marketplace called *Microsoft Dynamics 365 – Business Central.* It's basically a slimmed down concept aimed at the SMB market based on it's bigger cousin *Microsoft Dynamics 365*. Having said that, the code base comes directly from *Microsoft Dynamic NAV*. So although it is marketed as being a middle market version of Dynamics 365, it's altogether different. This is a new product in the market place, so the community is still being established, but it's make-up looks a lot like NAVUG full of mid-market accounts, operations personnel, and IT professionals.

PUG

Microsoft introduced a fast-growing Business Intelligence software product called *Power BI*. It has quickly become one of the market leaders. PUG was formed to bring together anyone interested in learning more about Business Analytics and specifically users of *Power BI*. The make-up of the group tends to be more technical analyst.

Power Platform UG

Microsoft introduced two new software products that help automate Business Analytics and workflow in a business: *PowerApps* and *Microsoft Flow*. These are two different products and are used for two different things. *PowerApps* is used to create simple applications for desktop and mobile use. *Microsoft Flow* is an engine that helps route information around to various users in a workflow format. These products along with PowerBI are often used together. With this in mind, the PUG and Power Platform UG communities' activities are co-mingled. The resources of these communities are used by members of other Dynamic Communities groups as well.

Source: Dynamic Communities Inc. Internal Documents

Exhibit 13: Non-Microsoft User Groups

Doctor Connect

Doctor Connect is a community built for the healthcare industry to focus on electronic medical record systems users. The community is mostly doctor's office administrators and medical records professionals. The community was established on a narrow view of users and is not thriving. It is in the process of being closed to make way for a new community (or communities) established with a stronger scope.

Channel Marketing Alliance

The Channel Marketing Alliance (CMA) is a group formed for sharing knowledge among marketing professionals of technology firms. Members mostly come from one or more of the other Dynamic Communities groups. The content is highly specialized for marketers and is system agnostic.

Executive Council

The Executive Council is a group formed for sharing knowledge among executive peers. Members mostly come from one or more of the other Dynamic Communities groups. The content is highly specialized for executives and is mostly system agnostic but often the conversations go toward strategic topics involving certain software packages.

Source: Dynamic Communities Inc. Internal Documents

Exhibit 14: Dynamic Communities Executive Org Diagram and CEO Biography

Source: Dynamic Communities Inc. Internal Documents

Janet Lampert

Janet Lampert is the CEO of Dynamic Communities. She joined Dynamic Communities in 2011 as the Program Director for CRMUG. She advanced through the executive ranks holding the positions of Director of Member Services then President/COO before being promoted to the CEO in early 2018. Prior to Dynamic Communities, Janet was the VP of Sales and Marketing at Protech and VP of Sales at Encore. Earlier in her career, Janet served for 17 years at Great Plains Software ending as the General Manager. Great Plains Software was acquired by Microsoft in 2001 and became a basis for Microsoft's Business Applications strategy. Janet earned a B.A. in Psychology from North Dakota State University.